



**ANNUAL REPORT**  
**INVESTMENT FRIENDS SE**  
**INCLUDING FINANCIAL STATEMENTS**  
**AND**  
**THE REPORT ON ACTIVITY**  
**AS AT 30 JUNE 2020**  
**FOR THE PERIOD SINCE 01.01.2019 TILL 30.06.2020**  
**PREPARED IN ACCORDANCE WITH**  
**INTERNATIONAL FINANCIAL REPORTING STANDARDS**

**Tallinn, 02/11/2020**

**Investment Friends SE**

Harju maakond, Tallinn, Kesklinna linnaosa, Tornimäe tn 5, 10145, Estonia

Registry code: 14617862

Email: [info@ifsa.pl](mailto:info@ifsa.pl)

## **INVESTMENT FRIENDS SE GENERAL INFORMATION**

Business name: **INVESTMENT FRIENDS SE**

Registry code: 14617862

Address: Harju maakond, Tallinn, Kesklinna linnaosa, Tornimäe tn 5, 10145

E-posti aadress: info@ifsa.pl

Website: www.ifsa.pl

Reporting period: 01/01/2019 - 30/06/2020

Auditor: Number RT OÜ, Eve Leppik, license no: 230

Members of the Supervisory Board:

Wojciech Hetkowski

Jacek Koralewski

Małgorzata Patrowicz

Anna Kajkowska

Members of the Management Board:

Agnieszka Gujgo

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## I. SELECTED FINANCIAL DATA

Selected financial data	YEAR	YEAR
	01.01.2019 30.06.2020 EUR thous	01.01.2018 31.12.2018 EUR thous
Revenues from sales products, interest, goods and materials from continuing operations	207	181
Profit (loss) from operating activity on continuing activity	-58	34
Pre-tax profit (loss) on continuing activity	190	8
Net profit (loss)	190	8
<b>Net cash flow on operating activity</b>	<b>-58</b>	<b>-132</b>
<b>Net cash flow on investment activity</b>	<b>58</b>	<b>0</b>
<b>Change in cash and cash equivalents</b>	<b>0</b>	<b>-132</b>
Assets total	2 573	2 496
Short-term liabilities	49	95
Equity	2 524	2 401
Share capital	3 240	3 240
Weighted average diluted number of shares (in pcs.)	9 000 000	9 000 000
Profit (loss) per share on continuing activity ( EUR)	0,03	0,00
Profit (loss) per share ( EURO)	0,03	0,00
Book value per share (EURO)	0,28	0,27

Rules for conversion of the basic items of the Financial Statement into EURO.

Selected financial data presented in the financial statements were converted into EURO in the following way:

- balance-sheet items are converted at the exchange rate quoted by the European Central Bank applicable as at the balance sheet date:

on 30 June 2020 1 EUR = 4,4560

on 31 December 2018 1 EUR = 4,3014

- Items of the income statement and the statement of cash flow are converted at the rate based on the arithmetic mean of average rates determined by the European Central Bank on the last day of each month in the period since 1 January 2019 till 30 June 2020:

in the period since 1 January 2019 till 30 June 2020 1 EUR = 4,3447

in the period since 1 January 2018 till 31 December 2018 1 EUR = 4,2335

## II. GENERAL INFORMATION ABOUT THE ISSUER

Name of the Issuer: Investment Friends SE  
Seat: Harju maakond, Tallinn, Kesklinna linnaosa,  
Tornimäe tn 5, 10145 Estonia

### *Business activity according to the Estonian Business Classification:*

Since 30.11.2018 the main business activity of the Company according to EMTAK classification is „Activities of holding companies” - EMTAK no. 64201.

### *Registry Court of the Company:*

Since 01.12.2018 the Company has been entered in Tartu County Court Registration Department, registry code: 14617862.

### *Share capital of the Company:*

Share capital of the Company amounts to EUR 3.240.000,00 (three million two hundred and forty thousand EURO 00/100) and is divided into 9.000.000 shares (in words: nine million) without nominal.

### *Financial year:*

On 31.05.2019 the relevant for Estonian law Commercial Register (Ariregister) registered the change of the financial year in accordance to the Resolution no. 2 of Extraordinary General Meeting of Shareholders of 17.05.2019.  
Therefore, the Company's financial year begins on July 1 and ends on June 30.

### *Composition of the Supervisory Board:*

In the reporting period, the composition of the Issuer's Supervisory Board was as follows:

1.	Damian Patrowicz	Chairman of the Supervisory Board	Appointment of 27/04/2017 for the next term resignation 25.04.2018 appointment 30.05.2018 resignation 11.01.2019
2.	Małgorzata Patrowicz	Secretary of the Supervisory Board	Appointment of 27/04/2017 for the next term resignation 25.04.2018 appointment 30.05.2018
3.	Anna Kajkowska	Member of the Supervisory Board	Appointment of 27/04/2017 for the next term

4.	Jacek Koralewski	Member of the Supervisory Board	Appointment of 27/04/2017 for the next term
5.	Wojcieh Hetkowski	Member of the Supervisory Board	Appointment of 27/04/2017 for the next term

*Composition of the Management Board:*

In the reporting period, the composition of the Issuer's Management Board was as follows:

Agnieszka Gujgo - Chairman of the Management Board

### **III. LETTER OF THE MANAGEMENT BOARD**

*Dear Sirs! Dear Shareholders, Clients and Partners!*

*On behalf of the Management Board of Investment Friends SE, I am pleased to present you the Annual Report for the period since 01.01.2019 till 30.06.2020 that is the summary of all significant economic events which have occurred in the Company's activity, as well as significant for the Company events which took place after the end of the financial year.*

*In the period presented in this Report, the Company runs its activity in financial service activities by providing non-consumer cash loans. The main strategic goals of the Company for the next years are to stabilize the position of the Company in areas where Investment Friends SE already offers its financial services, striving to meet the ever-growing requirements of clients and achieving positive financial results that will meet the expectations of our Shareholders.*

*I invite you to familiarize with this Report. At the same time, I would like to thank all the Shareholders for the trust they have placed in the Company by investing in its shares and all the Contractors wishing for further, mutually fruitful cooperation.*

*Yours faithfully;*

*Agnieszka Gujgo*

*Chairman of the Management Board*

#### **IV. REPORT OF THE MANAGEMENT BOARD**

##### **The main areas of activity, product and service groups. Information concerning the existence of branches of the accounting entity registered in a foreign state.**

The company's main activity is financial activity, including loan service activities. The Company conducts homogeneous activity consisting of providing other financial services. In the reporting period, a decisive role in the structure of revenues obtained by the Issuer is occupied by interest and commission income on loans granted. Due to the nature of the activity, there are no sources of supply for goods and materials.

Due to the Company's main activity in the field of financial services in the scope of granting cash loans to business entities, more important investments made by the Company during the reporting period, were related to loans granted, which were described in point 4 of the Annual Financial Statement for the period 01.01.2019-30.06.2020. In the near future, the Company intends to continue its main loan activity, so the Management Board assesses that any future significant investments will also be implemented in this area.

##### **Impact of coronavirus COVID-19 pandemic on the Issuer's activity.**

The Management Board of Investment Friends SE with regard to the statement of the European Securities and Market Authorities "ESMA" hereby informs that currently they do not notice any significant effects connected with influence of coronavirus COVID-19 on current activity of the Issuer.

The Issuer undertakes actions aiming at minimalization of the danger for the employees and collaborators related to the spread of the coronavirus COVID-19.

At the current pandemic stadium, the Issuer observes if it could significantly influence financial markets. The Issuer monitors the situation related to maintaining effects of the spread of coronavirus COVID-19 and assesses influence of the pandemic on the Issuer's activity.

As at the date of publication of the report, because of dynamic changes of conditions, the Issuer's Management Board is not able to clearly specify the influence of the virus' spread on the Company's activity, financial results and perspectives of development in the further periods.

In case of occurrence of significant events having influence on the financial results and economic position of the Issuer, the Management Board will inform about it in separate current reports, immediately after such an event take place.

##### ***Significant projects in the field of research and development and the related expenditure in the accounting year and the following years.***

The Company has not realized any projects in the field of research and development, and therefore has no expenses made in this area.

##### ***General (macroeconomic) development of the activities environment of the accounting entity and the impact of such development on its financial performance.***

The Company conducts financial activities, in particular related to granting cash loans to business entities, most often from the micro and small enterprises sector. The company sees the

development potential in the field of providing financial services for this type of entities and consistently intends to continue its business in this segment.

***Financial instruments financial risk management objectives and policies and risks related to changes in foreign exchange rates, interest rates and stock exchange rates which have occurred during the financial year or during the period of preparation of the report.***

The main types of risk resulted from Company's financial instruments include: interest rate risk, liquidity risk, credit risk and risk related to the financial collateral. The Management Board is responsible for establishing risk management principles in the Company and for supervising its following. The Company's risk management rules aimed at identifying and analysing the risks to which the Company is exposed, determining appropriate limits and controls, and also monitoring risk and adjusting the level of limits matched to it.

***The main financial ratios concerning the financial year and the preceding financial year, and the methods for calculating the ratios.***

As at the balance sheet date the balance of the Company's equity meets the requirements of the Estonian Commercial Code.

***If an accounting entity has acquired or taken as security its own shares during the financial year, the following items that have been acquired or taken as security shall be provided in the management report as transferred and not transferred.***

Till the date of publication of the financial report for the period covered by the report, i.e. since 01.01.2019 till 30.06.2020 the Issuer have not owned any own shares.

***The structure of the share capital, including the securities, trading in which on the regulated securities market of Contracting States is not permitted and, where possible, also data on the different classes of shares, the rights and obligations related to each class of security and their percentage in the share capital of the company.***

As at 31 December 2018 the share capital of the Company was 3 240 000 (three million two hundred forty thousand) euro and it is divided into 9 000 000 shares without nominal value. All shares of the Company are of one type and give shareholders the same rights, each share gives one vote at the general meeting.

In the period covered by this report, the Company's share capital hasn't been changed. Number of shares in the share capital has not been changed as well.

As at 30 June 2020 the share capital of the Company was 3 240 000 (three million two hundred forty thousand) euro and it is divided into 9 000 000 shares without nominal value. All shares of the Company are of one type and give shareholders the same rights, each share gives one vote at the general meeting

From all shares of Investment Friends SE as at 30.06.2020, 5.922.750 of shares that consists of 65,81% of all shares, were listed on the Warsaw Stock Exchange, segment "the main market".

***All restrictions, as provided by the articles of association, on the transfer of securities, including restrictions on ownership in securities or the need to obtain agreement from the company or other owners of securities.***



The Company's Article of Association does not pose any restrictions on transfer, ownership of securities or the need to obtain consent of the company or other shareholders.

***All restrictions on transfer of securities known to the company as provided by contracts between the company and its shareholders, or contracts between the shareholders.***

The Company has not got knowledge about any restrictions on transfer of securities resulting from contracts between shareholders, and the Issuer has not concluded this kind of agreements.

### **Qualifying holding pursuant to the provisions of § 9 of the Securities Market Act**

#### ***Shareholding structure as at 30.06.2020***

No.	Shareholder	Number of shares	% of shares	Number of votes	% of votes
1	PATRO INVEST OÜ (indirectly Damian Patrowicz )	3 077 250	34.19	3 077 250	34.19
	total	9 000 000	100	9 000 000	100

#### ***Shareholding structure as at the date of publication of the report, i.e. 02.11. 2020***

No.	Shareholder	Number of shares	% of shares	Number of votes	% of votes
1	PATRO INVEST OÜ (indirectly Damian Patrowicz )	4 777 950	53,09	4 777 950	53,09
	total	9 000 000	100	9 000 000	100

#### ***Owners of shares granting specific powers of audit, and a description of their powers.***

None of shareholders has not got specified powers.

***All restrictions and agreements relating to voting rights, and whether preferred shares have voting rights, including the restriction of voting rights by a certain percentage of the holding or a certain number of votes, the terms set for the use of the voting rights or systems in which the monetary rights related to the securities and ownership of the securities have been separated from each other in cooperation with the company.***

According to the Issuer's knowledge, any contracts regarding voting rights do not exist.

***Provisions and rules for the election, appointment, resignation and removal of the members of the management board of the company established by legislation.***

There are general rules regarding election, appointment, resignation and dismissal of members of the management board of the company established by the Estonian Commercial Code, especially § 308, § 309 and others. The V part of the Company's Article of Association includes the rules similar to the general rules of the Commercial Code. Information with description of the management and supervising bodies, their composition and organisation of their work are described in the Corporate Governance Report in the VI chapter (it is included in this annual report).

***Provisions and rules for amendment of the articles of association of the company established by legislation.***

This information is included in the Corporate Governance Report, chapter XI (included in this annual report).

***Authorization of the members of the management board of the company, including the authorization to issue and repurchase shares.***

In the period since 01.01.2019 till 20.06.2020 the Management Board has not been authorized to issue or repurchase of shares.

***Agreements between the Company and its management board or employees which provide compensations on the case of a takeover provided in chapter 19 of the Securities Market Act.***

The Issuer has not concluded this kind of agreements.

***All-important agreements to which the company is a party and which enter into force, are amended or terminated in the case where, as a result of a takeover bid pursuant to the provisions of chapter 19 of the securities market act, another person gains the qualifying holding in the company, and the effect of such agreements unless, due to the nature thereof, their disclosure would result in significant damage to the company.***

The Issuer has not concluded this kind of agreements.

***Description of basic economic and financial values disclosed in the annual financial statements as well as description of factors and the most important events, including events of unusual characteristics, having significant influence on the company's operating and gained profits or sustained losses in the financial year***

In the reporting period the Company noted:

- gross profit on sale in the amount of EUR 207 thousand
- profit on operating activity in the amount of EUR 225 thousand
- revenues on sale of products in the amount of EUR 207 thousand
- net profit/loss in the amount of EUR 190 thousand
- financial revenues in the amount of EUR 50 thousand,
- general management cost in the reporting period in the amount of EUR 27 thousand.

In the reporting period, the Company obtained revenues mainly from its financial service activity, i.e. interest on loans granted and interest on funds deposited on bank accounts and deposits.

The Management Board proposes to allocate the profit for the financial year 2019 amounting to EUR 190 thous. for covering the loss from previous years.

***List of the most important events in the reporting period:***

**- on January 2, 2019 in the current report no. 2/2019 the Issuer made the information on decision about the choice of Parent State public.**

Investment Friends SE informed that, being obliged pursuant to art. 2 of directive 2004/109/EC of the European Parliament and Council of 15 December 2004 – in accordance with the amendments of directive 2013/50/EU European Parliament and Council of 22 October 2013 and § 1844 para. 1 of the Estonian Securities Market Act, that selects a Contracting State as the Parent State of the Republic of Estonia. In relation to that, the Republic of Poland is a Contracting Host Country.

Investment Friends SE was registered in the Estonian Commercial Register on November 30, 2018 under registration number: 14617862 with the official address Harju county, Tallinn, City Centre district, Narva Road 5, 10117, Estonia.

**- on February 1, 2019 with the current report no. 4/2019 the Issuer published an information on repayment of the part of the loan capital by the Borrower.**

The Management Board of Investment Friends SE registered with reference to current report no. 67/2017 of October 26, 2017 and current report no. 43/2018 of October 5, 2018 informed that on 01/02/2019 the Borrower Company Patro Invest Sp. z o.o. made an earlier repayment of the part of the loan capital in the amount of EUR 67 32 (PLN 300 000). The Issuer informed that in accordance with provisions of the Loan Agreement, the Borrower was entitled to earlier entire or partly repayment of the capital of the granted loan. The Loan repayment date was set for October 25, 2019.

**- on March 8, 2019 with the current no. 6/2019 the Issuer published a statement convening the Extraordinary General Meeting of Shareholders.**

The Management Board of Investment Friends SE announced the convening Extraordinary General Meeting on 05/04/2019 with following agenda:

- Approval of the audit company to audit the Company's financial statements for 2018, 2019 and to evaluate the Company's annual reports for 2018, 2019.

**- on March 15, 2019 with current report no. 7/2019 the Issuer published the information on signing the annex to the Loan Agreement.**

The Management Board of Investment Friends SE informed that on 15/03/2019 they signed the annex to the Loan Agreement concluded on 26/10/2017 with PATRO INVEST Sp. z o.o. about signing which, the Company informed in the current report ESPI no. 67/2017 of October 26, 2017. In virtue of annex of 15/03/2019 amount of Loan was decreased by EUR 89 766 (PLN 400 000). Additional amount of Loan was paid for the Patro Invest Sp. z o.o. account on the day of signing the annex i.e. 15/03/2019. In relation to signing th annex on 15/03/2019 total amount of the loan paid to Patro Invest Sp. z o.o. is EUR 583 482(PLN 2 600 000). The interest rate on loan was determined as 5,2 % per year. Interest will be paid with the refund of the loan.

The repayment of the Loan was secured by the Borrower with blank bill with declaration to the Issuer. The agreement was not concluded with reservation of condition or date. clause or date. The Issuer is entitled to demand of full amount refund immediately in a case of a poor financial status of the Borrower.

The Issuer also informed that between the Issuer and the Company PATRO INVEST Sp. z o.o. are personal and capital connections. The Chairman of the Management Board of PATRO INVEST Sp. z o.o. at the same time is in the Supervisory Board of the Issuer.

**- on April 1, 2019 with the current report no. 7/2019 the Issuer published an information on a significant Agreement.**

On 01/04/2019 there was realized a security, to which the Issuer was entitled and which was prescribed in the Agreement of Guarantee of the Loan granted to the Borrower TOP MARKA S.A., about signing of which, the Issuer informed by the current report no. 17/2018 on April 18, 2018. On April 18, 2018 the Issuer concluded with Fon SE previously named Fon S.A. Guarantee Agreement of the other part of claims being result of the Loan Agreement of 07/11/2014 concluded with TOP MARKA S.A. to amount of EUR 132 405 (PLN 590.000) if the Issuer fails to satisfy all of the Issuer's claims from TOP MARKA S.A which result from the Loan Agreement of 07/11/2014. 1

On 01/04/2019 there was a transfer of EUR 132 405 (PLN 590 000) from Fon SE to the Issuer's bank account in the virtue of the payment for the Guarantee Agreement.

**- on April 1, 2019 with the current report no. 9/2019 the Issuer published information on signing the preliminary Agreement of a debt assignment.**

On 01/04/2019 the Management Board concluded with the natural person (hereafter Cessionary) preliminary the Debt Assignment Agreement, the subject of which is transfer for the Cessionary liability package consisting of the Loan granted to the Company Top Marka S.A. with registered office in Poznań on November 7, 2014 along with owned securities, about granting of which the Issuer informed in the current report no. 141/2014. Term of the loan refund of November 7, 2014 passed on March 31, 2016.

Total value of the active debt (capital + interests) is EUR 301 456 (PLN 1 343 288) while purchase price was EUR 85 053 (PLN 379 000).

The Agreement has been concluded on the condition suspending the entire payment of the price by the Cessionary to the Assigner not later than by July 31, 2019.

**- on May 14, 2019 in the current report no. 21/2019 the Issuer informed about signing the annex to the Loan Agreement.**

The Management Board of Investment Friends SE informed that on 14/05/2019 they signed the Annex to the Loan agreement concluded on 26/10/2017 with PATRO INVEST Sp. z o.o. in Płock, about signing which, the Company informed in the current report ESPI no. 67/2017 of October 26, 2017. By virtue of the Annex of 14/05/2019 value of the Loan was increased by EUR 56104 (PLN 250 000) The additional Loan amount was paid to the Patro Invest Sp. z o.o. Company's account on the date of signing the annex i.e. 14/05/2019. Due to the signing of the annex on 14/05/2019 the total value of the Loan paid to the Patro Invest Sp. z o.o. Company is EUR 819 120 (PLN 3 650 000).

The interest rate of the Loan was set at 5,2% per year. Interests will be paid with the refund of the Loan amount. The Loan repayment was secured by the Borrower by issuing the blank promissory note and declaration to the Issuer. The Agreement has been not concluded with

reservation of the condition or time limit. The Issuer is entitled to demand full refund of the Loan, immediately in a case of a poor financial situation of the Borrower.

**- on May 23, 2019 in the current report no. 25/2019 the Issuer informed about signing the annex of Loan Agreement.**

The Management Board of Investment Friends SE informed that on 23/05/2019 they signed an annex to Loan Agreement concluded on 26/10/2017 with z PATRO INVEST Sp. z o.o. in Płock, about signing of which, the Company informed in the current report ESPI no. 67/2017 of October 26, 2017. By virtue of the Annex of 23/05/2019 value of the Loan was increased by EUR 56104 (PLN 250 000). The additional Loan amount was paid to Patro Invest Sp. z o.o. Company's account on the date of signing of the annex i.e. 23/05/2019. Due to the signing of the annex on 23.05.2019 the total value of the Loan paid to the Patro Invest Sp. z o.o. is EUR 875 224 (PLN 3 900 000).

The interest rate of the Loan was set as 5,2 % per year. Interests will be paid with the refund of the Loan amount. The Loan repayment was secured by the Borrower by issuing the blank promissory note and declaration to the Issuer. The Agreement has not been concluded with reservation of any condition or time limit. The Issuer is entitled to demand full refund of the Loan, immediately in a case of a poor financial situation of the Borrower.

The Issuer also informed that between the Issuer and PATRO INVEST Sp. z o.o. Company there are personal and capital connections. The Chairman of the Management Board of PATRO INVEST Sp. z o.o. at the same time fulfils the function in the Supervisory Board of the Issuer.

**- on May 31, 2019 in the current report no. 28/2019 the Issuer informed about registration of the change of the financial year.**

The Management Board of Investment Friends SE with registered Office in Tallinn, informed that on 31/05/2019 relevant for Estonian law Commercial Register (Ariregister) registered the change of the financial year in accordance to the Resolution no. 2 of Extraordinary General Meeting of Shareholders of 17/05/2019 (continued after the break announced on 09/05/2019) In relation to this, the Company's financial year begins on July 1 and ends on June 30.

At the same time, with the registration of change of the Company's financial year, relevant to the Estonian Law Register registered the amendment of the Article of Association.

**- On June 5 2019 in the current report no. 29/2019 the Issuer published information on the change of the company's address.**

The Management Board of a Company Investment Friends SE informed, that on 05/06/2019 relevant to the law of Estonia registered the transfer of the registered office of the Issuer to Estonia. In view of the above, the Issuer indicated that the current headquarter of the Company is: Harju maakond, Tallinn, Kesklinna linnaosa, Tornimäe tn 5, 10145

**- On June 17, 2019 in the current report no. 32/2019 the Issuer informed about payoff the part of the capital by the borrower**

The Management Board of Investment Friends SE with registered office in Tallinn with reference to the current report no. 67/2017 of October 26 2017 informed, that on 17/06/2019 the Borrower Patro Invest Sp. z o.o. made a premature repayment of part of the loan capital in the amount of EUR 269 299 (PLN 1 200 000).

The Issuer informed that in accordance with the provisions of the Loan Agreement, the

Borrower was entitled to premature repayment of all or a part of the capital of the loan granted. The loan repayment date was set for October 25, 2019.

**- On June 17, 2019 in the current report no. 33/2019 the Issuer informed about concluding a loan Agreement.**

The Management Board of Investment SE informed, that on 17/06/2019, it granted Patro Invest OÜ loan in amount of EUR 314 183 (PLN 1 400 000,00). The Loan Agreement of 17/06/2019 was concluded until 30/06/2020.

The interest rate on the loan was set at 5.00% per year the interest will be paid together with the refund of the loan amount. The repayment of the loan was secured by the borrower by issuing a blank promissory note with a declaration to the Issuer. The Agreement has not been concluded with restriction of a condition or a time limit. The Issuer is entitled to demand the full return of the loan amount immediately when the financial standing of the Borrower is weakened.

**- on June 18 2019 in the current report no. nr 34/2019 the Issuer informed about the earlier repayment of the loan by the borrower**

The Management Board of Investment Friends SE in connection with the current report no. 67/2017 of October 26, 2017 informed, that on 18/06/2019 the Borrower Patro Invest Sp. z o.o. repaid the loan granted by the Issuer.

The Company Patro Invest Sp. z o.o. repaid the capital of the loan in the amount of EUR 594 703 (PLN 2 650 000).

The Issuer informed that in accordance with the provisions of the Loan Agreement, the Borrower was entitled to early repayment of all or a part of the capital of the loan granted. The loan repayment date was set for October 25, 2019.

The Issuer informed that between the Issuer and the company PATRO INVEST Sp. z o.o. there are personal and capital connections. President of the Board PATRO INVEST Sp. z o.o. at the same time is a member of the Issuer's Supervisory Board.

**- on June 18, 2019 in the current report no. 35/2019 the Issuer informed about signed the annex to the Loan Agreement.**

The Management Board of Investment Friends SE in connection with the current report no. 33/2019 of 17/06/2019 informed, that on 18/06/2019 it signed an annex to the Loan Agreement concluded on 17/06/2019 with Patro Invest OÜ.

By virtue of the annex of 18/06/2019 the loan amount was increased by EURO 594 703 (PLN 2 650 000). The additional loan amount was paid into the account of Patro Invest OÜ on the day of signing the annex, i.e. on 18/06/2019. Due to the signing of the annex on 18/06/2019, the total amount of the loan paid to Patro Invest OÜ is EURO 908 886 (PLN 4,050,000). The interest rate on the loan was set at 5.00% per year. Interest will be paid together with repayment of the Loan amount. Repayment of the Loan was secured by the Borrower by issuing a blank promissory note with a declaration to the Issuer. The Agreement has not been concluded with restriction of a condition or a time limit. The Issuer is entitled to demand the full return of the loan amount immediately when the financial standing of the Borrower is weakened.

**- On June 25, 2019 in the current report no. 36/2019 the Issuer informed about signing an Agreement of cession of receivables.**

The Management Board of Investment Friends SE hereinafter „Cessor” informed that in reference to the current report no. 9/2019 of 01/04/2019 of 25/06/2019 concluded with the natural person hereinafter „Cessionary” a definitive assignment agreement, subject of which is transferring for the Cessionary the debt package consisting of a loan granted to the Company Top Marka S.A. with registered office in Poznań on November 7, 2014 with the collateral, the granting of which the Issuer informed in current report no. 141/2014. The Loan repayment of November 7, 2014 date was March 31, 2016.

The total nominal value of the debt (capital + interest) is EUR 301456 (PLN 1 343 288) and the sale price was EURO 84 586 (PLN 376 915).

**- On June 27, 2019 in the current report no. 37/2019 the Issuer informed about the receipt of a notification of the concluding of a Debt assumption Agreement.**

The Management Board of Investment Friends SE informed, that on 27/06/2019 the Company received a notification from Elkop SE with registered office in Płock, informing that on 27/06/2019 Elkop SE concluded with FON Zarządzanie Nieruchomościami Sp. z o.o. with registered office in Płock an agreement on the assumption of the Company’s FON Zarządzanie Nieruchomościami debt for Investment Friends SE with registered office in Tallinn, Estonia, resulting from a cash loan granted on 24/04/2018 in the amount of (PLN 6.957.600) EUR 1 511763.

At the same time, the Issuer has informed that it has not yet consented to the above-mentioned assumption of debt and therefore responsibility to the Issuer in virtue of the Loan Agreement of 24/04/2018 burdened jointly and severally FON Zarządzanie Nieruchomościami with registered office in Płock and Elkop SE with registered office in Płock. The Issuer indicates that all collateral granted to the Company in virtue of the loan agreement of 24.04.2018 remain valid.

**- on September 18, 2019 in the current report no. 40/2019 the Issuer published an information regarding signing the annex to the loan agreement.**

The Management Board of Investment Friends SE with regard to the current report no. 33/2019 of 17/06.2019 and the current report no. 35/2019 of 18/06/2019, informed that on 18/09/2019 the Issuer concluded an Annex to the loan agreement of 17/06/2019 with Patro Invest OÜ.

Under provisions of the Annex of 18/09/2019 the amount of the loan was increased by PLN 70.000. Additional amount of the loan was paid to the bank account of Patro Invest OÜ at the date of the annex signing, i.e. 18/09/2019. Therefore, the total amount of the loan that have been paid to Patro Invest OÜ is EUR 924 596 (PLN 4.120.000). Established interest rate for the loan is 5,0% per year. Interest shall be paid along with repayment of the loan amount. Repayment of the loan is secured by the Borrower by issuance of a blank promissory note and a promissory note declaration for the Issuer. The agreement has no reservations concerning any conditions or deadlines. The Issuer is entitled to demand repayment of the total amount of the loan in case of unstable financial situation of the Borrower.

**- on December 11, 2019 in the current report no 43/2019 the Issuer published information on giving consent to take over the debt.**

Investment Friends SE agreed today to take over the debt of FON Zarządzanie Nieruchomościami Sp. z o.o. of 27/06/2019 towards Investment Friends SE due to the cash loan granted on 24/04/2018 in the total amount of EUR 1 561 400 (PLN 6.957.600) and the balance of debt under the described loan as on 27/06/2019 the statements total EUR 1 5117 ( PLN 6 736 4) by ELKOP Spółka Europejska (KRS No. 0000782225).

**-on May 13, 2020 in the current report no 11/2020 the Issuer published information about the early repayment of a part of the loan's principal by the Borrower.**

The Management Board of Investment Friends SE with regard to the current report no 43/2019 of December 11, 2019 and the current report no 19/2018 of April 2, 2018 informed that the Borrower Elkop SE headquartered in Płock (KRS number 0000782225) made an early repayment of a part of the principal of the loan borrowed by FON Zarządzanie Nieruchomościami Sp. z o. o. from Investment Friends SE, which has been taken over by ELKOP SE on June 29, 2019. The amount of repaid on 13/05/2020 principal is EUR 350 146 PLN 1.560.253. The debt balance due to described loan as at June 27, 2019 was EUR 1511 763 PLN 6.736.416 The Loan Agreement of 24/04/2018 was concluded for the period till 24/04/2021.

**-on June 9, 2020 in the current report no 14/2020 the Issuer published information about the early repayment of a part of the loan by the Borrower**

The Management Board of Investment Friends SE with regard to the current report no 43/2019 of December 11, 2019 and the current report no 19/2018 of April 2, 2018 and the current report no 11/2020 of May 13, 2020 informs that the Borrower Elkop SE headquartered in Płock (KRS number 0000782225) made an early repayment of a part of the loan borrowed by FON Zarządzanie Nieruchomościami Sp. z o. o. from Investment Friends SE. The amount repaid on 09/06/2020 is EUR 897 66 PLN 4.000.000. The debt balance due to described loan as at the date of its takeover, i.e. June 27, 2019 was EUR 1511 763 (PLN 6.736.41) The Loan Agreement of 24/04/2018 was concluded for the period till 24/04/2021.

**- on June 9, 2020 in the current report no 15/2020 the Issuer published information about conclusion of a loan agreement**

The Management Board of Investment SE informed that on 09/06/2020 the Company granted a loan amounting to EUR 1 500 000 for Damar Patro UU (Ariregister number 14494537). According to the concluded agreement, the Lender undertook to transfer the total amount of the loan to the Borrower's bank account until 15/06/2020. The loan agreement was concluded for the period till 30/06/2023. Interest on the loan was agreed as 2,5% per year. Instalments of the loan shall be paid in six-month periods. The first instalment shall be paid till 31/12/2020. Repayment of the loan was secured by the Borrower by issuance a blank promissory note with a declaration for the Issuer. The loan was concluded with no reservations concerning any condition or deadline. The Issuer has a right to demand an early repayment of the entire loan immediately in case of poor financial situation of the Borrower.

**- on June 16, 2020 in the current report no 16/2020 the Issuer published information about the early repayment of a part of the loan by the Borrower**

The Management Board of Investment Friends SE with regard to the current report no 43/2019 of December 11, 2019 and the current report no 19/2018 of April 2, 2018, the current report no 11/2020 of May 13, 2020 and the current report no 14/2020 of June 9, 2020 informed that the Borrower ELKOP SE headquartered in Płock (KRS number 0000782225) made an early repayment of the entire loan borrowed by FON Zarządzanie Nieruchomościami Sp. z o. o. from Investment Friends SE and taken over by ELKOP SE on June 27, 2019. The loan agreement of April 24, 2018 was concluded for the period till April 24, 2021.



**- on June 16, 2020 in the current report no 17/2020 the Issuer published information about conclusion of an annex to the loan agreement**

Under provisions of the Annex of 16/06/2020 the amount of the loan was increased by EUR 220 000 Additional amount of the loan was paid to the bank account of Damar Patro UÜ at the date of the annex signing, i.e. 16/06/2020. Considering the concluded annex of 16/06/2020 the total amount of the loan paid out to Damar Patro UÜ is EUR 1 720 000 . Established interest rate for the loan is 2,5% per year. Interest shall be paid along with repayment of the loan amount. Repayment of the loan was secured by the Borrower by issuance of a blank promissory note and a promissory note declaration for the Issuer. The agreement has no reservations concerning any condition or deadline. The Issuer is entitled to demand repayment of the total amount of the loan immediately in case of unstable financial situation of the Borrower.

**- on June 16, 2020 in the current report no 18/2020 the Issuer published information about the early repayment of a part of the loan by the Borrower**

The Management Board of Investment Friends SE with regard to the current report no 33/2019 of June 17, 2019, the current report no 35/2019 of June 18, 2019 and the current report no 40/2020 of September 18, 2020 informed that the Borrower Patro Invest OÜ repayment of a part of the concluded loan's principal amounting to EUR 80 846 (PLN 360 254) and interest due as at the payment date.

The agreement was concluded for the period till 30/06/2020. Interest rate was established as 5,00% per year. Interest on the principal are paid according to the agreement together with return of the loan's amount. Repayment of the loan was secured by the Borrower by issuance of a blank-promissory note with declaration for the Issuer. The loan agreement was concluded with no reservations concerning any condition or deadline. The Issuer has a right to demand an early repayment of the entire loan immediately in case of poor financial situation of the Borrower.

**-on June 25, 2020 in the current report no 19/2020 the Issuer published the protocol of the Extraordinary General Meeting of Shareholders of Investment Friends SE of 25/06/2020**

The Management Board of Investment Friends SE informed that on 25/06/2020 there was held the Extraordinary General Meeting of Shareholders of the Company.

There was one Shareholder present at the Meeting – Patro Invest OÜ headquartered in Tallinn, registry code: 14381342 represented by Member of the Management Board Mr Damian Patrowicz (personal identification code: 39008050063) holding 3 077 250 shares of the Company which represents 34,19% of votes at the General Meeting.

The agenda of the Extraordinary General Meeting of Shareholders includes the following resolutions:

- 1.Election of the Chair and the Recorder of the Meeting.
2. Amendment of the articles of association of the Company and approval of the new version of the articles of association of the Company.
- 3.Conversion of 1 892 701 of the shares belonging to Patro Invest OÜ into B-shares of the Company.

***Important events which have occurred in the period of preparation of the annual financial statements and which are not included in the financial statement but which may have a significant influence on financial effectiveness of the company in the next years***

All important events which occurred after the balance sheet date are described in detail Annual Report ( list of the most events in the reporting )

***Indication of proceedings pending in court, an arbitrary organ or public administration organ***

The Company did not have any new significant court and administrative cases in 01.01.2019 - 30.06.2020.

***Information on capital links of the company with other entities and description of the main domestic and foreign investments, including capital investments made out of the group of related entities as well as description of their financing***

As at the balance sheet date 30/06/2020 the Company Investment Friends SE has no subsidiaries and it does not create its own capital group. Also as at 31/12/2018 the Company had no subsidiaries and it does not create its own capital group

***Information about transactions concluded by the company or its subsidiary with related entities on other than market terms, specifying their values and information describing character of these transactions.***

In the period covered by this report, the Company has not concluded significant transactions with related entities on other than market conditions.

All important transactions, including those one with related entities are indicated in note 16 of the Annual Financial Report of the Company for the financial year since 01/01/2019 until 30/06/2020.

***Information on loans granted in the financial year, specifying especially loans granted to the entities related with the company, their value, type and interest rate level, currency and maturity term.***

The loans granted by the Company are described of the Annual Financial Report of the Company for the financial year lasting since 1 January 2019 till 30 June 2020

***Information on granted and received in the financial year warranties and guaranties, specifying especially guaranties and warranties granted to the related entities of the company.***

The Company, in the reporting period, have not granted or received any warranties and guaranties. In case of issuance of securities in the period covered by this report - description of usage of revenues from issuance of securities by the Company till the moment of preparation of the report on activity. In the reporting period, the Company has not issued any new securities.

***Explanation of differences between financial results disclosed in the annual report and previously published forecasts for the particular year***

The company did not publish forecasts for the financial year since 01/01/2019 until 30/06/2020 and the next years.

***Assessment and its justification, regarding management of funds, specifying ability to discharge from taken obligation and indication of possible threats and action which the issue undertook or intends to undertake in order to prevent those threat***

As at the day of preparation of the periodical report, the Management Board according to their best knowledge, does not recognize any threat in terms of fulfilling his obligations and financial liquidity. The Company systematically settles its liabilities and have not any credits or loans taken and other significant burdens. The Company dedicates owned funds for conducted lending activity and intends to develop this activity gradually. Possible surpluses are located on temporal deposits in safe banks. Because of the fact that the main activity of the Company is lending activity, the significant influence on results and maintaining liquidity of the Company, have the proper and prompt realization of obligations by the Borrowers toward the Company which result from concluded loan agreements

***Assessment of possibility of realization of investment intentions, including capital investments, in comparison with owned instruments taking into account possible changes in the structure of financing of this activity***

The Company conducts mostly financial service activity, granting non-consumer cash loans for business entities. The current lending operating is financed from own funds of the Company. Further activities in the field of granting loans and possible investments, the Company intends to realize mainly from own funds.

***Assessment of factors and atypical events having influence on result from operating for the financial year, specifying level of influence of these factors or atypical events on obtained result***

According to assessment and the best knowledge of the Management Board, apart from events indicated the Annual Report of the Company for the period since 1 January 2019 till 30 June 2020, there were not any other, especially atypical, factors and events which could significantly influence the assessment and change of the property and financial situation of the Company as well as possibility to realize its obligations. A material influence on the Company's results have revenues due to lending service activities and revaluation write-offs of owned financial instruments being in the Company's portfolio as at 30/06/2020.

***Characteristic of external and internal factors significant for development of the enterprise of the company and description of perspectives for development of the company's activity, at least to the end of the financial year following the year covered by the financial statements included in the annual report, specifying elements of market strategy worked out by the company***

Taking into account the specific of the activity, i.e. financial service activities in the field of granting non-consumer cash loans and renting owned apartment, as well as considering owned by the Company stocks and shares of public and non-public market entities, according to the Company, significant influence on results currently have and will have the following internal and external factors:

- general market prosperity on lending market and level of interest rates,
- proper realization by the Borrowers of their obligations resulting from concluded loan

agreements, as well as course of execution process and vindication of loans terminated, if such agreements occurs,

- efficiency of procedures and administrative and legal in which a possible participant or a part can be the Company,
- opportunity to gain possible borrowers,
- economic situation and investing circumstances in Poland, Estonia and the region,
- access to external financing sources,
- cooperation with other financial entities.

### ***Changes in the basic rules of the company's enterprise management and its capital group.***

In the reporting period there were no significant changes in the basic rules of the Company's enterprise management

***The value of remuneration, rewards or benefits, including those resulting from motivational or bonus programs, based on the company capital, including programs based on privileged bonds, convertible bonds, warrants (in cash, in kind or in any other form) that are paid out, due or potentially due, for each supervising and managing person, irrespective of the fact that they were qualified as costs or resulted from the profit distribution. In case of an company which is a controlling entity or a major investor, a partner of a co-subsiary or consequently an entity being a part of a joint contractual arrangement***

The Company has not concluded this kind of agreements with aforementioned persons and has not paid out this kind of remunerations, awards or benefits.

### ***Information on average employment with division into professionals***

The company has not employed any employees in the financial year lasting since 1 January 2019 till 30 June 2020.

***Indication of total number and nominal value of all shares (stocks) of the company and shares in related entities of the company owned by the managing and supervising persons of the company***

### ***-Members of the Management Board***

Members of the Management Board at the balance-sheet date and as at the date of publication of the periodical report does not have shares .

### ***Members of the Supervisory Board***

As at the date of publication of the periodical report, the Management Board Mr. Damian Patrowicz owns indirectly shares of the Company. According to the best knowledge of the Management Board Mr. Damian Patrowicz owns indirectly via his subsidiary Patro Invest OÜ shares of 4 777 950 Investment Friends SE constituting 53,09% of the share capital of the Company and granting 4 777 950 votes constituting 53,09% of votes at the General Meeting of the Company.

**Information on known for the company agreements as a result of which there could occur changes in proportions of owned shares by the current shareholders.**

The Company has not any knowledge about this kind of agreements.

**Information on financial instruments in terms of:**

**a) prices' change, credit, significant interruptions of cash flows and loosing of financial liquidity, to which the entity is exposed**

**b) applied by the entity goals and methods of financial risk management, along with securing methods**

**of significant kinds of planned transactions for which hedging accountancy is applied.**

The Company has no formalized system of financial risk managements. Decisions on application of securing instruments for planned transactions are made on the basis of current analyse of the Company's situation and its environment.

**Information regarding an agreement and an entity authorized to audit financial statements of the company.**

The governing body entitled to choose a certified auditor, according to the Company's Article of Association is the General Meeting of Shareholders. On 20/03/2020 the General Meeting of Shareholders made a selection of an entity authorized to carry out an audit of financial statement of Investment Friends SE prepared as at 30/06/2020.

An entity selected by the General Meeting is Number RT OÜ headquartered in Harju maakond, Tallinn, Kristiine linnaosa, Linnu tee 21a, 11317, registry code of the company: 10213553.

Remuneration for the Auditor will be paid according to the Agreement concluded between the Company and Number RT OÜ which was established on market conditions.

**Statement of the ownership of the company's shares or rights to them by persons managing and supervising the company as at the date of submission of the periodic report together with an indication of changes in ownership during the period since the submission of the previous periodic report, separately for each person**

**Members of the management Board**

In accordance with the knowledge of the Management Board of the Company Investment Friends SE, Members of the management Board as at balance sheet date and at the date of submission the periodic report does not hold Company's shares directly or indirectly.

**Members of the Supervisory Board**

Comparing to the previous reporting period, there were changes in the indirect ownership of the Company's shares by members of the Supervisory Board As at the date of publication of this periodic report, the Members of the Management Board, Mr. Damian Patrowicz, indirectly holds he Company's shares. According to the best knowledge of the Management Board, Mr. Damian Patrowicz holds on 30/10/2020, indirectly through a subsidiary Patro Invest OÜ 4 777 950 shares of Investment Friends SE, constituting 53,09% of the share capital of the Company and entitling to 4 777 950 votes constituting 53,09% of the total the number of votes at the Supervisory Board of the Company.

***Indication of significant judicial proceedings applying to liabilities of company's or it's subsidiary liability, with indication the subject of the proceeding, amount in controversy, date of initiation of a proceedings, parties to the proceedings and position of the company***

In 2019/2020 there were not any new, significant judicial or administrative proceedings. In relations to the information presented, the Company did not initiate or was not a party in a new, significant judicial or publicly administrative proceedings.

**V. CORPORATE GOVERNANCE REPORT DRAWN UP UNDER § 242 OF THE ESTONIAN ACCOUNTING ACT (RT I 2002, 102, 600).**

1. Information regarding application of recommendations and rules included in the Set of Good Practices of Companies listed on WSE 2016

Since 1.01.2016, the company has been subjected to the recommendations and principles set out in the good practices of the company listed on the WSE 2016, which was adopted by the resolution No 26/1413/2015 of the Supervisory Board of WSE dated 13 October 2015, and was publicly available on the WSE website at [https://static.gpw.pl/pub/files/PDF/inne/GPW\\_1015\\_17\\_DOBRE\\_PRAKTYKI\\_v2.pdf](https://static.gpw.pl/pub/files/PDF/inne/GPW_1015_17_DOBRE_PRAKTYKI_v2.pdf).

The issuer does not apply other than the following principles of good corporate governance practices, including the above-mentioned, in addition to the requirements laid down by Estonian law.

According to the current state of application of the Good Practices, the Company does not apply 3 Recommendations: III.R.1., IV.R.2., VI.R.1.

According to the current state of application of the Good Practices, the Company does not apply 15 detailed rules: I.Z.1.6., I.Z.1.7., I.Z.1.8., I.Z.1.9., I.Z.1.11., I.Z.1.15., I.Z.1.16., I.Z.1.17., I.Z.1.18., I.Z.1.20., I.Z.1.21., II.Z.7., IV.Z.5., VI.Z.3., VI.Z.4.

2. Investment Friends SE applies rules of the corporate governance included in the Good Practices of the Company listed on WSE 2016 since the date of entering of this regulations into force. Published on 2 January 2016, the EBI report no 1/2016 included the information on withdrawal from detailed rules indicated in the set of management principles mentioned in the previous sentence.

### **Recommendations**

**I.R.1.** In a situation where the company becomes aware of the dissemination of false information in the media that significantly affects its assessment, immediately after becoming aware of it, it publishes a message on its website containing a position regarding this information - unless, in the company's opinion, the nature of the information and the circumstances of its publication give the basis is to consider the adoption of another solution more appropriate.

*The principle is applied.*

**I.R.2.** If a company carries out sponsorship, charity or other similar activities, it publishes information on its policy in this annual activity report.

The principle is applied.

**The Company's Comment :** *As at the date of entry into force of the Code of Best Practice for WSE Listed Companies 2016, the Company does not operate in this area.*

**I.R.3.** The Company should enable investors and analysts to ask questions and obtain - taking into account the prohibitions arising from applicable law - explanations on topics of interest to these people. This recommendation may be implemented in the form of open meetings with investors and analysts, or in another form provided for by the company.

The principle is applied.

**The Company's Comment :** *The company provides comprehensive explanations within the limits allowed by law to all queries of shareholders and investors. The company conducts electronic communication with investors. Open meetings with investors and analysts are not organized because there is no interest in this form of obtaining information about the company by investors.*

**I.R.4.** The Company should endeavor, including taking all necessary steps in advance to prepare a periodic report, to enable investors to become familiar with its financial results as soon as possible after the end of the reporting period.

The principle is applied.

**The Company's comment :** *The Company makes efforts to make periodic reports available as soon as possible after the end of the reporting period.*

### **Detailed rules**

**I.Z.1.** The Company operates a corporate website and publishes on it, in a legible form and in a separate place, in addition to information required by law:

**I.Z.1.1.** basic corporate documents, in particular the company's statute,

The principle is applied.

**I.Z.1.2.** composition of the company's Management Board and Supervisory Board as well as professional CVs of the members of these bodies together with information on the compliance of the Supervisory Board members with independence criteria,

The principle is applied.

**I.Z.1.3.** division of tasks and responsibilities among management board members, prepared in accordance with the principle II.Z.1,

The principle is applied.

**The Company's comment:** *The Company's Management Board is one-man and is responsible for all areas of the Company's operations.*

**I.Z.1.4.** current shareholding structure, with the indication of shareholders holding at least 5% of the total number of votes in the company - based on information provided to the company by shareholders in accordance with applicable regulations,

The principle is applied.

**I.Z.1.5.** current and periodic reports as well as issue prospectuses and information memoranda with annexes, published by the company for at least the last 5 years,

The principle is applied.

**I.Z.1.6.** calendar of corporate events resulting in the acquisition or restriction of rights on the part of a shareholder, calendar of publication of financial reports and other events significant

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### **Investment Friends SE**

Harju maakond, Tallinn, Kesklinna  
linnaosa, Tornimäe tn 5, 10145, Estonia  
Registry code: 14617862  
Email: info@ifsa.pl

from the investors' point of view - within a time limit enabling investors to make investment decisions,

The principle is not applied.

**The Company's comment :** *The Company shall make public in the form of current reports, which are also available on the Company's website, information on all corporate events in good time. In the Company's opinion, information in the form of a calendar is unnecessary.*

**I.Z.1.7.** information materials published by the company on the company's strategy and its financial results,

The principle is not applied.

**The Company's comment:** *The company has not yet prepared and published information materials on the company's strategy and its financial results. The financial results of the company and plans for operations in the next reporting period are published by the Issuer in periodic reports, which it publishes with relevant reports and on the company's website.*

**I.Z.1.8.** statements of selected financial data of the company for the last 5 years of activity, in a format enabling processing of these data by their recipients,

The principle is not applied.

**The Company's comment:** *The company discloses in the form of periodic reports information on the company's financial results and selected financial data. This information is also available on the Company's website.*

**I.Z.1.9.** information on the planned dividend and dividend paid by the company over the last 5 financial years, including data on the dividend day, payment dates and the amount of dividends - in total and per share,

The principle is not applied.

**The Company's comment:** *The company makes public in the form of current reports information on resolutions adopted by the General Meeting. These reports are also available on the Issuer's website. The decision regarding dividend payment belongs to the General Meeting.*

**I.Z.1.10.** financial forecasts - if the Company has decided to publish them - published in the period of at least the last 5 years, together with information on the degree of their implementation,

The rule does not apply to the company.

**The Company's comment:** *The Company has not yet prepared financial forecasts and is not planning to prepare these forecasts in the near future.*

**I.Z.1.11.** information about the content of the company's rule regarding changing the entity authorized to audit financial statements, or about the lack of such a rule,

The principle is not applied.

**The Company's comment** *The Company complies with the rules of changing the entity authorized to audit financial statements resulting from generally applicable regulations.*

**I.Z.1.12.** the Company's statement on the application of corporate governance in the last published annual report,

The principle is applied.

**I.Z.1.13.** information on the state of application by the Company of the recommendations of the principles contained in this document, consistent with the information that the company should provide in this respect pursuant to the relevant provisions,

The principle is applied.



**The Company's comment:** *In the reporting period, the company published information on the application of the principles and recommendations contained in the Good Practices of GPW Listed Companies through the EBI system.*

**I.Z.1.14.** materials submitted to the general meeting, including assessments, reports and positions indicated in principle II.Z.10, submitted to the general meeting by the supervisory board,

*The principle is applied.*

**I.Z.1.15.** information containing a description of the diversity policy applied by the company in relation to the company's authorities and its key managers; the description should include elements of diversity policy such as gender, education, age, professional experience, as well as indicate the objectives of the diversity policy used and how it is implemented in a given reporting period; if the company has not developed and does not implement a diversity policy, it shall publish on its website an explanation of such a decision,

*The rule is not applied.*

**The Company's comment:** *Key personnel decisions with respect to the Company's authorities and its key managers are made by the General Meeting and the Supervisory Board. As a criterion for the selection of members of individual bodies, the company is guided by the qualifications of the candidate to perform specific functions. Information on the data of persons sitting on the Company's governing bodies is published in relevant current reports informing about the selection of organs and on the Company's website.*

**I.Z.1.16.** information on the planned broadcast of the general meeting - not later than 7 days before the date of the general meeting,

*The rule is not applied.*

**The Company's comment:** *The Company recognizes that the costs of broadcasting the General Meeting are too high. At the same time, the Management Board indicates that the Company's shareholding structure causes a lack of interest in the General Meeting. At the same time, the Company's Articles of Association and the Regulations of the General Meeting do not provide for broadcasting of the meeting.*

**I.Z.1.17.** justifications for draft resolutions of the general meeting regarding matters and decisions that are significant or that may raise doubts for the shareholders - within a time limit enabling the participants of the general meeting to become acquainted with them and to adopt a resolution with due consideration,

*The rule is not applied.*

**The Company's comment:** *The Company publishes draft resolutions of General Meetings in accordance with applicable law. In cases where justification of the content of a draft or resolution is required, it is forwarded together with draft resolutions presented to the General Meeting.*

**I.Z.1.18.** information on the reasons for canceling the general meeting, changing the date or agenda, as well as information about a break in the general meeting and the reasons for ordering a break,

*The rule is not applied.*

**The Company's comment:** *The decision regarding the cancellation of General Meetings is, in principle, taken by shareholders when such a situation occurs. The Company publishes the relevant current report.*

**I.Z.1.19.** shareholders' questions addressed to the management board pursuant to art. 428 § 1 or § 6 of the Code of Commercial Companies, together with the management board's

answers to the questions asked, or a detailed indication of the reasons for not answering, in accordance with rule IV.Z.13,

The principle is applied.

**I.Z.1.20.** recording of the course of the general meeting, in the form of audio or video,

The rule is not applied.

**The Company's comment:** *In the Company's opinion, the costs of such a solution are too high. The Company does not have the necessary technical infrastructure and there is no interest in recording the course of General Meetings due to the shareholding structure of the Company. At the same time, the Company's Articles of Association and the Regulations of the General Meeting do not provide for transmission of the General Meeting.*

**I.Z.1.21.** contact details for persons responsible in the company for communication with investors, indicating the name and surname, e-mail address or telephone number.

The rule is not applied.

**The Company's comment:** *The company on its website provides contact details that can be used by all interested parties. In the Company's opinion, it is not justified to extract contact details for the purpose of communication with investors.*

**I.Z.2.** A company whose shares are included in the WIG20 or mWIG40 stock indexes ensures that its website is also available in English, at least to the extent specified in principle I.Z.1. Companies outside the above-mentioned indices should also apply this principle, if it is justified by their shareholding structure or the nature and scope of their operations.

The rule does not apply to the company.

**The Company's comment :** *The company on its website provides contact details that can be used by all interested parties. In the Company's opinion, it is not justified to extract contact details for the purpose of communication with investors. It does not apply to the Company.*

## **I. Management Board and Supervisory Board**

**A listed Company is managed by the Management Board, its members act in the interest of the Company and are responsible for its activities. To the Management Board includes, in particular, leadership in the Company, commitment to setting its strategic goals and their implementation, and ensuring efficiency and security for the Company.**

**The Company is supervised by an effective and competent Supervisory Board. Members of the Supervisory Board act in the interest of the Company and are guided by the independence of their own opinions and judgments. The Supervisory Board in particular issues opinions on the Company's strategy and verifies the Management Board's work in achieving strategic goals and monitors the results achieved by the company.**

### **Recommendations**

**II.R.1.** In order to achieve the highest standards in the scope of performing the Company's Management Board and Supervisory Boards and performing them effectively, the Management Board and the Supervisory Board are appointed persons representing high qualifications and experience.

The principle is applied.

**II.R.2.** Persons making decisions regarding the selection of members of the Company's Management Board or Supervisory Board should strive to ensure the versatility and diversity of these bodies, including in terms of gender, education, age and professional experience.

*The principle is applied.*

**The Company's comment:** *As a criterion for the selection of Members of the Management Board and Members of the Supervisory Board, the company is guided by the qualifications of the person being appointed to perform the function. Information on the data of persons sitting on the Company's governing bodies is published on the Issuer's website.*

**II.R.3.** Performing a function on the Company's Management Board is the main area of professional activity of a Management Board Member. The additional professional activity of a Member of the Management Board may not lead to such time and effort being employed to negatively affect the proper performance of the function in the company. In particular, a Member of the Management Board should not be a member of the bodies of other entities if the time devoted to performing functions in other entities prevents him from performing his duties properly in the company.

*The principle is applied.*

**II.R.4.** Supervisory Board Members should be able to devote the time necessary to perform their duties.

*The principle is applied.*

**II.R.5.** In the event of resignation or inability of a Member of the Supervisory Board to act, the company shall immediately take appropriate action to supplement or change the composition of the supervisory board.

*The principle is applied.*

**II.R.6.** The Supervisory Board, being aware of the expiration of the term of office of the Management Board Members and their plans for the further performance of functions in the Management Board, takes actions in advance to ensure the effective functioning of the Company's Management Board.

*The principle is applied.*

**II.R.7.** The Company provides the Supervisory Board with the opportunity to use professional, independent advisory services, which the board believes are necessary for its effective supervision in the Company. When choosing an entity providing advisory services, the Supervisory Board takes into account the company's financial position.

*The principle is applied.*

## **Detailed rules**

**II.Z.1.** The internal division of responsibility for individual areas of the Company's operations between Management Board Members should be formulated in an unambiguous and transparent way, and the division scheme should be available on the company's website.

*The principle is applied.*

**The Company's comment :** *The Company has a single Management Board responsible for all areas of the Company's operations.*

**II.Z.2.** Members of the Company's Management Board on the management boards or Supervisory Boards of Companies outside the company's capital group require the consent of the Supervisory Board.

The principle is applied.

**II.Z.3.** At least two Members of the Supervisory Board meet the independence criteria referred to in principle II.Z.4.

The principle is applied.

**The company's comment :** *Decision on election of the Supervisory Board Members is a competence of the General Meeting of Shareholders. The Shareholders led by qualifications and trust in the particular candidates designate the composition of the Supervisory Board. The Company, dependently on decision of the General Meeting can temporarily meet or do not meet this criteria, dependently on selected composition of the Supervisory Board.*

**II.Z.4.** As far as the criteria of independence of the Members of the Supervisory Board is concerned, Annex II to the European Commission Recommendation 2005/162/EC of 15/02/2005 regarding the role of non-executive or Supervisory Board Members of listed companies and the (Supervisory) Board Committee applies. Notwithstanding the provisions of point 1 lit. b) of the document referred to in the previous sentence, a person who is an employee of a Company, a subsidiary or an affiliate, as well as a person associated with these entities with a contract of a similar nature, cannot be considered as meeting the criteria of independence. A relationship with a shareholder excluding the independence of a Member of the Supervisory Board within the meaning of this rule is also understood as actual and significant connections with a shareholder holding at least 5% of the total number of votes in the company.

The principle is applied.

**The Company's comment :** *Decision on election of the Supervisory Board Members is made by the General Meeting.*

**II.Z.5.** Member of the Supervisory Board submit a statement on meeting the criteria of independence prescribed in the principle II.Z.4 for other members of the Supervisory Board and for the Management Board.

The principle is applied.

**II.Z.6.** The Supervisory Board estimates if there are any relations or circumstances which may have influence on meeting the criteria of independence by a particular member of the Supervisory Board. Estimation of meeting the criteria of independence by the members of Supervisory Board is presented by the SB in accordance with the principle II.Z.10.2.

The principle is applied.

**II.Z.7.** As far as tasks and functioning of the committees operating in the supervisory board are concerned, provisions of the Annex 1 to the Recommendation of the European Commission, that is referred in the principle II.Z.4, are applicable. In case of performing function of the audit committee by the supervisory board, abovementioned principles are applied respectively.

The principle is not applied.

**The Company's Comment :** *Currently, there is no Audit Committee in the Company. On April 8, 2019 the Supervisory Board adopted the resolution on dissolution of the Audit Committee.*

**II.Z.8.** The Chairman of the Audit Committee meets the independence criteria indicated in principle II.Z.4.

The principle does not apply for the Company.

**The Company's Comment :** *Currently, there is no Audit Committee in the Company. On April 8, 2019 the Supervisory Board adopted the resolution on dissolution of the Audit Committee.*

**II.Z.9.** In order to allow the supervisory board to realize its tasks, the management board of the company access to information about the Company's matters.

*The principle is applied.*

**II.Z.10.** Apart from activities resulting from provisions of the law, once a year the supervisory boards prepared and present to the general meeting:

**II.Z.10.1** assessment of the Company's situation with reference to assessment of the internal control systems, risk management, compliance and functions of the internal audit; this assessment involves also all important mechanisms of control, especially those regarding financial reporting and operating activity;

*The principle is applied.*

**II.Z.10.2** report on the supervisory board's activity includes at least information about:

- composition of the supervisory board and its committees,
- meeting by members of the supervisory board the criteria of independence,
- amount of the supervisory board's meetings and its committees in the reporting period,
- self-assessment of the supervisory board's activity;

*The principle is applied.*

**II.Z.10.3** assessment of the manner in which the Company complies with information obligations regarding the application of corporate governance principles set out in the Stock Exchange Regulations and provisions regarding current and periodic information provided by issuers of securities;

*The principle is applied.*

**The Company's Comment :** *Supervisory Board of the Company, since the entry into force of the Best Practice for WSE Listed Companies 2016 is going to prepare an additional information on this matter.*

**II.Z.10.4** assessment of the rationality of the policy pursued by the company, referred to in recommendation I.R.2, or information about the lack of such policy.

*The principle is applied.*

**The Company's Comment :** *Supervisory Board of the Company, since the entry into force of the Best Practice for WSE Listed Companies 2016 is going to prepare an additional information on this matter.*

**II.Z.11.** Supervisory Board considers and assesses issues which are going to be subject of the general meeting resolutions.

*The principle is applied.*

## **II. Internal systems and functions**

**A public company maintains effective systems: internal control, risk management and supervising of compliance of activity with law, as well as effective function of the internal audit, relevant for the Company's size, type and scope of conducted activity.**

### **Recommendations**

**III.R.1.** The Company distinguishes in its structure the units responsible for realization of the tasks in particular systems or functions, unless distinguishing of organizational entities is not justified due to the size of a type of activity conducted by the company.

*The principle is not applied.*

**The Company's Comment :** *Distinguishing of organizational units is not justified due to the size and type of conducted activity by the company. The company introduced internal systems appropriate for the size of the company and the scope of conducted activity.*

### **Detailed rules**

**III.Z.1.** The Company's Management Board is responsible for the implementation and maintenance of effective internal control, risk management, compliance and internal audit functions.

*The principle is applied.*

**The Company's Comment :** *Because of adopted model of activity of the Company, there is established single-person Management Board who is undertaken to direct control of the Supervisory Board.*

**III.Z.2.** Subject to Rule III.Z.3, Persons responsible for risk management, internal audit and compliance report directly to the Chairman or other Member of the Management Board and have the option of reporting directly to the Supervisory Board or Audit Committee.

*The principle is applied.*

**The Company's Comment :** *Because of adopted model of activity of the Company, there is established single-person Management Board who is undertaken to direct control of the Supervisory Board.*

**III.Z.3.** In relation to the person managing the internal audit function and other people responsible for carrying out their tasks, the principles of independence laid down in generally recognized international standards of professional practice in internal audit apply.

*The principle is applied.*

**The Company's Comment :** *There is no Audit Committee in the Company.*

**III.Z.4.** At least once a year, the person responsible for internal audit (in case when such a function is separated in the company) and the Management Board present to the Supervisory Board their own assessment of the effective functioning of the systems and functions referred to in rule III.Z.1, together with an appropriate report.

*The principle is applied.*

**The Company's Comment :** *Because of adopted model of activity of the Company, there is established single-person Management Board who is undertaken to direct control of the Supervisory Board.*

**III.Z.5.** The Supervisory Board monitors the effectiveness of the systems and functions referred to in principle III.Z.1, inter alia on the basis of reports periodically provided to it directly by persons responsible for these functions and the Company's Management Board, as well as an annual assessment of the effectiveness of these systems and functions, in accordance with principle II.Z.10.1. In the event that an Audit Committee operates in the Company, it monitors the effectiveness of the systems and functions referred to in principle III.Z.1, however, this does not release the Supervisory Board from making an annual assessment of the effectiveness of the functioning of these systems and functions.

*The principle is applied.*

**The Company's Comment :** *The Supervisory Board perform ongoing control over all areas of the Company's activity.*

**III.Z.6.** If the company has not organisationally separated the internal audit function, the audit committee (or the supervisory board, if it performs the function of an audit committee) every year assesses whether there is a need for such a separation.

*The principle is applied.*

**The Company's Comment :** *The Supervisory Board perform ongoing control over all areas of the Company's activity. Because of adopted model of activity of the Company, there is established single-person Management Board who is undertaken to direct control of the Supervisory Board.*

## **V. General Meeting and relations with shareholders.**

**The Management Board of a listed company and its Supervisory Board should encourage shareholders to be engaged in the affairs of the Company, which is primarily expressed by active participation in the general meeting.**

**The general meeting should meet with respect for the rights of shareholders and strive to ensure that the adopted resolutions do not violate the legitimate interests of individual groups of shareholders.**

**Shareholders participating in the general meeting exercise their rights in a manner that does not violate decency.**

### **Recommendations**

**IV.R.1.** The Company should strive to holding of the ordinary general meeting in possibly shortest time after publication of the annual report, indicating the date of the meeting taking into account the relevant provisions of the law.

*The principle is applied.*

**IV.R.2.** If it is justified due to the shareholding structure or the expectations of shareholders notified to the Company, provided that the Company is able to provide the technical infrastructure necessary for the efficient conduct of the general meeting using electronic means of communication, it should enable shareholders to participate in the general meeting using such means, in particular via:

- 1) real-time broadcast of the general meeting,
- 2) two-way real-time communication in which shareholders may speak during the general meeting from a place other than the place of the general meeting,
- 3) exercising, in person or by proxy, the right to vote during the general meeting.

*The Company is not applied.*

**The Company's Comment :** *Because of the Company's shareholding structure, high costs and no interest by the shareholders, this recommendation is not applied by the Company.*

**IV.R.3.** The Company strives to ensure that, when securities issued by the Company are traded in different countries (or in different markets) and under different legal systems, the implementation of corporate events related to the acquisition of rights on the part of a shareholder occurs on the same dates in all countries in which they are listed.

*The principle does not apply for the Company.*

**The Company's Comment :** *Securities issued by the Company are listed only on the regulated market of WSE (GPW S.A.) in Warsaw.*

## Detailed rules

**IV.Z.1.** The Company set out a place and term of the general meeting in the way to make it possible to participate in the meeting by as many shareholders as possible.

*The principle is applied.*

**IV.Z.2.** If it is justified due to the shareholding structure of the Company, the Company provides publicly available broadcast of the general meeting in real time.

*The principle does not apply for the Company.*

**The Company's Comment :** The Company recognizes that the costs of broadcasting the General Meeting are too high. At the same time, the Management Board indicates that the Company's shareholder structure causes a lack of interest in the General Meeting. At the same time, the General Meeting Regulations do not prescribe transmission of the meeting.

**IV.Z.3.** Representatives of the media are allowed to attend general meetings.

*The principle is applied.*

**The Company's Comment :** The company indicates that there is no interest in the participation of the media in the General Meeting of the Company. In addition, the Company's Article of Association and the General Meeting Regulations do not prescribe transmission of the meeting.

**IV.Z.4.** In case of receiving by the Management Board the information on convening of the general meeting pursuant to art. 399 § 2 - 4 of the Commercial Companies Code, the management board immediately undertakes actions to which it is obliged due to organization and carrying out of the general meeting. The rule applies also in case of convening of the meeting by the registry court pursuant to art. 400 § 3 of the Commercial Companies Code.

*The principle is applied.*

**IV.Z.5.** The Regulation of general meeting, as well as the way of carrying of the sessions and adopting resolutions shall not hinder the participation of shareholders in a general meeting and exercising their rights. Amendments in regulation of the general meeting shall be effective since the next general meeting earliest.

*The principle is not applied.*

**The Company's Comment :** *The Management Board indicates that there is not applied a regulation of a general meeting, therefore there is no limitations imposed on the shareholders' rights.*

**IV.Z.6.** The Company makes every effort to ensure that the cancellation of the general meeting, changing the date or ordering a break in the meeting do not prevent or restrict shareholders from exercising their right to participate in the general meeting.

*The principle is applied.*

**IV.Z.7.** A break in the general meeting may take place only in specific situations, each time indicated in the justification of the resolution on the break order, prepared on the basis of reasons presented by the shareholder requesting the break.

*The principle is applied.*

**The Company's Comment :** *The company indicates, however, that decisions regarding the announcement of a break in the General Meeting are made only by shareholders.*



**IV.Z.8.** The resolution of the general meeting regarding the ordering of breaks clearly indicates the date of resuming the meeting, while the date may not constitute a barrier for participation in resumed discussions by the majority of shareholders, including minority shareholders.

*The principle is applied.*

**The Company's Comment :** *The company indicates, however, that decisions regarding the announcement of a break in the General Meeting are made only by shareholders.*

**IV.Z.9.** The Company strives to make the draft resolutions of the general meeting justify if it makes it easier for the shareholders to pass the resolution with due consideration. If the matter is put on the agenda of the general meeting at the request of a shareholder or shareholders, the management board or chairman of the general meeting asks for justification of the proposed resolution. In important matters or likely to raise doubts of shareholders, the company will provide a justification, unless it otherwise provides shareholders with information that will ensure that the resolution is taken with due consideration.

*The principle is applied.*

**The Company's Comment :** *The Management Board will seek publication of key business reasons for the draft resolutions of the General Meetings.*

**IV.Z.10.** Realization of rights of the issuers as well as the way of exercising their rights shall not hinder the proper working of the Company's governing bodies.

*The principle is applied.*

**IV.Z.11.** The members of the management board and the supervisory board participate in the general meeting in the composition allowing for substantive answers to questions asked during the general meeting.

*The principle is applied.*

**The Company's Comment :** *The members of the company's governing bodies make efforts to participate in the General Meeting, however, due to the fact that the General Meetings of the Company are held repeatedly upon request or within the deadlines set by the shareholders, it is difficult to ensure the participation of the members of the bodies in the General Meeting.*

**IV.Z.12.** The Management Board should present to the participants of an ordinary general meeting the financial results of the company and other significant information included in the financial statements being subjected into approval by the general meeting.

*The principle is applied.*

**IV.Z.13.** In case of notification by a shareholder a request for information about the company, not later than within 30 days, the Management Board is obliged to answer the request of a shareholder or inform them about refusal of providing such an information, if the management board decide such a decision pursuant to art. 428 § 2 lub § 3 of the Commercial Companies Code.

*The principle is applied.*

**IV.Z.14.** Resolutions of the general meeting should ensure that the necessary time intervals are determined between decisions causing specific corporate events and the dates on which the rights of shareholders resulting from such corporate events.

*The principle is applied.*

**The Company's Comment :** *However, the company indicates, that decisions regarding the content of resolutions of the General Meeting are taken only by shareholders.*

**IV.Z.15.** The resolution of the general meeting regarding the issue of shares with pre-emptive rights should specify the issue price or the mechanism for determining it, or oblige the body authorized to set it before the pre-emptive right day, within the time enabling the investment decision to be taken.

*The principle is applied.*

**The Company's Comment :** *However, the company indicates, that decisions regarding the content of resolutions of the General Meeting are made only by shareholders.*

**IV.Z.16.** The dividend day and dividend payment dates should be set so that the period between them is not longer than 15 business days. Setting a longer period between these dates requires justification.

*The principle is applied.*

**The Company's Comment :** *However, the company indicate, that decisions regarding the content of resolutions of the General Meeting are made only by shareholders.*

**IV.Z.17.** A resolution of the general meeting regarding the payment of a conditional dividend may contain only such conditions, which eventual fulfillment will take place before the dividend date.

*The principle is applied.*

**The Company's Comment :** *However, the company indicates, that decisions regarding the content of resolutions of the General Meeting are made only by shareholders.*

**IV.Z.18.** The resolution of the general meeting on the split of the nominal value of shares should not set a new nominal value of shares at a level lower than 0.50 PLN, which could result in a very low unit market value of shares, which could threaten the correctness and credibility of the quotation of a company listed on the stock exchange .

*The principle is applied.*

**The Company's Comment :** *However, the company indicates, that decisions regarding the content of resolutions of the General Meeting are made only by shareholders.*

## **VI. Conflict of interests and transactions with related entities**

**For the purposes of this chapter, the definition of a related party set out in international accounting standards adopted in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards is adopted.**

**The company should have transparent procedures for preventing conflicts of interest and entering into transactions with related entities in the conditions of a possible conflict of interest. Procedures should provide ways to identify, disclose and manage such situations.**

### **Recommendations**

**V.R.1.** A member of the management board or supervisory board should avoid taking the professional or beyond professional activity which could lead to incurring of a conflict of interest or negatively influence his/her reputation as a member of the company's governing body, and in case of incurring of the interest's conflict, he/she shall disclose it immediately.

*The principle is applied.*

### **Detailed rules**

**V.Z.1.** Any shareholder should be privileged in relation to other shareholders in the scope of transactions concluded by the company with shareholders or their related entities.

*The principle is applied.*

**The Company's Comment :** *The Management Board indicates that due to the shareholding structure and the company's profile, transactions with the company's leading shareholder are and may be concluded, which does not mean that its position in this area is privileged.*

**V.Z.2.** Member of the Management Board or of the Supervisory Board informs accordingly the Management Board or the Supervisory Board about occurred conflict of interests or about the possibility of its arising and does not participate in voting on a resolution on a matter, in which a conflict of interest may arise in relation to it.

*The principle is applied.*

**V.Z.3.** Member of the Management Board or of the Supervisory Board can not take advantages, which could affect his impartiality and objectivity in making decisions or cast a negative impact on the assessment of the independence of his opinions and judgements.

*The principle is applied.*

**V.Z.4.** If a member of the Management Board or the Supervisory Board recognize that a decision, accordingly of the Management or of the Supervisory Board, conflicts with the company's interests, the member can request placing its position on the subject in the protocol.

*The principle is applied.*

**V.Z.5.** Before concluding significant agreement by the Company with a shareholder holding at least 5% of the total number of votes in the company or with related entity, the Management Board asks the Supervisory Board for consent for the transaction. Before giving the consent, the Supervisory Board assesses the impact of the transaction on the company's interest. The above obligation does not apply to typical transactions and those concluded on market terms as part of the company's operating activities with entities that are part of the company's capital group. In the case when the decisions on concluding significant agreement with related entities is made by the General Meeting, before making the decision, the company shall provide all shareholders with access to information necessary to assess the impact of this transaction on the company's interest.

*The principle is applied.*

**V.Z.6.** The company specifies in its internal regulations the criteria and circumstances, in which a conflict of interests in the company can occur, as well the principles of procedure in the face of conflict of interests or the possibility of this occurrence. The Company's internal regulations include, inter alia, ways of preventing, identifying and resolving conflict of interest, as well as the rules for excluding a member of the Management Board or the Supervisory Board from participating in the consideration of an issue covered or threatened by a conflict of interest.

*The principle is applied.*

## **VII. Remuneration**

**The company has a remuneration policy at least for members of the company's governing bodies and key managers. The remuneration policy defines in particular the form,**

**structure and method of determining the remuneration of members of the company's governing bodies and its key managers.**

## **Recommendations**

**VI.R.1.** The remuneration of members of the company's governing bodies and key managers should result from the adopted remuneration policy.

*The principle is not applied.*

**The Company's comment :** *Due to the size of the company, organizational structure and scope of activity in the company, the "remuneration policy" document has not been prepared. Remuneration for individual members of the company's bodies, including tasks assigned for execution and evaluation of their implementation, determines the Supervisory Board for the Management Board, and for the Supervisory Board Members - General Meeting of the Company's Shareholders.*

**VI.R.2.** The remuneration policy should be closely related to the company's strategy, its short and long-term goals, long-term interests and results, and should include solutions to avoid discrimination on any grounds.

*The principle is applied.*

**VI.R.3.** If there is a remuneration committee in the supervisory board, the principle II.Z.7 applies to its functioning.

*The principle is applied.*

**The Company's comment:** *Due to the size of the company, organizational structure and scope of activity in the company, the „remuneration policy" document has not been prepared. Remuneration for individual members of the company's bodies including tasks assigned for execution and evaluation of their implementation, determines the Supervisory Board for the Management Board, and for the Supervisory Board Members – General Meeting of the Company's Shareholders.*

**VI.R.4.** The level of remuneration of members of the Management Board and the Supervisory Board and key managers should be enough to acquire, retain and motivate people with the competencies necessary for the proper management and supervision of the company. The remuneration should be adequate to the scope of tasks entrusted to individual persons and consider the fulfilment of additional functions, such as work in supervisory board committees.

*The principle is applied.*

## **Detailed rules**

**VI.Z.1.** Incentive programs should be designed to, inter alia, make the level of remuneration of the management board members and its key managers dependent on the actual, long-term financial standing of the company and the long-term increase in shareholder value and stability of the company's operation.

*The rule does not apply to the company.*

**The Company's comment:** *The company has not adopted incentive programs.*

**VI.Z.2.** In order to link the remuneration of management board members and key managers to the company's long-term business and financial goals, the period between granting

options or other instruments related to the company's shares under the incentive scheme and the possibility of their implementation should be at least 2 years.

*The rule does not apply to the company.*

**Company's comment :** *The company has not adopted incentive programs.*

**VI.Z.3.** The remuneration of the members of the supervisory board should not depend on options and other derivatives, or any other variable components, and should not depend on the company's results.

*The principle is not applied.*

**The Company's comment:** *The Company does not hire employees.*

**VI.Z.4.** The company in its activity report presents a report on the remuneration policy, containing at least:

- 1) general information on the remuneration system adopted in the company,
- 2) information on the terms and amount of remuneration of each member of the management board, broken down into fixed and variable components of remuneration, indicating key parameters for determining variable remuneration components and payment rules for severance pay and other payments for termination of employment, order or other legal relationship of a similar nature - separately for the company and each unit included in the capital group,
- 3) information on the individual management board members and key managers entitled to outside of the financial remuneration components,
- 4) indication of significant changes that have occurred in the remuneration policy during the last financial year, or information about their absence,
- 5) assessment of the functioning of the remuneration policy from the point of view of achieving its objectives, in particular long-term growth of shareholder value and stability of the company's operation.

*The principle is not applied.*

**The Company's comment:** *The Company publishes information on the remuneration of the Members of the Company's Bodies in accordance with the applicable International Accounting Standards.*

## VI.FINANCIAL STATEMENTS

### 1.Stament of financial situation

STATEMENT OF FINANCIAL SITUATION	Notes	30 June 2020 EUR thous	31 December 2018 EUR thous
<b>Assets</b>			
<b>Fixed assets</b>		<b>1 720</b>	<b>1 632</b>
Long-term financial assets	1	1 720	1 632
<b>Current assets</b>		<b>853</b>	<b>864</b>
Short-term receivables	2	0	31
Short-term financial assets	3	847	826
Cash and cash equivalents	4	6	7
<b>Assets total</b>		<b>2 573</b>	<b>2 496</b>

<b>Liabilities</b>			
<b>Equity</b>		<b>2 524</b>	<b>2 401</b>
Share capital	5	3 240	3 240
Supplementary capital		5 161	5 161
Exchange differences from conversion into EURO		-135	-68
Capital from merger of entities		0	-4
Other reserve capitals		206	206
Retained profit / Undistributed financial result		-5 948	-6 134
<b>Short-term liabilities</b>		<b>49</b>	<b>95</b>
Trade liabilities		0	2
Other provisions	7	49	93
<b>Liabilities total</b>		<b>2 573</b>	<b>2 496</b>

<b>Book value</b>		2 524	2 401
<b>Number of shares</b>		9 000 000	9 000 000
<b>Book value per share (EURO)</b>	6	0,28	0,27
<b>Diluted numer of shares</b>		9 000 000	9 000 000
<b>Diluted book value per share (EURO)</b>	6	0,28	0,27

Notes to the annual accounts on pages 41-60 are an integral part of the annual accounts.

### 2.Income statement

INCOME STATEMENT	Notes	Period 01.01.2019- 30.06.2020 EUR thous.	Period 01.01.2018- 31.12.2018 EUR thous
<b>Revenue sales of products,interest, goods and materials</b>	8	<b>207</b>	<b>181</b>

<b>Gross profit (loss) on sale</b>		<b>207</b>	<b>181</b>
General and administrative expenses	9	27	144
Other operating revenues	10	47	6
Other operating costs	11	2	9
<b>Profit (loss) on operating activities</b>		<b>225</b>	<b>34</b>
Financial revenues	12	50	3
Financial costs	12	85	29
<b>Pre-tax profit</b>		<b>190</b>	<b>8</b>
<b>Net profit/loss</b>		<b>190</b>	<b>8</b>
<b>Net profit (loss) (within 12 months)</b>		<b>190</b>	<b>8</b>
<b>The weighted average number of ordinary shares</b>		<b>9 000 000</b>	<b>9 000 000</b>
<b>Profit (loss) per one ordinary share (in EUR)</b>	13	0,02	0,00
<b>The weighted diluted average number of ordinary shares</b>		<b>9 000 000</b>	<b>9 000 000</b>
<b>Diluted profit (loss) per one ordinary share (in EUR)</b>	13	0,02	0,00

Notes to the annual accounts on pages 41-60 are an integral part of the annual accounts.

### 3.Statement Of Comprehensive Income

STATEMENT OF COMPREHENSIVE INCOME	Period 01.01.2019- 30.06.2020 EUR thous	Period 01.01.2018- 31.12.2018 EUR thous
<b>Net profit/loss for the period</b>	<b>190</b>	<b>8</b>
<b>Other comprehensive income, including:</b>	-68	-68
<b>Elements which could be transferred to the income statement in the next periods:</b>	-68	-68
- differences from conversion into EURO	-68	-68
<b>Total income for the period</b>	<b>122</b>	<b>-60</b>

Notes to the annual accounts on pages 41-60 are an integral part of the annual accounts.

### 4.Statement of changes in equity

STATEMENT OF CHANGES IN EQUITY	Period 01.01.2019- 30.06.2020 EUR thous	Period 01.01.2018- 31.12.2018 EUR thous
<b>Opening balance of equity</b>	2 401	2 467
<b>Opening balance of equity after reconciliation to comparable data</b>	<b>2 401</b>	<b>2 467</b>
<b>Opening balance of share capital</b>	3 240	3 447
Changes in the share capital	0	-207

b) decrease (due to)	0	207
- reduction of the nominal value of shares		206
- exchange differences		1
<b>Closing balance of share capital</b>	<b>3 240</b>	<b>3 240</b>
<b>Opening balance of supplementary capital</b>	<b>5 161</b>	<b>5 161</b>
<b>Closing balance of supplementary capital</b>	<b>5 161</b>	<b>5 161</b>
<b>Opening balance of the capital from merger</b>	<b>-4</b>	<b>0</b>
increase (due to)	4	
- transfer to unsettled loss	4	
b) decrease (due to)	0	-4
- merger of entities		-4
<b>Closing balance of the capital from merger</b>	<b>0</b>	<b>-4</b>
<b>Opening balance of other reserve capital</b>	<b>206</b>	<b>0</b>
Changes in other reserve capital	0	206
increase (due to)	0	206
- reduction of the share capital		206
<b>Closing balance of other reserve capital</b>	<b>206</b>	<b>206</b>
<b>Opening balance of retained profit/not settled loss of previous years</b>	<b>-6 134</b>	<b>-6 142</b>
<b>increase (due to)</b>	186	8
Profit/loss for the period	190	8
Transfer of the capital from merger	-4	
<b>Opening balance of retained profit/not settled loss of previous years</b>	<b>-5 948</b>	<b>-6 134</b>
<b>Opening balance of exchange differences</b>	<b>-68</b>	<b>0</b>
<b>Changes is exchange differences</b>	<b>-68</b>	<b>-68</b>
increase		179
decrease	68	247
<b>Opening balance of exchange differences</b>	<b>-136</b>	<b>-68</b>
<b>Closing balance of equity</b>	<b>2 524</b>	<b>2 401</b>

Notes to the annual accounts on pages 41-60 are an integral part of the annual accounts.

## 5.Cash flow statement

CASH FLOW STATEMENT ( indirect method)	Note	Period 01.01.2019 30.06.2020 EUR thous	Period 01.01.2018- 31.12.2018 EUR thous
<b>Operating activity</b>			
<b>I. Gross profit (loss)</b>		190	8
<b>II. Total adjustments</b>		-248	115
Interest and contribution in profit (dividends)		39	-16



Loan payments received		2 772	371
Loans granted		-3 081	-395
(Profit) loss due to investment activity	14	-12	0
Change in provisions		-46	0
Change in receivables and prepayments		31	-28
Change in liabilities		-2	-9
Change in accruals		3	1
Other adjustments		1	191
<b>I. Net cash flow on operating activity</b>		<b>-58</b>	<b>125</b>
<b>Investment activity</b>			
<b>I. Inflows from investment activity</b>		<b>58</b>	<b>0</b>
Other inflows		58	0
<b>II. Expenses due to investment activity</b>		<b>-5</b>	<b>0</b>
<b>II. Net cash flow from investment activity</b>		<b>0</b>	<b>0</b>
<b>Net cash flow, total (I+/-II+/-III)</b>		<b>0</b>	<b>-125</b>
<b>Exchange differences</b>		<b>0</b>	<b>7</b>
<b>Balance sheet change in cash</b>		<b>0</b>	<b>-132</b>
<b>Opening balance of cash</b>		<b>7</b>	<b>139</b>
<b>Closing balance of cash</b>		<b>7</b>	<b>7</b>

Notes to the annual accounts on pages 41-60 are an integral part of the annual accounts.

## 6. Notes to the financial statements

### Rules applied for preparation of the financial statements

#### **Statement of compliance**

These financial statements were prepared using accounting principles in accordance with the International Financial Reporting Standards adopted by the European Community and related interpretations published in the form of the European Commission Regulations and in the scope required under the Minister of Finance Regulation of March 2018 on current and periodic information provided by issuers of securities and conditions of recognition as equivalent information required by the law of a non-member state (Official Journal 2018, item 757). These financial statements present the period from 1 January 2019 to 30 June 2020 and comparative period from 1 January 2018 to 31 December 2018.

The Management Board is responsible for information included in the Report and confirms, according to the best knowledge, that accounting principles applied for preparation of these financial statements are compliant with International Financial Reporting Standards which was approved by the European Union, the financial statements, financial result, cash flow statement and continuation of activity are presented in reliable way.

The financial statement was approved by the Management Board for publication on 30 October 2020. The Management Board is authorised to amend and reissue of the financial statements.

The financial statement is the part of the annual report and requires approval of shareholders and it is the basis for adoption of a resolution on profit allocation. Shareholders may derogate approval of the annual report that was prepared by the management board and demand preparation of a new annual report.

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS as adopted by the European Union. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note "Critical accounting estimates, judgments and uncertainties"

The original financial statements of the Company has been prepared is English. In case of the conflict with Polish or Estonian, the English version shall prevail.

### **Functional and reporting currency**

The financial statements was prepared in euro (EUR). The functional currency of the Company is Polish Zloty (PLN), while the presenting currency of the Company is euro (EUR). Data of the financial statements are presented in EUR thousand, unless provided in more details in the particular situation.

### **Applied accounting principles (accounting policy)**

#### **Basis for the preparation of the financial statements**

The financial statements were prepared assuming that the Company will continue its operation in the foreseeable future. As at the date of these financial statements there is no evidence indicating a threat of the Company's business continuation.

The Company uses the overarching measurement principles based on historical price of acquisition, purchase or production, excepting the part of financial assets which were measured at fair value, according to IFRS standards.

### **Change of applied accounting principles**

For preparation of the financial statements, in comparison to previous periods, the Company has not changed any of applied previously accounting principles.

### **Published and approved by EU standards, which have not entered into force yet**

The following standards, amendments in applicable standards and interpretations have not been adopted by the European Union or have not been applicable as at 1 January 2019:

1. Standard: IFRS 14 „Regulatory Deferral Accounts” Description of changes: Accounting principles and disclosures for regulatory deferral accounts.

2. Standard: IFRS 10 „Consolidated Financial Statements” and IAS 28 „Investments in Associates” Changes: Regulations regarding sale or investments in associates and joint ventures.
3. Standard: IFRS 3 „Business Combinations” Changes: Specification of “business” definition.
4. Standard: Conceptual framework- changes. Description: unification of conceptual framework. Date of effect: 1 January 2020.
5. Standard: IFRS 17 „Insurance Contracts” Changes: New approach defining recognition of revenues as well as profit or loss in the period of insurance services providing. Date of effect: 1 January 2021.
6. Standard: IAS 1 „Presentation of financial statements” and IAS 8 „Accounting Policies, Changes in Accounting Estimates and Errors” Changes: Applying of materiality in the process of preparation of financial statements. Date of effect: 1 January 2020.
7. Standard: IFRS 9 „Financial Instruments”, IFRS 7 „Financial Instruments: Disclosures and IAS 39 „Financial Instruments” Changes: introduction of temporary exemptions on hedge accounting, requirement for additional disclosures of information on hedging relationship. Date of effect: 1 January 2020.
8. Standard IFRS 16 regards Leasing and had no use in the Company.

The Company will apply aforementioned new standards, amendments to standards and interpretations of IFRS published by the International Accounting Standards Board, but not effective as at the reporting date, according to their effective date and in the scope regarding to the Company’s operation.

#### **Influence of aforementioned standards on accounting policy of the Company and financial statements.**

The Company does not foresee any significant influence of aforementioned standards on the Company’s financial statements.

#### **Selected financial principles**

##### **Valuation of assets and financial liabilities**

Since 1 January 2018 the Company has qualified financial assets into the following categories:

- measured at amortised cost,
- measured at fair value through comprehensive income,
- measured at fair value through financial result.

Classification is made upon initial recognition of assets. Classification of debt securities depend on the business model of financial assets management as well as on contractual cash flow characteristics (test SPPI-Solely Payment of Principal and Interest) for each element of financial assets.

Into the category of assets measured at amortised cost the Company classifies trade receivables, loans granted which pass the SPPI test on, other receivables and cash and cash equivalents.

Financial assets measured at amortised cost are valued using effective interest rate, taking into account write-offs due to impairment loss.

Trade receivables with maturity period up to 12 months from its origination date are not discounted and are measured at nominal value.

Financial assets purchased or emerged, impaired at the moment of initial recognition are measured at amortised cost using effective interest rate adjusted for credit risk.

Profits and losses on a financial asset classified as measured at fair value through profit or loss are recognized in profit or loss in the period in which they arise (including interest and dividend income).

Since January 1, 2018 the Company classifies financial liabilities to the following categories:

- measured at amortised cost,
- measured at fair value through financial result,
- securing financial instruments.

To the group of liabilities measured at amortised cost are classified liabilities different than those measured at fair value through financial result (i.a. trade liabilities, credits and loans), except for:

- financial liabilities arising in case of transfer of financial assets which are not classified to derecognition,
- agreements of financial guarantees which are measured at higher of:
  - value of the write-off for excepted credit losses settled according to IFRS 9
  - value initially recognized (i.e. at fair value increased by costs of transaction that may be directly assigned to the financial liabilities component), reduced by accumulated amount of income recognized according to provisions of IFRS 15 Revenue from contracts with customers.

To liabilities measured at fair value through financial result are classified liabilities due to derivatives which are not assigned for hedge accounting purposes.

### **Impairment of financial assets**

IFRS 9 introduces a new approach to estimation of losses with regard to financial assets measured at amortised cost. This approach is based on designation of expected losses, independently on the fact whether there were any premises to do it or not.

The Company applies the following models of determining impairment write-offs:

- general model (basic),
- simplified model.

In the general model, the Company monitors changes of credit risk's level related to the particular component of the financial assets.

In the simplified model the Company does not monitor changes of credit risk's level during the instrument's lifetime, estimates expected credit loss within the maturity date of the instrument.

To estimate expected credit loss the Company uses:

- in the general model - levels of probability of insolvency,
- in the simplified model – historical levels of repayment of receivables from contractors.

As insolvency event, the Company recognizes lack of obligation's fulfilment by a contractor after 90 days since maturity date of a receivable.

The Company takes into account information regarding future in applied parameters of model for estimating expected loss, by adjustment of basic indexes of insolvency probability (for

receivables) or by calculation of parameters of insolvency probability on the basis of current market quotes (for other financial assets).

The Company applies the simplified model of calculation of impairment write-offs for trade receivables.

The general model is applied for other types of financial assets, including debt financial assets measured at fair value through comprehensive income.

Impairment losses for debt financial instruments measured at amortised cost (at the moment of initial recognition and calculated for every next day ending financial period) are recognized in other operating costs. Profits (reversal of the write-off) due to reduction of value of expected impairment loss are recognized in other operating revenues.

For purchased and emerged financial assets impaired due to credit risk at the moment of initial recognition, favourable changes of expected credit losses are recognized as impairment profit in other operating revenues.

Losses due to impairment of debt financial instruments measured at fair value through other comprehensive income are recognized in other operating costs in correspondence with other comprehensive income.

Profits (reversal of a write-off) due to reduction of value of expected credit loss are recognized in other operating revenues.

### **IFRS 15 revenues from agreements with customers**

Since 1 January 2018 the Company has been applied IFRS 15, published and approved by the European Parliament to be used in the European Union.

Under IFRS 15 revenues are recognized at the moment of fulfilling of a claim (or when it is being fulfilled), obligation to fulfil a claim by handing-over of promised good or service (i.e. element of assets) to a customer. Handing-over of an element of assets is done at the moment when a customer gains control on this element of assets.

Control of an element of assets regards to ability to direct disposal of this element of assets and obtainment of all other benefits basically.

Under introduced changes regarding method of recognition and presentation of revenues from agreements with customers, the Issuer made an overview and analysis of existing agreements concerning guidelines of IFRS15 according to five-part model of revenues' recognition.

Recognized so far, and also under the influence of the new provisions of IFRS 15 an element of assets is the right to repayment in the form of trade receivables, recognized at the same time as revenue from sales. Presentations of advanced prepayments received from customers that represent obligation to deliver goods or services up to the date of its settlement and recognition in revenues after realization of each delivery, also has not been changed. With regard to agreements concluded with customers, presentation of data for 2017 has not been changed for this reason. In the Company's opinion there is no significant issues related to agreements that should be presented in other than current manner.

The first application of IFRS 15 when applying retrospectively with cumulative effect of the first application of the standard remains without influence on correction of opening balance of retained profit as at 1 January 2018 as well as on other items of financial statements of the current period as well as at 1 January 2018, in comparison with standards and interpretations related to them, applicable before this change.

While preparing this financial statements, in relation to the previous periods, the Company has not been changed optionally any accounting standards used so far.

### **Trade and other receivables**

Trade receivables of which maturity date is usually from 30 up to 90 days are recognized according to originally invoiced amount, taking into account write-offs due to irrecoverable receivable. Revaluation write-offs of irrecoverable receivables are estimated if recovering of the full amount of a receivable discontinues to be probable.

Costs of created revaluation write-offs of receivables are referred respectively to other operating costs or to financial costs - dependently on a type of a receivable that is subjected into revaluation write-off.

An impairment loss on trade receivables is calculated on the basis of expected credit losses over the life of the financial instrument. The Company estimates the expected credit losses related to trade receivables using an individual approach. The Company regularly reviews the methodology and assumptions used to estimate expected credit losses to reduce any differences between the estimates and actual data on credit losses. Changes in impairment losses are recognized in the profit and loss account and classified as other operating expenses or financial expenses, depending on the type of receivable to which the impairment loss relates. The Company creates write-offs updating the value of accrued doubtful interest at the moment of their charging. Interest income is recognized in the period to which it relates using the effective interest rate method. The same rules apply to other receivables.

### **Loans valuation**

Loans measured at amortized cost - loans that meet two conditions: they are held in a business model aimed at obtaining contractual cash flows from the financial assets held and have passed the contractual cash flow test (SPPI i.e. held to collect principal and interest) .

They are initially recognized at fair value adjusted for costs directly related to their origin and measured as at the end of the reporting period at amortized cost using the effective interest rate method, taking into account the impairment calculated using the expected loss model. Loans - financial assets that are impaired due to high credit risk on initial recognition of a financial asset or when they are acquired at a large discount. are measured at amortized cost using the effective interest rate adjusted for credit risk, taking into account the impairment calculated using the expected loss model.

Loans at fair value through profit or loss - loans that failed the contractual cash flow test (SPPI), i.e. held to collect principal and interest.

The fair value of loans is determined as the present value of future cash flows, taking into account changes in market risk factors, unless otherwise indicated.

Pursuant to IFRS 9, financial assets subject to the requirement of calculating expected credit losses are classified into one of the three levels of the impairment model. The classification to the levels of the impairment model is made at the level of a single financial instrument.

The company grants loans mainly to related entities.

### **Cash and cash equivalents**

Cash and cash equivalents includes funds on a bank accounts and cash as well as short-term deposit of the original maturity date not longer than three months.

### **Credits and interest-bearing loans**

At the moment of initial recognition bank credits and loans are recognized according to acquisition price corresponding to fair value of received cash, reduced by cost connected to getting a credit or a loan.

### **Professional judgement**

In case when a given transaction is not regulated in any standard or interpretation, the Management Board guided by its subjective judgement, shall determine and apply accounting policy to ensure that financial statements include relevant and reliable information and that:

- properly, clearly and fairly present property and financial statement of the Company, results of its activity and cash flow,
- reflect the economic content of transaction,
- is objective,
- is prepared according to prudent valuation principle,
- complete in all their essential aspects.

This financial statements do not include significant areas in which there was a significant meaning a professional judgement of the management .

### **Uncertainty of estimates**

Pursuant to accounting principles applied in the Company, the Management Board is obliged to make estimates, judgements and assumptions regarding amounts of valuations of particular elements of assets and liabilities. Estimates and assumptions related are made on the basis of historical experiences and other factors recognizes as significant. Actual results may differ from applied estimates. Preparation of the financial statements requires from the Management of the Company, making of estimations because of the fact that many information included in the financial statements can not be valued precisely. The Management Board verifies adopted estimates on the basis of change of factors taken into account while they are made, new information or past experiences. Because of this, estimates made as at 30 June 2020 may be change in the future. The main estimates are described in the following notes concerning fair value of financial instruments which significantly affect the financial statements of the Company. The Management Board assess that in the report for 2019, there is no significant areas for which there is a risk related to uncertainty of estimates.

### **Information on operating segments**

Operating segment is a component of an entity:

- a) which is engaged in economic activities from which the Company may gain revenues

and incur costs (including revenues and costs related to transactions with other components of the same entity),

b) Which results of activities are regularly reviewed by the main governing body responsible for making operating decisions in the entity and using these results while deciding on allocation of reserves to segments and while assessing results of a segment's activity, as well as

c) in case for which are available separate financial information.

Pursuant to requirements of IFRS 8, operating segments shall be identified on the basis of internal reports concerning these components of the Group which are regularly verified by the people deciding on allocation of reserves do the particular segment and estimating its financial results.

### **Cash flow statement: preparation principles:**

The Company prepares the cash flow statement using the indirect method whereby profit or loss is adjusted for the effects of non-cash transactions, for active and passive accruals related to past or future cash inflows or payments from operating activities, and for income and expense items related to cash flows from investing activities or financial.

### **Income tax**

Tax charges include current taxation with corporate income tax and a change in deferred tax provisions or assets. The current tax liabilities are determined on the basis of the currently applicable tax regulations and the determined taxable income.

A deferred tax asset is recognized in relation to all deductible temporary differences, as well as unused deferred tax assets and unused tax losses to be deducted in subsequent periods, in the amount in which it is probable that income will be generated up to taxation that will allow you to use the above-mentioned.

The carrying amount of the deferred tax asset is verified as at each balance sheet date and is subject to a write-off when there is doubt that the Company's use of economic benefits related to the use of tax assets.

Deferred income tax is calculated on the basis of tax rates expected by management to apply in the period when the asset is realized or the provision is released, based on the tax rates legally or actually applicable as at the balance sheet date.

The change in provisions and assets due to deferred income tax is recognized in the profit and loss account, except for the situation when the financial effects of events giving rise to or dissolution of deferred tax are recognized directly in the entity's equity.

### **Income tax in Estonia**

Legal persons income tax rate is 20%. System of corporate earnings taxation currently in force in



Estonia is a system which shifts the moment of corporate taxation from the moment of earning the profits to the moment of their distribution. It means earning profits in itself does not bring income tax liability which arises only when earned profit is distributed to shareholders. In case profit distributed to shareholders originates from dividends received from a subsidiary company or from a permanent establishment the corporation has in another country then profit distribution is tax exempt. Distributed profits mean gifts, donations, representation expenses and any payments and expenses not connected to the business. Estonia does not have withholding tax on dividends paid. Distributed profits are taxed at a rate of 20%

A resident company, except for a public limited fund, shall pay income tax on such portion of payments made from the equity upon reduction of the share capital or contributions, upon redemption or return of shares or contributions (hereinafter holding) or in other cases, which exceeds the monetary and non-monetary contributions made to the equity of the company.

The regular CIT tax rate on distributed profits is 20% and no withholding tax is paid. From 2019, lower income tax rate of 14% may be applied if dividends are paid regularly, but in that case 7% withholding tax is applicable if dividend paid to natural person.

### **Contingent assets and liabilities**

The Issuer doesn't have any contingent assets and liabilities.

## **EXPLANATORY NOTES**

### **Note 1 Long-term financial assets**

<b>LONG-TERM FINANCIAL ASSETS</b>	<b>30 June 2020 EUR thous</b>	<b>31 December 2018 EUR thous</b>
b) loans granted	<b>1 720</b>	<b>1 632</b>
<b>Long-term financial assets, total</b>	<b>1 720</b>	<b>1 632</b>

As at 30.06.2020 INVESTMENT FRIENDS SE discloses the following loan agreements as long-term financial assets:

- Loan agreement concluded on 09.06.2020 with DAMAR PATRO UU headquartered in Tallinn. Value of the granted loan is EUR 1 720 thous. Interest rate is 2,5%. Repayment date of the loan was established as at 30.06.2023. Interest on this loan are disclosed short-term financial assets.

As at 31.12.2018 INVESTMENT FRIENDS SE discloses the following loan agreements as long-term financial assets:

- Loan agreement with Fon Zarządzanie Nieruchomościami Sp. z o.o. headquartered in Płock. Value of the granted loan is EUR 1 615 thous. Interest rate is wibor 1M+4,5%. Repayment date of the loan was established as at 24.04.2021.

## Note 2 Trade and other receivables

SHORT-TERM RECEIVABLES	30 June 2020 EUR thous	31 December 2018 EUR thous
Receivables from other entities:	0	31
- due to taxes, subsidies, customs, social and health insurance and other benefits	0	31
Short-term receivables net, total	0	31
<b>Short-term receivables gross, total</b>	<b>0</b>	<b>31</b>

SHORT-TERM RECEIVABLES NET (CURRENCY STRUCTURE)	30 June 2020 EUR thous	31 December 2018 EUR thous
a) in Polish currency	0	31
<b>Short-term receivables, total</b>	<b>0</b>	<b>31</b>

## Note 3 Short-term investments

SECURITIES, SHARES AND OTHER SHORT-TERM FINANCIAL ASSETS	30 June 2020 EUR thous	31 December 2018 EUR thous
<b>1) in related entities</b>	<b>847</b>	<b>600</b>
b) loans granted, including:	<b>847</b>	<b>600</b>
- value acc. to the value of granted loans	847	600
<b>2) in other entities</b>	<b>0</b>	<b>226</b>
a) loans granted, including:	<b>0</b>	<b>226</b>
- revaluation adjustments (+/-)	0	-216
- value acc. to the value of granted loans	0	442
<b>Balance value, total</b>	<b>847</b>	<b>826</b>

As at 30.06.2020 the Company discloses in short-term financial assets the Loan agreement concluded on 17.06.2019 with PATRO INVEST OU. Value of the granted loan is PLN 3 768 thous (847 thous. EUR). Interest rate is 5%. Repayment date of the loan was established as at 30.06.2021, and the interest on the loan granted for Patro Invest Sp. z o. o..

As at 31.12.18:

The company shows a loan agreement to Patro Invest Sp. z o.o. PLN 2,580 thousand (EUR 600 thous.) TOP MARKA PLN 1,897 thousand (EUR 442 thous.). As at 30/11/2018, the Company made a write-down of the outstanding TOP MARKA loan in the amount of PLN 930 thousand. PLN (216 thous. EUR).

#### Note 4 Cash and cash equivalents

CASH AND CASH EQUIVALENTS	30 June 2020 EUR thous	31 December 2018 EUR thous
Cash on the bank accounts	6	7
<b>Cash and cash equivalents, total</b>	<b>6</b>	<b>7</b>

BPS SA bank accounts are borrowed from IFSE UU based in Tallinn.

#### Note 5 Share capital

No.	Shareholders	Number of shares	% of shares	Number of votes	% of votes
1	PATRO INVEST OÜ (indirectly Damian Patrowicz )	3 077 250	34.19	3 077 250	34.19
	Total	9 000 000	100	9 000 000	100

#### Note 6 Book value per share

##### 2019

Book value as at 30.06.2020	2 524 thous. EUR
Number of shares as at 30.06.2020	9 000 000
Book value per share (in EURO)	0,28 EUR
Diluted number of shares	9 000 000
Diluted book value per share (in EURO)	0,28 EUR

##### 2018

Book value as at 31.12.2018	2 401 thous. EUR
Number of shares as at 30.06.2020	9 000 000
Book value per share (in EURO)	0,27 EUR
Diluted number of shares	9 000 000
Diluted book value per share (in EURO)	0,27 EUR

#### Note 7 Other provisions

CHANGE IN THE BALANCE OF OTHER PROVISIONS	30 June 2020 EUR thous	31 December 2018 EUR thous
Opening balance of other provisions, including:	93	97
1. Decrease	44	4
Closing balance of other provisions, total	<b>49</b>	<b>93</b>

## Note 8 Revenues from contracts with customers

NET REVENUES FROM SALE OF PRODUCTS (BY TYPE - TYPES OF ACTIVITY)	Period 01.01.2019- 30.06.2020 EUR thous.	Period 01.01.2018- 31.12.2018 EUR thous
revenues due to interest on investment activity (interest on loans granted)	207	181
<b>Net revenues from sale of products, total</b>	<b>207</b>	<b>181</b>
<b>- including: from related parties</b>	<b>207</b>	<b>181</b>

NET REVENUES FROM SALE OF PRODUCTS (TERRITORIAL STRUCTURE)	Period 01.01.2019- 30.06.2020 EUR thous.	Period 01.01.2018- 31.12.2018 EUR thous
a) country*	207	181
<b>Net revenues from sale of products, total</b>	<b>207</b>	<b>181</b>
<b>- including: from related parties</b>	<b>207</b>	<b>181</b>

\* year 2019 seat in Estonia

\* year 2018 seat in Poland

Information on revenues from related entities can be found in note 16.

### Operating segments

In accordance with the requirements of IFRS 8, operating segments should be identified based on internal reports on those elements of the Company that are regularly verified by persons deciding on the allocation of resources to a given segment and assessing its financial results. The Company conducts homogeneous activity consisting in rendering other financial services. The Management Board did not identify operating segments in the Company.

## Note 9 Costs by type

COSTS BY TYPE	30 June 2020 EUR thous	31 December 2018 EUR thous
<b>General management expenses</b>	<b>27</b>	<b>144</b>

## Note 10 Other operating revenues

OTHER OPERATING REVENUES	30 June 2020 EUR thous	31 December 2018 EUR thous
other, including:	47	6
- others	47	6
<b>Other operating revenues, total</b>	<b>47</b>	<b>6</b>

## Note 11 Other operating costs

OTHER OPERATING COSTS	30 June 2020 EUR thous	31 December 2018 EUR thous
other, including:	2	9

### Investment Friends SE

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- other	2	9
<b>Other operating costs, total</b>	<b>2</b>	<b>9</b>

Note 12 Financial costs and revenues

FINANCIAL REVENUES DUE TO INTEREST	30 June 2020 EUR thous	31 December 2018 EUR thous
a) other interest	0	3
- from related entities	0	3
<b>Financial revenues due to interest, total</b>	<b>0</b>	<b>3</b>

OTHER FINANCIAL REVENUES	30 June 2020 EUR thous	31 December 2018 EUR thous
d) other, including:	50	0
- reversal of revaluation write-down of receivables	50	0
<b>Other financial revenues, total</b>	<b>50</b>	<b>0</b>

OTHER FINANCIAL COSTS	30 June 2020 EUR thous	31 December 2018 EUR thous
b) revaluation of loans	47	29
c) other, including:	38	0
- sale of an investment	38	0
<b>Other financial costs, total</b>	<b>85</b>	<b>29</b>

Note 13 Profit per share

**Profit per share as at 30.06.2020**

Weighted average number of shares	9 000 000
Profit/loss for 12 months	190 thous. EUR
Profit/loss per one ordinary share	0,02 EUR

**Profit per share as at 31.12.2018**

Weighted average number of shares	9 000 000
Profit/loss for 12 months	8 thous. EUR
Profit/loss per one ordinary share	0,00 EUR

Note 14 Explanations to CASH FLOW STATEMENT

(Profit) loss due to investment activity thous.	PLN	EUR
revaluation write FON Zarządzanie Nieruchomościami	-216	-50
sale of shares IFERIA	1	0
sale of receivables TOP MARKA	163	38

<b>Total</b>	<b>-52</b>	<b>-12</b>
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#### Note 15 Geographical information

There are presented below revenues from external clients broken down into operational areas and information on non-current assets broken down by location of these assets:

#### for 2019

GEOGRAPHICAL AREA FOR FINANCIAL ACTIVITIES	REVENUE FROM EXTERNAL CUSTOMERS
PŁOCK/TALLINN	207
Total for financial activity	207

#### for 2018

GEOGRAPHICAL AREA FOR FINANCIAL ACTIVITIES	REVENUE FROM EXTERNAL CUSTOMERS
PŁOCK	181
Total for financial activity	181

#### Information on leading customers.

In the period 01.01.2019-30.06.2020 the Company gained revenues from transactions with an external single client which exceed 10% of the entity's total revenues:

- Client no 1 – 41 % of total revenues
- Client no 2 – 23 % of total revenues
- Client no 3 – 23 % of total revenues

In the period 01.01.2018-31.12.2018 the Company gained revenues from transactions with an external single client which exceed 10% of the entity's total revenues:

- Client no 1 – 44% of total revenues
- Client no 2 – 42% of total revenues
- Client no 3 – 14% of total revenues

#### Note 16 Transactions with related parties

As at 30 June 2020 there are the following loans granted for related entities:

Name (firm) of an entity	Seat	Value of the credit / loan acc. to the agreement in thous.		Value of the credit / loan remaining for repayment in thous.		Interest conditions	Repayment Term	Collateral
		zł/EUR	currency	zł/EUR	currency			

PATRO INVEST OU	Tallinn	3 760	PLN	3 767	PLN	5%	30.06.2021	blank promissory note with declaration
DAMAR PATRO UU	Tallinn	1 720	EUR	1 721	EUR	2,5%	30.06.2023	blank promissory note with declaration

As at 30 June 2020 Investment Friends SE did not receive any loans from related entities.

EUR th

TRANSACTIONS WITH RELATED ENTITIES FOR THE PERIOD ENDED 30/06/2020	Revenues from interest on related entities	Purchases from related entities	Receivables from loans and interest from related entities	Liabilities due to deliveries and services and other liabilities at the end of the period towards related entities
ELKOP SE	85	0	0	0
Patro Invest sp. z o.o.	17	0	0	0
Damar Patro UU	2	0	1 720	0
Patro Invest OU	50	0	847	0
Fon Zarządzanie Nieruchomościami	47	0	0	0
<b>Total</b>	<b>207</b>	<b>0</b>	<b>2 567</b>	<b>0</b>

EUR th

TRANSACTIONS WITH RELATED ENTITIES FOR THE PERIOD ENDED 31/12/2018	Revenues from interest on related entities	Purchases from related entities	Receivables from loans and interest from related entities	Liabilities due to deliveries and services and other liabilities at the end of the period towards related entities
ATLANTIS SE	0	12	0	0
ELKOP S.A.	0	2	0	0
FON SE	0	4	0	0
FON Zarządzanie Nieruchomościami Sp. z o.o.	78	0	1 681	0
Patro Invest sp. z o.o.	23	0	597	0
<b>Total</b>	<b>101</b>	<b>18</b>	<b>2 278</b>	<b>0</b>

The table presents transactions with related entities. The difference between the sum of the amounts in the table and the profit and loss account applies to transactions with TOP MARKA.

## Remuneration of the Supervisory Board and the Management Board.

Chairman of the Management Board	2019 EUR thous	2018 EUR thous
Remuneration of the Chairman of the Management Board Mrs. Agnieszka Gujgo due to employee contract and performed function in gross value	0	58

Supervisory Board	2019	2018
Remuneration of the Supervisory Board due to performed function in gross value	0	6

Note 17 Information on financial instruments

**30 June 2020**

Classes of financial instruments	Fair value through the financial result	Amortized cost	Total
<b>Financial assets total</b>	<b>0</b>	<b>2 573</b>	<b>2 573</b>
Loans granted	0	2 567	2 567
Cash and cash equivalents	0	6	6
<b>Total financial liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>

**31 December 2018**

Classes of financial instruments	Fair value through the financial result	Amortized cost	Total
<b>Financial assets total</b>	<b>226</b>	<b>2 270</b>	<b>2 496</b>
Loans granted	226	2 263	2 489
Cash and cash equivalents	0	7	7
<b>Total financial liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>



## Capital management

The Management Board's policy is to maintain a solid capital base in order to maintain investor confidence and to ensure the future development of business operations.

The company manages its capital in order to maintain the ability to continue operations, including the implementation of planned investments, so that it can generate returns for shareholders.

In line with market practice, the Company monitors capital, among others, based on the equity ratio and the loans and other sources of financing / EBITDA ratio.

The equity ratio is calculated as the ratio of the net asset value (equity decreased by intangible assets) to the balance sheet total.

The debt / EBITDA ratio is calculated as the ratio of liabilities due to credits, loans and financial leasing minus free cash and short-term investments with maturity of up to 1 year to EBITDA (net profit after adding depreciation).

In order to maintain financial liquidity and creditworthiness allowing obtaining external financing at a reasonable level of costs, the Company assumes maintaining the equity ratio at a level not lower than 0.5, while the ratio: credits, loans and other sources of financing / EBITDA at the level of up to 2.0.

Equity	2 524	2 401
Net value of assets	2 524	2 401
Balance sheet total	2 573	2 496
Equity ratio	0,98	0,96
Net profit	190	8
EBITDA	190	8
Loans and other sources of financing	0	2
Free cash and short-term investments	853	833
Ratio: Loans and other sources of financing/EBITDA	0	0,25

### Note 18 Significant events after the balance-sheet date

There are no events significant after June 30 2020

### Note 19 Significant factors of risks.

## ***RISKS AND THREATS FACTORS.***

Decisions on using hedging instrument for planned transactions are made based on current analysis of the Company's situation and its environment.

Below the Issuer presents the factors of risks and threats according to the best knowledge and assessment of the Issuer, in the field of known threats as at the date of the report's preparation. However in the future there may occur some new risks, difficult to be predicted, as well as the range of particular risks in the Issuer's activity may change. Presented in the following sequence risks do not reflect their importance for the Issuer.

## **Credit risk**

Credit risk is the risk of incurring the financial loss by the Company, in the situation, when the

customer or other party to the contract do not fulfil a duty from the agreement. Credit risk relates to receivables. Exposure the Company to the credit risk is primarily a result of individual feature of each customer. The Company continuously monitors receivables. Due to the reduction in construction and assembly works, the level of credit risk has fallen significantly in recent months. The Company makes write-offs from impairment loss, which corresponding with estimated value of losses from receivables from deliveries and services, other receivables and investments. The aim of the credit policy is maintaining the financial liquidity ratios on the safe, high level, realization of liabilities from suppliers without delays and cost reduce connected with servicing bank liabilities. Reduction of using bank credits and connected with its financial costs are also the aim of Managing of liabilities and receivables from deliveries and customers Policy. The aims of mentioned Policy are agreement on payment date, following the rules of realization the liabilities without the delay, using the trade credit.

The maturity dates of the loans as at 30/06/2020

30/06/2020 in EUR thous.	Maturity dates				
	Total	< 1 year	1-2 years	2-3 years	Above 3 years
Cash and cash equivalent	6	6	0	0	0
Loans granted	2567	0	847	1720	0
<b>Total</b>	<b>2573</b>	<b>6</b>	<b>847</b>	<b>1720</b>	<b>0</b>

The maturity dates of the loans as at 31/12/2018

31/12/2018 in EUR thous.	Maturity dates				
	Total	< 1 year	1-2 years	2-3 years	Above 3 years
Cash and cash equivalent	7	7	0	0	0
Loans granted	2 423	442	600	1681	0
<b>Total</b>	<b>2 430</b>	<b>449</b>	<b>600</b>	<b>1681</b>	<b>0</b>

### Liquidity risk

Liquidity risk management process bases on monitoring estimated cash-flows, and adjusting final maturity of assets and liabilities, analysing working capital and maintaining an access to different sources of funding. The aim of the Company is to maintain the balance between funding continuity and flexibility, through using sources of funding such as loan, overdraft facility, financial leasing agreement.

### Risk of shares price's fluctuations and limited liquidity

Immanent feature of market trading is the shares' price fluctuations and short-term fluctuations of turnover. It might result in possible sale or purchase of the qualifying holding of the Issuer's shares will relate to a necessity to accept significantly less favourable price than the reference price. The Issuer cannot also exclude significant, temporary limitations of liquidity which may significantly hamper sales or purchase of the Issuer's shares.

**Risk related to the Issuer's dependence on recipients**

There is a risk of impact on the results achieved by the Issuer from entities related to the Issuer by contracts for the lease of office space. Late payment of receivables under concluded contracts has an impact on current financial liquidity. In this case, property lease agreements should be treated as a permanent contractual dependence on recipients.

**Risk connected to links between members of the Issuer's corporate bodies**

There are interpretations indicating the possibility of emerging risks consisting in the negative impact of links between members of the Issuer's bodies on their decisions. This applies to the impact of these links on the Issuer's Supervisory Board regarding the day-to-day supervision of the Company's operations. While assessing the probability of such a risk, one should take into account the fact that the supervisory bodies are subject to the control of another body - the General Meeting, and in the interest of the members of the Supervisory Board it is to perform their duties in a reliable and lawful manner. Otherwise members of the Supervisory Board are exposed to responsibility from Ordinary General Meeting or criminal responsibility from the title of acting against the Company.

**Risk connected to borrowed loan and granted warranty**

There is a risk of lack of possibility to punctual repayment of loan, and therefore there is necessity of collaterals realization by the moneylender i.e. an entry in the mortgage register of the Company.

The Company will make any efforts to limit indicated risk, but because of relevancy and organizational and legal complexity of changes, disadvantageous situations can not be excluded.

**Risk connected to change of the seat and article of association of the Issuer**

There is a risk related to effective adaptation of the Issuer to organizational and legal laws applicable in Estonia. These changes can temporary influence organizational effectiveness of the Issuer and risk of possible mistakes and errors in law interpretations, obligations of entities operating in Estonia, local and related to listing of the Company's shares on Warsaw Stock Exchange disclosure obligations, and their proper implementation by the Issuer can occur.

**Risk related to the shareholder structure**

As at the date of the report 34,84% of the share capital and 34,84% of votes at the Issuer's General Meeting belong directly to Patro Invest OU, as a result of which the above Shareholder has a significant impact on the resolutions adopted at the Issuer's General Meeting.

**Risk related to the economic situation in Poland and Estonia.**

The situation and the economic situation in Poland and Estonia have a significant impact on the financial results achieved by all entities including the Issuer, because the success of development of companies investing in financial instruments and conducting financial services largely depends on the conditions of running a business. In case of realization the transfer of the seat of the Issuer to Estonia, risk in the above scope will applies to the new registered office in Republic of Estonia.

### Currency risk

There is a currency risk in connection with the loans granted in EURO. The risk related to the possibility of fluctuations in the exchange rate of one currency in relation to another may lead to both deterioration of the financial situation of the entity and its improvement as a result of a decrease in a given receivable or an increase in this receivable.

Note 20 Contingent assets and liabilities.

Pending courtcases:

1. Legal case regarding imposition of an administrative punishment on the Company by the Polish Supervision Authority (KNF).

In the opinion of Management Board it will not involve any additional costs.

A Tax authorities have the right to review the Company tax records for up to 5 years after submitting the tax declaration and upon finding errors, impose additional taxes, interest and fines. The tax authorities have not performed any tax audits at the Company during 2018-2020.

### Note 21 Income Statement – comparison of 2018 with 12 months of 2019

INCOME STATEMENT	The period ended 31.12.2019* EUR thous	The period ended 31.12.2018 EUR thous
<b>Net revenue from sales of products, goods and materials</b>	<b>116</b>	<b>181</b>
<b>Gross profit (loss) on sales</b>	<b>116</b>	<b>181</b>
General management costs	17	144
Other operating revenues	0	6
Other operating costs	1	9
<b>Profit (loss) on operating activities</b>	<b>98</b>	<b>34</b>
Financial revenues	0	3
Financial costs	38	29
<b>Pre-tax profit</b>	<b>60</b>	<b>8</b>
<b>Net profit/loss</b>	<b>60</b>	<b>8</b>
<b>The weighted average number of ordinary shares</b>	<b>9 000 000</b>	<b>9 000 000</b>
<b>Profit (loss) per one ordinary share (in EURO)</b>	<b>0,00</b>	<b>0,00</b>
<b>The weighted diluted average number of ordinary shares</b>	<b>9 000 000</b>	<b>9 000 000</b>
<b>Diluted profit (loss) per one ordinary share (in EURO)</b>	<b>0,00</b>	<b>0,00</b>

\*exchange rate used for conversion of data for 12 months of 2019 – according to the exchange rate being an arithmetic average of exchange rates announced by the European Central Bank for 12 months of 2019, i.e. 1 EUR = 4,2990

### VII.STATEMENT OF COMPLIANCE

Management Board of the Company declares that to the best of their knowledge, these financial statements and comparable data have been prepared in accordance with the accounting

principles applicable to the Company and that they reflect truthfully, fairly and clearly the property and financial situation of the Company and its financial result.

The Management Board also declares that the report on the Company's activities contains a true picture of the development, achievements and situation of the Company, including a description of the basic threats and risks.

These financial statements have been prepared using the accounting principles, in accordance with the International Financial Reporting Standards. This report covers the period from January 1, 2019 to June 30, 2020 and the comparable period from January 1, 2018 to December 31, 2018.

The Management Board declares that the entity authorized to audit the financial statements, which audited the financial statements, was selected in accordance with the provisions of law, and that the entity and the statutory auditors who carried out the audit met the conditions for expressing an impartial and independent opinion on the audited annual financial statements, in accordance with the applicable regulations and professional standards.

The auditor was selected by the General Meeting of Shareholders on March 20, 2020. The EGMoS made the selection with a view to guaranteeing full independence and objectivity of the selection itself, as well as the performance of tasks by the statutory auditor.

It was decided to select the company Number RT OÜ based in Tallinn, Kristiine linnaosa, Sule tn 1, 11317, company registration number 10213553, as the auditing company that will audit the Company's financial statements for 2019 and 2020, as well as assess the annual reports for 2019 and 2020. The remuneration for the auditor will be payable in accordance with the contract concluded between INVESTMENT FRIENDS SE and Number RT OÜ on market terms

Signature

Chairman of the Issuer's Management Board

Agnieszka Gujgo

Signature of the person entrusted with the bookkeeping

Jolanta Gałuszka GALEX Kancelaria Biegłego Rewidenta