



INVESTMENT FRIENDS CAPITAL SE

ANNUAL REPORT

**FOR THE PERIOD SINCE 01 JANUARY 2019 TILL 30 JUNE 2020
AND FOR THE YEAR ENDED ON 30 JUNE 2020**

**PREPARED IN COMPLIANCE WITH INTERNATIONAL
FINANCIAL REPORTING STANDARDS**

Tallinn, 27/10/2020



INVESTMENT FRIENDS CAPITAL SE GENERAL INFORMATION

Business name: INVESTMENT FRIENDS CAPITAL SE

Registry code: 14618005

Legal Entity Identifier code: 259400IJV1V3TF45QC25

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

Telephone: +48-796-118-929

E-posti address: biuro@ifcapital.pl

Website: www.ifcapital.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
- Martyna Patrowicz

Members of the Management Board:

- Damian Patrowicz



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I. GENERAL INFORMATION

Name of the Company: Investment Friends Capital SE

- On 09/02/2018 the Registry Court made a registration of the merger of the Company, previously operating as a public limited company under Polish law under the name of Investment Friends Capital Spółka Akcyjna (the Acquiring Company) with its registered office in Płock at Padlewskiego Street 18C, Poland, entered in the Register of Entrepreneurs of the National Court Register kept by the District Court for the Capital City of Warsaw in Warsaw, 14th Commercial Division, under the number 0000267789, NIP 8133186031, REGON 691529550 with Investment Friends Capital 1 Polska Akciovéspolečnost headquartered in Ostrava, address: Poděbradova 2738/16, Moravská Ostrava, 702 00 Ostrava, the Czech Republic entered to the commercial register kept by the District Court in Ostrava, section B under the number 10980, identification number 06503179 (the Acquired Company).
- As a result of registration of aforementioned merger by the District Court for the Capital City of Warsaw in Warsaw, the Company has changed its legal form to the European Company and has operated as Investment Friends Capital SE headquartered in Płock at Padlewskiego Street 18C, Poland, entered in the Register of Entrepreneurs of the National Court Register kept by the District Court for the Capital City of Warsaw in Warsaw, 14th Commercial Division, under the number 0000716972, REGON 369464707, NIP 8133186031 till 30/11/2018.
- On 30/11/2018 the commercial register appropriate for the Estonian law (Ariregister) registered the transfer of the Company's registered office to Estonia. Since 30/11/2018 the Company is being entered in Tartu County Court Registration Department, registry code: 14618005.

Address:

- since 01/12/2018 - Narva mnt 5, 10117 Tallinn, Estonia
- since 05/06/2019 - Harju maakond, Tallinn, Kesklinna linnaosa, Tornimäe tn 5, 10145 Estonia

Business activity according to the business classification

- Since 30.11.2018 activity with name „Activities of holding companies”, EMTAK No 64201 was registered in Estonia.



Duration of the Company:

- Duration of the Company is indefinite.

Registry court of the Company:

- Since 30/11/2018 the Company has been entered in Tartu County Court Registration Department, registry code: 14618005.

Share capital of the Company:

- Since 09/02/2018 the share capital is 2.102.236,08 EURO (say: two million one hundred two thousand thirty-six EURO 08/100) and it is divided into 15.015.972 (fifteen million fifteen thousand nine hundred seventy-two) shares of the nominal value 0,14 EURO (say: fourteen euro cents) each.

Parent Company's Name:

- Parent Company's name: PATRO INVEST OÜ headquartered in Harju maakond, Tallinn, Kesklinna linnaosa, Tornimäe tn 5, 10145, registry code: 14381342. Management Board: Damian Patrowicz. Damian Patrowicz owns 100% shares of Patro Invest OÜ.

Financial year:

- The financial year for the reporting period started on January 1, 2019 and ended on June 30, 2020. On April 29, 2019 the Commercial Companies Register (Ariregister) competent for Estonian law registered the change in the financial year in accordance with Resolution No. 3 of the Extraordinary General Meeting of Shareholders of April 19, 2019. In connection with this, the Company's financial year begins on July 1 and ends on June 30.

SUPERVISORY BOARD

In the reporting period, composition of the Company's Supervisory Board was as following:

- Wojciech Hetkowski - Chairman of the Supervisory Board
- Jacek Koralewski - Vice Chairman of the Supervisory Board
- Małgorzata Patrowicz - Secretary of the Supervisory Board
- Martyna Patrowicz - Member of the Supervisory Board



MANAGEMENT BOARD

In the reporting period, composition of the Company's Management Board was as following:

- Damian Patrowicz - Member of the Management Board since 04/06/2018

II. SELECTED FINANCIAL DATA CONTAINING BASIC ITEM OF THE FINANCIAL STATEMENT (ALSO CONVERTED IN EURO)

	In thous. PLN		In thous. EURO	
	Eighteen months ended at 30.06.2020	Twelve months ended at 31.12.2018	Eighteen months ended at 30.06.2020	Twelve months ended at 31.12.2018
Revenues from the interest, sale of products, goods and materials	1 342	867	309	203
Profit (loss) from operating activities	1 219	486	281	114
Profit (loss) before taxes	-565	524	-130	122
Net profit (loss)	-565	522	-130	122
Net cash flows from operating activities	-119	65	-27	13
Net cash flow from investing activities	95	-1 420	21	-333
Change in cash and cash equivalents	-24	1 355	-6	-325
Total assets	20 513	21 086	4 620	4 902
Short-term liabilities	24	33	6	8
Equity capital	20 489	21 053	4 614	4 894
Share capital	8 768	8 768	2 102	2 102
Weighted average diluted number of shares (in pcs.)	15 015 972	15 015 972	15 015 972	15 015 972
Profit (loss) per share (in PLN / EUR)	-0,04	0,03	-0,01	0,01
Book value per share (in PLN / EURO) *	1,36	1,4	0,31	0,3

III. LETTER OF THE MANAGEMENT BOARD

Dear Sirs;

On behalf of the Management Board of Investment Friends Capital SE, I am pleased to present you the Annual Report for the period since 01/01/2019 till 30/06/2020.



This period was for the Company a period of continuation of activities in the area of financial service activities, i.e. lending activities, which constitute the main part of the revenues generated by the Company. In this reporting period, the Management Board continued the cost optimization process and in the opinion of the Management Board, the Company's situation is stable and there is no risk of loss of liquidity and going concern.

According to the Management Board's intentions, the activities of the Company in the new financial year will continue to focus on financial service activities, in particular granting loans to business entities.

On behalf of the Management Board, I hope that consistent pursuit of the assumed economic goals and cost reduction will allow us to achieve positive financial results that will meet the expectations of our Shareholders.

I would also like to thank all Shareholders for the trust they have placed in the Company, Contractors and Co-operators, wishing them further, mutually fruitful cooperation.

Yours faithfully,

*Damian Patrowicz
Member of the Management Board*

IV. REPORT OF THE MANAGEMENT BOARD ON THE COMPANY'S ACTIVITY

THE MAIN FIELDS OF ACTIVITY, GROUPS OF PRODUCT AND SERVICES

The main business activity of the Company is financial activity, including lending activities. The Company conduct homogeneous activity based on providing other financial services. In the reporting period, the vital role in the structure of revenues obtained by the Company, played revenues related to interest and commissions on granted loans. Significant influence on results presented by the Company have also revaluation write-offs of owned assets, i.e. shares and stocks of entities kept in the Company's portfolio.

The Company realizing its basic profile activities related to lending services concluded agreements with Polish and Estonian business entities. Because of the activities specifics there is no sources of supply of goods and materials.



GENERAL (MACROECONOMIC) DEVELOPMENT OF ENVIRONMENT IN WHICH AN ACCOUNTING ENTITY CARRIES OUT ITS ACTIVITY AND INFLUENCE OF THIS DEVELOPMENT ON FINANCIAL EFFECTIVENESS.

The Company undertakes financial activities especially related to granting cash loans for persons and business entities, mostly from a sector of micro and small business entities. In the Management Board's opinion, activity in this field is developmental, especially on Polish market. Small and medium-size companies constitutes over 99% of all enterprises in Poland. In Poland, among 2 million of small and medium-size entities, only over 17,5% uses credits and loans. It results from policy of banks in terms of granting loans for such entities. Truly, most of banks offer loan products for entrepreneurs from small and medium-size entities sector. However, these entrepreneurs meet huge problem with obtaining them in practice. Banks estimates a high risk for granting credits for small and medium-size companies. An entrepreneur must fulfill difficult requirements of a bank, primarily, almost unavailable for young entities, borrowing capacity. Most of beginning entrepreneurs have no collaterals and have not got a long history in a bank. Bank procedures are often very complicated and amending during the term of an agreement, i.e. interest level. Entrepreneurs who have not obtained financing from a bank, usually reach companies which provide lending services and declare high flexibility in terms of procedures tailored to needs of a particular customer and their capacity as far as collaterals are concerned. The Company notices development potential in the field of providing financial services for this kind of entities and intends consequently continue its business activity in this segment.

INFORMATION WHETHER THE OPERATING ACTIVITY OF THE ACCOUNTING ENTITY TAKE PLACE ON A SEASONAL BASIS, OR WHETHER THEIR BUSINESS ACTIVITIES ARE CYCLICAL.

In the reporting period the main activity of the Company was financial services activity (lending) and therefore, there is no seasonality or cyclicity.

SIGNIFICANT ENVIRONMENTAL AND SOCIAL IMPACTS RESULTING FROM THE ACTIVITIES OF THE ACCOUNTING ENTITY.

Because of specifics of activities of the Company, i.e. financial services, there are no significant environmental and social impacts resulting from operating of the Company.

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 risks resulting from financial instruments of the Company are: interest rate risk, liquidity risk, credit risk, risk related to financial collaterals. The Management Board is responsible for establishment of risk management in the Company as well as for supervision of their respect. Risk management principles in the Company aim at identification and analysis of risks to which the Company is exposed, setting out the proper limits and control as well as monitoring of risk and level of limits adjusted to it.



THE MOST SIGNIFICANT INVESTMENTS MADE DURING THE FINANCIAL YEAR AND PLANNED FOR THE IMMEDIATE FUTURE.

Because of the main activity of the Company within financial services, especially granting cash loans for business entities, the most significant investments made by the Company in the reporting period were connected to the loans granted. The Company intends to continue lending activities in the near future, so possible further investments will be realized also in this area.

SIGNIFICANT PROJECTS IN THE FIELD OF RESEARCH AND THE DEVELOPMENT AND RELATED EXPENDITURE IN THE ACCOUNTING YEAR AND THE FOLLOWING YEARS.

Because of specifics of the main activity of the Company, i.e. financial service activities, the Company does not realize research and development projects.

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:

- 1) THE NUMBER OF THE SHARES AND THEIR NOMINAL VALUE OR, IN THE ABSENCE OF A NOMINAL VALUE, THE ACCOUNTING PAR VALUE AND THE RATIO IN THE SHARE CAPITAL;*
- 2) THE AMOUNT OF CONSIDERATION PAID FOR THE SHARES AND THE REASON FOR THEIR ACQUISITION OR TAKING AS SECURITY.*

In the reporting period, the Company has not acquired and has not taken over own shares as a security.

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.

Since May 28, 2007 shares of Investment Friends Capital SE are listed on Warsaw Stock Exchange. As at the balance-sheet date 30/06//2020 Investment Friends Capital SE have issued 15 015 972 shares without nominal value. Shares are freely transferable, and have not got any statutory restrictions. At the end of 2018 the price per share was PLN 0,54. While at the end of June 2020 the price was PLN 0,62.

Currently, all shares of the Company of A series in the amount of 15 015 972 are dematerialised bearer shares, listed on regulated market of Warsaw Stock Exchange.



Share capital of the Company.

➤ On 09/02/2018 the Registry Court made a registration of the merger of the Company, previously operating as a public limited company under Polish law under the name of Investment Friends Capital Spółka Akcyjna (the Acquiring Company) with its registered office in Płock at Padlewskiego Street 18C, Poland, entered in the Register of Entrepreneurs of the National Court Register kept by the District Court for the Capital City of Warsaw in Warsaw, 14th Commercial Division, under the number 0000267789, NIP 8133186031, REGON 691529550 with Investment Friends Capital 1 Polska Akciovéspolečnost headquartered in Ostrava, address: Poděbradova 2738/16, Moravská Ostrava, 702 00 Ostrava, the Czech Republic entered to the commercial register kept by the District Court in Ostrava, section B under the number 10980, identification number 06503179 (the Acquired Company).

As a result of registration of aforementioned merger by the District Court for the Capital City of Warsaw in Warsaw, the Company has changed its legal form to the European Company and has operated as Investment Friends Capital SE headquartered in Płock at Padlewskiego Street 18C, Poland, entered in the Register of Entrepreneurs of the National Court Register kept by the District Court for the Capital City of Warsaw in Warsaw, 14th Commercial Division, under the number 0000716972, REGON 369464707, NIP 8133186031.

➤ Since the date of getting by the Company the legal form of the European Company, till 30/11/2018 the share capital of the Company was expressed in EURO and it was EUR 2.102.236,08 (in words: two million one hundred two thousand two hundred thirty-six EURO 08/100) and it is divided into 15 015 972 (fifteen million fifteen thousand two hundred seventy-two) bearer shares of series A of the nominal value EUR 0,14 (in words: fourteen euro cents) per share.

➤ Since 30/11/2018, after registration of the change of the Company's Article of Association and transferring its seat to Estonia, the share capital of the Company is expressed in EURO and it is EUR 2 102 236,08 (in words: two million one hundred two thousand two hundred thirty-six EURO 08/100) and it is divided into 15 015 972 (fifteen million fifteen thousand two hundred seventy-two) bearer shares without nominal value.

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 Article of Association of the Company does not provide any restrictions regarding transferring, ownership of securities or necessity to obtain a consent of the Company or other owners of securities.



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.

Company has not any knowledge of any restrictions in terms of disposal of securities resulting from contacts between shareholders, as well as Company has not concluded this kind of agreements and contacts.

QUALIFYING HOLDING PURSUANT TO THE PROVISIONS OF § 9 OF THE SECURITIES MARKET ACT.

As at the date 27/10/2020 according to the Management Board's best knowledge, the structure of direct and indirect shareholders holding at least 5% of the total number of votes at the General Meeting was as follows:

Structure of direct shareholding as at 27/10/2020

No.	Direct shareholders	Number of shares	% shares	Number of votes	% votes
1.	Patro Invest OÜ	10 459 380	69,66	10 459 380	69,66
X	Total	15 015 972	100,00	15 015 972	100,00

Structure of indirect shareholding as at 27/10/2020

No.	Indirect shareholders	Number of shares	% shares	Number of votes	% votes
1.	Patro Invest OÜ	10 459 380	69,66	10 459 380	69,66
2.	Damian Patrowicz	10 459 380	69,66	10 459 380	69,66

* Damian Patrowicz owns 100% of Patro Invest OU

As at the balance sheet date 30.06.2020 according to the Management Board's best knowledge, the structure of direct and indirect shareholders holding at least 5% of the total number of votes at the General Meeting was as follows:

Structure of direct shareholding as at 30/06/2020

No.	Direct shareholders	Number of shares	% shares	Number of votes	% votes
1.	Patro Invest OÜ	10 339 380	68,86	10 339 380	68,86
X	Total	15 015 972	100,00	15 015 972	100,00

Structure of indirect shareholding as at 30/06/2020

No.	Indirect shareholders	Number of shares	% shares	Number of votes	% votes
1.	Patro Invest OÜ	10 339 380	68,86	10 339 380	68,86
2.	Damian Patrowicz	10 339 380	68,86	10 339 380	68,86

* Damian Patrowicz owns 100% of Patro Invest OU



According to the information presented in the 2018 annual report, the structure of direct and indirect shareholders holding at least 5% of the total number of votes at the General Meeting was as follows:

Structure of direct shareholding as at 31/12/2018

No.	Direct shareholders	Number of shares	% shares	Number of votes	% votes
1.	Patro Invest OÜ	9 199 605	61,27	9 199 605	61,27
X	Total	15 015 972	100,00	15 015 972	100,00

Structure of indirect shareholding as at 31/12/2018

No.	Indirect shareholders	Number of shares	% shares	Number of votes	% votes
1.	Patro Invest OU	9 199 605	61,27	9 199 605	61,27
2.	Damian Patrowicz	9 199 605	61,27	9 199 605	61,27

* Damian Patrowicz owns 100% of Patro Invest OU

OWNERS OF SHARES GRANTING SPECIFIC POWERS OF AUDIT AND A DESCRIPTION OF THEIR POWERS.

There are no shares granting specific powers of supervision and control in the Company.

AN AUDITING SYSTEM, IN CASE A HOLDING SCHEME FOR EMPLOYEES EXISTS WHERE THE EMPLOYEES DO NOT DIRECTLY PERFORM THEIR POWERS OF AUDIT.

In the reporting period this kind of circumstances have not occurred in the Company.

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.

Pursuant to provisions of point 2.3. of the Company's Article of Association, all shares of the Company are of one type and give Shareholders the same rights, each share gives one vote at the General Meeting of the Company.

There is no restrictions as far as voting rights are concerned, the preference shares in terms of 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.



PROVISIONS AND RULES FOR THE ELECTION, APPOINTMENT, RESIGNATION AND REMOVAL OF THE MEMBERS OF THE MANAGEMENT BOARD OF THE COMPANY ESTABLISHED BY LEGISLATION.

Pursuant to provisions of point 5.3. of the Company's Article of Association, members of the Management Board are appointed and dismissed by the Supervisory Board which decides also on remuneration of members of the MB.

PROVISIONS AND RULES FOR AMENDMENT OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

Pursuant to point 4.8.1 of the Company's Article of Association, amending of the Article of Association is a competence of the General Meeting of Shareholders.

Pursuant to point 4.5 of the Statute, the meeting has a quorum if more than one half of the votes represented by the shares are represented at the general meeting, unless a requirement for a higher quorum is prescribed by applicable legal acts.

In case if sufficient number of shareholders to provide for a quorum under section 4.5 do not participate in the general meeting, the Management Board of the Company shall, within three weeks but not earlier than after seven days, call another meeting with the same agenda. The new general meeting is competent to adopt resolutions regardless of the votes represented at the meeting

Resolutions of the general meeting are adopted if more than one-half of the votes represented at the general meeting are in favour thereof, unless the applicable legal acts prescribe other terms.

AUTHORISATION OF THE MEMBERS OF THE MANAGEMENT BOARD OF THE COMPANY INCLUDING THE AUTHORISATION TO ISSUE AND REPURCHASE SHARES

In the reporting period there were not granted authorization for the Management Board to issue or repurchase 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 Company has not concluded this kind of agreements with members of the management board or employees.

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 Company has not concluded, amended or terminated any agreements or contracts of this kind.



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/loss on sale in the amount of EUR 309 thousand
- profit/loss on operating activity in the amount of EUR 281 thousand
- net profit/loss on business activity in the amount of EUR -130 thousand,
- revenues on sale of products in the amount of EUR 309 thousand,
- financial revenues in the amount of EUR 3 thousand,
- general management cost in the reporting period in the amount of EUR 25 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. Influence on presented financial results of the Company had also write-off of owned shares of IFEA Sp. z o. o. As a result of the transformation of IFEA Spółka z ograniczoną odpowiedzialnością into Nowy Wiatr Spółka z ograniczoną odpowiedzialnością in liquidation spółka komandytowa and subsequent liquidation of this company, the amount of PLN 1 795 thous. (= 414 thous. EUR) was written off in full as at June 30, 2020 and this amount was fully put to the financial costs.

LIST OF THE MOST IMPORTANT EVENTS IN THE REPORTING PERIOD:

All important events occurring in the reporting period are described in section *DESCRIPTION OF THE COMPANY'S SIGNIFICANT ACHIEVEMENTS OR FAILURES IN THE PERIOD OF THE REPORT WITH THE LIST OF THE MOST IMPORTANT EVENTS* of this Report of the Management Board on the Company's Activity being part of the Annual Financial Report of the Company for the financial year since 01/01/2019 until 30/06/2020.

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 in Note 20 of the Annual Financial Statements.

INDICATION OF PROCEEDINGS PENDING IN COURT, AN ARBITRARY ORGAN OR PUBLIC ADMINISTRATION ORGAN.

In the reporting period, the Company has not initiated and has not become a party of any new, important judicial or administrative proceedings.

The Company indicates below the most important pending court and administrative proceedings:



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

On 17/05/2016 the Management Board of the Company became aware of imposition a punishment on the Company in the amount of PLN 250 thous. due to conclusion of the KNF that the Company improperly executed its informative obligation resulting from art. 56 point 1 of the Act on Public Offering, regarding Investment Agreement concluded between the Company and FON Ecology S.A. in Płock and TransRMF Sp. Z o. o. headquartered in Siedliska.

The KNF in justification of the decision, indicates that in the opinion of Authority, the Company was not entitled to delay publication of the confidential information on conclusion of the Investment Agreement of December 29, 2011 because there was no premises resulting from art. 57 of the Act on Public Offering, and moreover, that publication of this information could not violate interest of the Company.

The Company's Management Board does not agree with the decision of KNF and they submit a relevant appeal on this decision along with request for reconsideration of this matter. Statement of the Company was indicated in the current report no 27/2016 of 17/05/2016.

On 16/05/2017 the KNF maintained their decision on imposing of the punishment on the Company, and because of this the Company paid the imposed punishment in the amount of PLN 250 thous.

The Company maintaining their opinion that the imposed punishment is illegitimate, on 14/06/2017 submitted to the Province Administrative Court in Warsaw (WSA) a complaint against the decision of KNF, requesting for total cancellation of the decision on imposition of punishment.

On 14/02/2018 negative judgement was issued, the complaint was rejected.

On 20/04/2018 the Company submitted a cassation appeal to the Supreme Administrative Court in Warsaw because the Company intends to continue the court proceeding aiming at obtaining a positive for the Company judgement.

2. Legal case against the Borrowers - natural person (spouses).

The Company has granted to the Borrowers - natural persons (spouses) a cash loan in the amount of PLN 60 thous.. In order to secure the loan's repayment, the debtors undertaken jointly in the form of notarial deed to the execution as far as obligation to return of the loan along with related receivables are concerned, to the maximum amount of PLN 100 thous. and established a mortgage on a real estate. Due to lack of the loan's repayment, the Company submitted a request for a declaration of enforceability to aforementioned notarial deed. The request was positively considered. After receiving of the declaration of enforceability, the Company has initiated bailiff enforcement procedure from salary of the Borrowers and the real estate on which the mortgage was established. Under the execution procedure there was made an estimation of the real estate's value and the first auction of this property was carried out. Because of ineffectiveness of the auction, the Company submitted a request for determination of the next date of an auction of the real estate being a collateral of the loan, which also was not effective.

The Company intends to continue the bailiff execution procedure till the time of satisfying of all claims.

3. Legal case upon request of the Company against the Borrower - natural person.

The Company granted to a natural person a loan in the amount on PLN 1.671 thous. In order to secure the loan's repayment, the debtor undertaken in the form of notarial deed to the execution to the maximum amount of PLN 3.300 thous. pursuant to art. 777 par. 1 point 5 of the Civil Procedures Code, as far as repayment to the Company the sum of the amount due to repayment of the loan along with interest in the contracted amount and interest for delay.



Due to lack of the loan's repayment in the established term, the Company submitted to the District Court in Plock, a request for a declaration of enforceability. In December 2017, the Court issued a ruling on giving a declaration of enforceability to aforementioned notarial deed. The case was finished at the level of court proceeding, while the Company is able to submit an execution request to a bailiff in order to enforce receivables. Because of the fact that the Borrower systematically, every month pays interest instalments for delay in repayment, and they has started to pay every month the capital instalments, the Management Board of the Company currently suspends submission of a request to executive proceeding, allowing the Borrower to repay the loan, and at the same time gaining repayment of interest due to delay every month. If the Borrower stops to repay the debt, the Company will submit a request to initiate executive proceeding by a bailiff.

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 Capital 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.

As at 31/12/2018 the Company owned capital investments in the form of shares and stock of the mentioned below entities, which were financed from the own funds of the Company:

Name of the Entity	Amount of owned shares/stocks	Contribution in share capital	Contribution in votes at the GM
IFEA Sp. z o.o.	1.515	5,24%	5,24%
IFERIA S.A.	2.873.564	1,47%	1,47%

According to the best knowledge of the Management Board the direct shareholder is Patro Invest OÜ headquartered in Tallinn that owns 69,66% contribution in the share capital and 69,66% of votes at the general Meeting of Shareholders of the Company as at 27/10/2020.

As at 27/10/2020 the Company does not own any capital investments in the form of shares and stock of other entities.

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 15 of the Annual Financial Report of the Company for the financial year since 01/01/2020 until 30/06/2020.



INFORMATION ON TAKEN AND TERMINATED AGREEMENTS REGARDING CREDITS AND LOANS IN THE FINANCIAL YEAR, SPECIFYING AT LEAST THEIR VALUE, INTEREST RATE LEVEL, CURRENCY AND MATURITY TERM.

In the financial year lasting since 1 January 2019 till 30 June 2020 the Company has not had any taken and terminated credits and loans.

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 in notes 2 and 3 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, REGARDIN 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 in section *DESCRIPTION OF THE COMPANY'S SIGNIFICANT ACHIEVEMENTS OR FAILURES IN THE PERIOD OF THE REPORT WITH THE LIST OF THE MOST IMPORTANT EVENTS* of this Report of the Management Board on the Company's Activity being part of the Annual Financial Report of the Company for the financial year since 01/01/2019 until 30/06/2020, 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 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.

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

ANY AGREEMENTS CONCLUDED BETWEEN THE COMPANY AND MANAGING PERSONS, PROVIDING COMPENSATION IN CASE OF THEIR RESIGNATION OR DISMISSING FROM HELD FUNCTION WITHOUT ANY IMPORTANT REASON OR WHEN THEIR DISMISSING HAPPENS DUE TO MERGER OF THE COMPANY VIA TAKEOVER.

The Company has not concluded this kind of agreements with managing persons.

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-SUBSIDIARY 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. The annual average employment during the period 01/01/2018 until 31/12/2018 amounted to 0,8 person of the employment contract.

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***

As at the date of publication of the periodical report, the Chairman of 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 10 459 380 shares of Investment Friends Capital SE constituting 69,66% of the share capital of the Company and granting 10 459 380 votes constituting 69,66% of votes at the General Meeting of the Company.



- ***Members of the Supervisory Board***

According to the knowledge of the Management Board of Investment Friends Capital SE, Members of the Management Board As at the balance-sheet date and as at the date of publication of the periodical report do not own directly and indirectly shares 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 SYSTEM OF CONTROL OF EMPLOYEE SHARES SCHEME.

The Company does not introduce employee shares scheme.

INFORMATION ON ANY LIABILITIES RESULTING FROM PENSIONS AND BENEFITS OF SIMILAR CHARACTER FOR PEOPLE WHO WERE MANAGERS, PERFORMED SUPERVISING FUNCTIONS, OR WERE MEMBERS OF ADMINISTRATIVE ORGANS, AND ON COMMITMENTS MADE IN CONNECTION WITH THESE PENSIONS SPECIFYING THE VALUE FOR EACH ORGAN; IF RELEVANT INFORMATION WERE PRESENTED IN THE FINANCIAL STATEMENT - THIS OBLIGATION IS DEEMED TO BE FULFILLED BY INDICATION OF ITS POSITION IN THE FINANCIAL STATEMENTS.

This kind of obligation does not exist in the Company.

INFORMATION ON OWN SHARES

In the period covered by this report the Company has not owned own shares

INFORMATION ON BRANCHES OF THE COMPANY

The Company has not any branches.

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 20/02/2020 the General Meeting of Shareholders made a selection of an entity authorized to carry out an audit of financial statement of Investment Friends Capital 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***

Comparing to the previous reporting period, there were changes in the indirect ownership of the Company's shares by members of the Management Board. As at the date of publication of this periodic report, the President of the Management Board, Mr. Damian Patrowicz, indirectly holds the Company's shares. According to the best knowledge of the Management Board, Mr. Damian Patrowicz holds on 27/10/2020, indirectly through a subsidiary Patro Invest OÜ, 10.459.380 shares of Investment Friends Capital SE, constituting 69,66% of the share capital of the Company and entitling to 10.459.380 votes constituting 69,66% of the total the number of votes at the General Meeting of the Company.

• ***Members of the Supervisory Board***

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

OTHER SIGNIFICANT INFORMATION

➤ ***DESCRIPTION OF FACTORS AND EVENTS, IN PARTICULAR ATYPICAL ONES,
HAVING SIGNIFICANT INFLUENCE ON THE ACHIEVED FINANCIAL
RESULTS.***

In the reporting period, the event which influencing achieved financial result was the write-off of the value of shares held in IFEA Spółka z ograniczoną odpowiedzialnością as a result of its



transformation into Nowy Wiatr spółka z ograniczoną odpowiedzialnością in liquidation spółka komandytowa i and its subsequent liquidation.

➤ ***DESCRIPTION OF THE COMPANY'S SIGNIFICANT ACHIEVEMENTS OR FAILURES IN THE PERIOD OF THE REPORT WITH THE LIST OF THE MOST IMPORTANT EVENTS***

Resignation from performing the function in the Company's Supervisory Board.

On January 11, 2019, the Company received a written resignation from Mr. Mariusz Patrowicz from his position in the Supervisory Board of the Company as of January 11, 2019

Information regarding the selection of the Home State.

on January 24, 2019 selected a Contracting State as the Home State of the Republic of Estonia. Consequently, the Republic of Poland is a host Contracting State.

Obtaining a license to trade in cryptocurrencies

On 18.03.2019 the Company obtained a license to conduct financial activities, including the provision of cryptocurrency trading services in relation to currencies recognized as legal tender. The licenses have been issued by the Estonian Financial Intelligence Units and are registered under the numbers: FRK000676 and FVR000775. No such activity took place during the reporting year.

Registration of the change in the Company's financial year.

On 29.04.2019 the *Ariregister*, Commercial Companies Register competent for Estonia's law, registered the change in the financial year in accordance with Resolution No. 3 of Extraordinary General Meeting of Shareholders of 19.04.2019. As a result, the Company's financial year begins on July 1 and ends on June 30.

Resolution of the WSE on quotation of the Company of May 7, 2019.

The Management Board of Investment Friends Capital SE with its registered office in Tallinn, announces that on May 7, 2019 it received Resolution No. 389/2019 of the Management Board of the Warsaw Stock Exchange S.A. of May 7, 2019 on the indefinite suspension of trading in the shares of Investment Friends Capital SE on the WSE Main Market due to the non-publication of the 2018 annual report by the required date.

Information on the change of legal address of the Company.

On 05.06.2019 Commercial Companies Register competent for Estonian law (*Ariregister*) registered the change of the Company's address. In view of the above, the Company informs that the address of the Company's registered office is Harju maakond, Tallinn, Kesklinna linnaosa, Tornimäe tn 5, 10145.



WSE announcement on the Company's quotation.

On 27.08.2019 the Company received a message informing that, in accordance with the Resolution of the Stock Exchange Management Board No. 389/2019 of May 7, 2019, in connection with the publication by INVESTMENT FRIENDS CAPITAL SE of the annual report for 2018, starting from August 27, 2019, trading in shares of this company marked with the code „EE3100143041” was resumed.

Information on the conclusion of a trust agreement.

On 18.11.2019 the Company concluded with the Company NOWY Wiatr Sp. z o.o. with the registered office in Płock at Al. Marszałka Józefa Piłsudskiego 35 Street KRS 0000636582, a trust agreement, the subject of which is the Company entrusting the trustee with the ownership of 1.515 (one thousand five hundred and fifteen) shares of IFEA Sp. z o.o with registered office in Płock 09-402 at Padlewskiego 18C Street KRS 0000512607. The purpose of the trust agreement is the trustee's search for a buyer and providing the sale of shares of IFEA Sp. z o.o. for the price not lower than PLN 1.000,00 (one thousand zlotys) for each share i.e. for a total price not lower than PLN 1.515.000,00 (one million five hundred and fifteen thousand zlotys). The Trustee is obliged to sell the shares being the subject of the Agreement by December 31, 2020. and in the lack of sale of the shares to be transferred back to the Company. Company received the consent of Supervisory Board to conclude this agreement.

The withdrawal of the cryptocurrency trading license.

On 26.03.2020 the Company obtained information about the withdrawal of the license FRK000676 and FVR000775 for the provision of cryptocurrency trading services in relation to currencies considered as legal means of payment due to the lack of activity in this area. Thus, the Company did not undertake any activities specified in the license.

Conclusion of cash loan agreements.

The Management Board of INVESTMENT FRIENDS CAPITAL SE with registered office in Tallinn on 8.06.2020, 9.06.2020, 17.06.2020 and 19.06.2020 concluded with the company Damar Patro UU with registered office in Harju maakond, Tallinn, Kesklinna linnaosa, Tornimäe tn 5, 10145, register no. 14494537 loan agreements in the amount of EUR 1 200 000,00. In accordance with the concluded agreements, the loan amount will be paid out by 22.06.2020 in Polish zlotys, and the exchange rate was 4,40 PLN per EUR.

Revaluation of the Company's assets

In relations with the works performer by the Management Board of the Company on the annual report for the financial year 2019/2020, the Management Board of the Company on 09.07.2020 decided to reevaluate the Company's financial assets as at the balance sheet date 30.06.2020. As at the balance sheet date 30.06.2020 the Company held 1.515 shares of the IFEA Sp. z o.o., which constituted 5,24% shares of the share capital and entitled to cast 1.515 votes representing 5,24% in the total number of votes of IFEA Sp. z o.o. The Management Board of Investment Friends



Capital SE decided to write off all the held shares of IFEA Sp. z o.o. as at 30.06.2020. It is described in note 2.

SARS-CoV-2 coronavirus epidemic in the area of the Company's operation

The Management Board assesses the situation with SARS-CoV-2 coronavirus epidemic as a special event after the balance sheet date. The Company is moderately exposed to the negative consequences of the SARS-CoV-2 coronavirus epidemic causing the COVID19 disease. The Management Board of the Company is not able to predict the full consequences and scale of the decrease in revenues from core activities, however, the Company expects that the current situation may have a negative impact on the Company's results.

➤ EXPLANATION OF THE SEASONALITY OR PERIODICITY OF THE COMPANY'S ACTIVITY

The current main activity of the Company is financial (lending) service activities and therefore there is no seasonality or periodicity.

➤ INFORMATION ON THE WRITE-OFFS OF FINANCIAL ASSETS, PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS OR OTHER ASSETS AND REVERSING THOSE WRITE-OFFS.

As at 31.12.2018 the Company held 1.515 shares of IFEA Spółka z ograniczoną odpowiedzialnością constituting 5,24% in share capital of IFEA Spółka z ograniczoną odpowiedzialnością with a balance value of PLN 1 796 thous. (= EUR 414 thous.) As a result of the transformation of IFEA Spółka z ograniczoną odpowiedzialnością into Nowy Wiatr Spółka z ograniczoną odpowiedzialnością in liquidation spółka komandytowa and subsequent liquidation of this company the amount of PLN 1 796 thous. (= EUR 414 thous.) was written off in full as at June 30, 2020 and this amount was fully put to the financial costs.

➤ INFORMATION ON THE DEFERRED TAX ASSETS AND RESERVES

The company did not estimate (as at the balance sheet date) the deferred tax assets, because it is regulated by the Income Tax Act in Estonia.

➤ 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

DECLARATION OF THE MANAGEMENT BOARD ON APPLICATION OF CORPORATE GOVERNANCE RULES, DRAWN UP UNDER § 24² OF THE ESTONIAN ACCOUNTING ACT (RT I 2002, 102, 600).

Indication of the set of corporate governance rules to which Investment Friends Capital SE is subject and places where the text of the set of rules is publicly available.

The Company's statement regarding the compliance with the Best Practice for WSE Listed Companies 2016 and Corporate Governance Principles is available on the Company's website www.ifcapital.pl, in the "Regulations" section, the "Good practices" tab on corporate governance. At the same time, the Company explains that in the reporting period it did not apply any good corporate governance practices other than those listed below, including those that go beyond the legal requirements.

Indication of the extent to which the Company departed from the Corporate Governance Principles along with an indication of these principles and the reasons for the withdrawal.

Information on the state of compliance with the recommendations by the company and principles contained in the Code of Best Practice for WSE Listed Companies 2016.

During the reporting period, in the scope of Good Practices, the Company did not apply 3 recommendations: III.R.1., IV.R.2., VI.R.1.

In the reporting period regarding Good Practices, the Company did not apply 20 specific principles:

I.Z.1.6., I.Z.1.7., I.Z.1.8., I.Z.1.9., 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.3., II.Z.4., II.Z.8., II.Z.10.3., II.Z.10.4., III.Z.3., III.Z.4., IV.Z.2., IV.Z.3., VI.Z.4.

I. Information policy and communication with investors

A listed company ensures proper communication with investors and analysts, conducting a transparent and effective information policy. For this purpose, it provides easy and non-discriminatory access to the information disclosed using a variety of communication tools.

Recommendations

I. R.1 In a situation where the company becomes aware of the dissemination of false information in the media, which is affect its assessment, and immediately after becoming aware of it, it publishes a message on its website containing a position on this information - unless, in the company's opinion, the nature of the information and its circumstances publications give grounds to consider adopting another solution as more appropriate.



The rule was applied.

Company's comment : *In the reporting period, the Company did not conduct any activities in this area.*

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 rule does not apply to the Company.

Company's comment : *In the reporting period, the Company did not conduct any activities 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 by the Company.

The principle was applied

Company's comment : *The company provides explanations within the limits permitted by law for 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 endeavour, 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 was applied

Company's comment : *The Company makes its best effort in order to publicize periodical reports in possibly shortest time after the end of a 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 articles of association,

I.Z.1.2. The composition of the management board and supervisory board of the company and the professional CVs of the members of these bodies

I.Z.1.3. Division of tasks and responsibilities among Members of the Management Board, prepared in accordance with principle II.Z.1,

I.Z.1.4. The current shareholding structure, indicating 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,



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

Above principles were applied

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

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

The principle was not applied

Company's comment : *The Company makes 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 was not applied

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 Company in periodic reports, which it publishes with relevant reports and on the company's websites.*

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 was applied

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 in 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 was not applied

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 Company'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 over a 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.

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 was applied

Company's comment : *The company complied 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 included in the last published annual report,

The principle was applied

I.Z.1.13. information on the state of adopting of the recommendations and principles contained in this document by the company, consistent with the information which the company should provide in this respect on the basis of relevant provisions,

The principle was applied

Company's comment : *The Company publishes on an ongoing basis information on the adopting of the principles and recommendations contained in the Good Practices of Stock Exchange Listed Companies through the EBI system.*

I.Z.1.14 Materials provided 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 was applied

I.Z.1.15. information containing a description of the company's diversity policy in relation to the company's authorities and its key managers; the description should take into account elements of diversity policy such as gender, education, age, professional experience, as well as indicate the objectives of the diversity policy applied and the manner of its implementation 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 principle was not applied



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 the relevant current reports informing about the selection of bodies and on the Company's website.*

I.Z.1.16. information on the planned broadcast of the general meeting - no later than 7 days before the date of the General Meeting,

The principle was not applied

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 Company's Articles of Association do not provide for transmission 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 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 principle was not applied

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 cancelling 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 principle was not applied

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

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

The principle was not applied

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 do not provide for broadcasting 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 principle was not applied

Company's comment : *The company provides on its website 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 rule, if it is justified by their shareholding structure or the nature and scope of their operations.

The principle was not applied

Company's comment : *The company does not participate in the WIG20 mWIG40 stock indices,*

II. 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. The Management Board includes, in particular, leadership in the company, commitment to setting its strategic goals and their implementation, as well as ensuring the company efficiency and security. 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 judgements. The Supervisory Board in particular issues opinions on the Company's strategy and verifies the work of the management board 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 the company's management and supervisory board performance duties and fulfilling them in an effective manner, persons representing high qualifications and experience are appointed to the management board and the supervisory board.

The principle was applied

II.R.2. Persons making decisions on 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 was applied

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 Company's website.

Detailed rules

II.Z.1. The internal division of responsibility for individual areas of the company's operations between Members of the Management Board should be formulated clearly and transparently and the division scheme should be available on the company's website.

The principle was applied

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

II.Z.2 The presence of members of the company's management board on the management or supervisory boards of companies outside the company's group requires the consent of the supervisory board.

The principle was 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 was not applied

Company's comment : *The decision on the election of Members of the Supervisory Board falls within the competence of the General Meeting of Shareholders. Shareholders, guided by the competences and trust in individual candidates, determine the composition of the Supervisory Board. Depending on the decision of the General Meeting, the Company may or may not meet this criterion from time to time depending on the composition of the Supervisory Board. At present, the Supervisory Board does not meet the criteria of independence, because only one of the Board Members is independent, and the assessment of the resulting risks in this respect lies within the competence of the General Meeting of Shareholders.*

II.Z.4. As regards the criteria of independence of the Members of the Supervisory Board, 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 was not applied



Company's comment : *The decision on the election of Members of the Supervisory Board falls within the competence of the General Meeting of Shareholders. Shareholders, guided by the competences and trust in individual candidates, determine the composition of the Supervisory Board. Depending on the decision of the General Meeting, the Company may or may not meet this criterion from time to time, depending on the composition of the Supervisory Board, and the assessment of the resulting risks lies within the competence of the General Meeting.*

II.Z.7. As regards the tasks and functioning of the committees operating in the Supervisory Board, the provisions of Annex I to the Recommendation of the European Commission referred to in principle

The principle was applied in the reporting period.

Company's comment: *There was functioning the Audit Committee in the reporting period. On 11/04/2019 in the current report no. 13/2019 the Management Board of the Company informed that the Supervisory Board of the Company adopted resolution regarding dissolution of the Audit Committee and dismissing all of its Members effective as at 11/04/2019.*

III. Internal systems and functions

A listed Company maintains effective systems: internal control, risk management and supervision of compliance with the law, as well as an effective internal audit function, appropriate to the size of the company and the type and scale of operations.

Recommendations

III.R.1. The Company separates in its structure units responsible for the implementation of tasks in individual systems or functions, unless the separation of organizational units is not justified due to the size or type of business conducted by the company.

The rule was not applied.

Company's comment : *Separating organizational units is not justified due to the size and type of business conducted by the Company. The Company uses internal systems appropriate to the size of the Company and the type and scale of its operations.*

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 rule was applied.

Company's comment : *The Company uses internal systems appropriate to the size of the company and the type and scale of its operations.*



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 rule was applied.

Company's comment : *Due to the size of the Company, the adopted business model and organizational structure of the Company, a single-member Management Board is established under the direct control of the Supervisory Board.*

III.Z.3. In relation to the person managing the internal audit function and other persons 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 rule was not applied.

Company's comment : *In the reporting period, the Company didn't have an Audit Committee.*

III.Z.4. At least once a year, the person responsible for internal audit (in the event of such a function being 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 rule was not applied.

Company's comment : *The Company had an Audit Committee whose composition was selected from among the Members of the Supervisory Board. The Supervisory Board is elected by the General Meeting.*

III.Z.5. The Supervisory Board monitors the effectiveness of the systems and functions referred to in principle III.Z.1, based, inter alia, on 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 rule was applied.

Company's comment : *The Supervisory Board has ongoing control over all areas of the Company's operations.*

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 separation.

The rule was applied.



Company's comment : The Supervisory Board has ongoing control over all areas of the Company's operations.

IV. General meeting and relations with shareholders

The Management Board of a listed company and its Supervisory Board should encourage shareholders to engage 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 hold an ordinary general meeting as soon as possible after publication annual report, setting this date taking into account the relevant legal provisions.

The rule was 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 through:

- 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 rule was not applied.

Company's comment : The Company recognizes that the costs of infrastructure and transmission of 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 Company's Articles of Association do not provide for transmission of the meeting.

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 rule does not apply to the Company.

Company's comment : The shares issued by the Company are listed only on the regulated market of Warsaw Stock Exchange.



Detailed rules

III.Z.1 The company sets the place and date of the general meeting in a way that allows participation in as many meetings as possible number of shareholders.

The rule was not 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 rule was not applied.

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 Company's Articles of Association do not provide for transmission of the meeting.*

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

The principle is not applied.

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, in the Company's opinion, the participation of unauthorized persons may disrupt the work of the General Meeting.*

IV.Z.4. If the management board receives information about the convening of the general meeting by a shareholder, the management board shall immediately perform the activities which it is obliged to perform in connection with the organization and conduct of the general meeting.

The rule was applied.

V.Z.5.Regulations of the general meeting as well as the manner of conducting the meeting and adopting resolutions may not obstruct the participation of shareholders in the general meeting and the exercise of their rights. Changes in the rules of the general meeting should apply at the earliest from the next general meeting.

The rule was applied.

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 was applied.

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



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 was applied.

Company's comment : *The company indicates, however, that decisions regarding the announcement of a break in the General Meeting are made only by shareholders and the Chairman of the General Meeting who decide to indicate in the resolution justification in the scope of ordering a break in the meeting.*

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 was applied.

Company's comment: *The company indicates, however, that decisions regarding the announcement of a break in the General Meeting are made only by shareholders and the Chairman of the General Meeting who decide on the date of resuming the meeting.*

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 was applied.

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

IV.Z.10 The exercise of shareholders' rights and the manner in which they exercise their rights may not lead to hindering the proper functioning of the company's bodies.

The principle was 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 was applied.



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.*

V. 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.

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 was applied.

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.*

VI. 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 was not applied.

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 was applied.

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 - Meeting of the Company's Shareholders.*

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

The principle was applied.

Company's comment : *The Supervisory Board is responsible for the remuneration committee in the company.*

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 principle was not applied.

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 principle was not applied.

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

VI.Z.3 Remuneration of members of the supervisory board should not depend on options and other derivative instruments, or any other variable components, and should not depend on the company's performance.

The principle was applied.



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 was not applied.

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.*

DESCRIPTION OF THE MAIN FEATURES USED IN THE ENTERPRISE OF THE COMPANY CONTROL SYSTEMS AND RISK MANAGEMENT WITH REGARD TO THE PROCESS OF PREPARING FINANCIAL STATEMENTS.

Due to the simplified structure and relatively limited number of financial risks, the Company's Management Board has not developed and introduced a written procedure of the internal control system and risk management in the scope of preparing financial statements, however the Company with the utmost diligence approaches the issue of financial reporting.

The Management Board of the Company is responsible for the internal control system in the Company and its effectiveness in terms of the correctness of preparing financial statements and periodical reports. Financial statements and periodic reports are prepared based on financial data from the financial and accounting system, where they are recorded in accordance with the principles of the adopted accounting policy in accordance with the Accounting Act. The audit of the correctness of the preparation of periodic financial statements is carried out thanks to the annual financial audits carried out by independent auditors.

In the reporting period the financial report was prepared by a professional entity – the auditing office of the „Galex” auditor providing accounting services based on the outsourcing agreement for the benefit of the Company.

By using the services of a specialized office, the Management Board was provided with ongoing external consultancy in the area of consulting any problems related to the correctness of drawing up mandatory financial statements, including quarterly, semi-annual and annual financial statements and tax issues.



INDICATION ANY RESTRICTIONS ON THE EXERCISE OF VOTING RIGHTS, SUCH AS LIMITATION OF VOTING RIGHTS BY THE SHAREHOLDERS OF SPECIFIC PARTS OR NUMBER OF VOTES, TIME LIMITS ON THE EXERCISE OF VOTING RIGHTS OR RECORDINGS UNDER WHICH THE EQUITY RIGHTS RELATED TO SECURITIES ARE SEPARATED FROM HOLDING SECURITIES.

Such restrictions do not apply to the Company's shares.

INDICATION OF ALL RESTRICTIONS REGARDING THE TRANSFER OF THE PROPERTY RIGHTS OF THE COMPANY'S SECURITIES

Company's Articles of Association does not envisage any restrictions regarding the transfer of the property rights of securities issued by the Company.



VI. FINANCIAL STATEMENTS

1. Statement of financial position

STATEMENT OF FINANCIAL POSITION	Notes	30/06/2020 (thous.EUR)	31/12/2018 (thous.EUR)
Assets			
Fixed assets		1 300	760
Investment property	1	0	342
Long-term financial assets	2	1 300	418
Current assets		3 320	4 142
Short-term receivables		0	1
Short-term financial assets	3	3 299	4 115
Cash and cash equivalents	4	20	26
Short-term accruals		1	0
Total assets		4 620	4 902

Liabilities			
Equity		4 614	4 894
Share capital	5	2 102	2 102
Exchange differences from conversion into EURO		-318	-168
Supplementary capital from the sale of shares above the nominal value and from the reduction of the share capital		8 818	8 818
Revaluation capital		0	-1 371
Capital from merger of entities		0	-3
Other provisions		56	56
Retained earnings / Unallocated financial result		-6 044	-4 540
II. Long-term liabilities		0	0
III. Short-term liabilities		6	8
Trade liabilities		2	5
Other liabilities		0	3
Other provisions		4	0
Total liabilities		4 620	4 902

Book value		4 614	4 894
Number of shares	6	15 015 972	15 015 972
Book value per one share (in EUR)	6	0,31	0,33
Dilluted number of shares	6	15 015 972	15 015 972
Dilluted book value per one share (in EUR)	6	0,31	0,33

Notes to the annual accounts on pages 45-78 are an integral part of the annual accounts.



2. Profit and loss account

PROFIT AND LOSS ACCOUNT	Notes	Period 01/01/2019 - 30/06/2020 (thous.EUR)	Period 01/01/2018 - 31/12/2018 (thous.EUR)
Revenue from interest, sales of products, goods and materials	7	309	203
Cost of products, goods and materials sold	8	0	-8
Gross profit on sales		309	195
General management costs	8	-25	-97
Other operating revenues	9	1	19
Other operating costs	10	-4	-3
Profit on operating activities		281	114
Financial revenues	11	3	11
Financial costs	12	-414	-3
Pre-tax profit		-130	122
Net profit		-130	122
Net profit (loss) (in 18 months)		-130	122
The weighted average number of ordinary shares	13	15 015 972	15 015 972
Profit (loss) per one ordinary share (in EUR)	13	-0,01	0,01
The weighted diluted average number of ordinary shares	13	15 015 972	15 015 972
Diluted profit (loss) per one ordinary share (in EUR)	13	-0,01	0,01

Notes to the annual accounts on pages 45-78 are an integral part of the annual accounts.

3. Statement of comprehensive income

STATEMENT OF COMPREHENSIVE INCOME	Period 01/01/2019 - 30/06/2020 (thous.EUR)	Period 01/01/2018 - 31/12/2018 (thous.EUR)
Net profit/loss for the period	-130	122
Other comprehensive income, including:	-150	-939
Components that will not be reclassified to profit or loss in later periods	0	-3
- settlement of business combinations	0	-3
Components that may be reclassified subsequently to the income statement:	-150	-936
- settlement of capital from revaluation, including:	0	-769
- valuation of available-for-sale financial assets	0	-769



**FINANCIAL STATEMENT OF
INVESTMENT FRIENDS CAPITAL SE
FOR THE YEAR ENDED 30/06/2020**

/in thous. EUR/

- differences from conversion into EURO	-150	-167
Total income for the period	-280	-817

Notes to the annual accounts on pages 45-78 are an integral part of the annual accounts.

4. Statement of changes in equity

STATEMENT OF CHANGES IN EQUITY	30/06/2020 (thous.EUR)	31/12/2018 (thous.EUR)
Opening balance of equity	4 894	5 711
Opening balance of equity after reconciliation to comparable data	4 894	5 711
Opening balance of share capital	2 102	2 157
changes in share capital	0	-55
a) increases (due to)	0	1
- Exchange differences	0	1
b) decreases (due to)	0	-56
- decrease of the nominal value of shares	0	-56
Closing balance of share capital	2 102	2 102
Opening balance of supplementary capital	8 818	8 818
Closing balance of supplementary capital	8 818	8 818
Opening balance of revaluation capital	-1 371	-602
changes of revaluation capital	1 371	-769
a) increases (due to)	1371	0
transfer to unsettled result	1 371	0
b) decreases (due to)	0	-769
- valuation of financial assets	0	-769
Closing balance of revaluation capital	0	-1 371
Opening balance of capital from merger of entities	-3	0
changes in capital from mergers of companies	3	-3
a) increases (due to)	3	0
transfer to unsettled result	3	0
b) decreases (due to)	0	-3
merger of entities	0	-3
Closing balance of capital from merger of entities	0	-3
Opening balance of other reserve capital	56	0
changes of other reserve capital	0	56
Increases (due to)	0	56
- decrease of share capital	0	56
Closing balance of other reserve capital	56	56
Opening balance of retained profit/not settled loss of previous years	-4 540	-4 662
changes of other reserve capital	-1 504	122
Increase (due to)	-130	122



**FINANCIAL STATEMENT OF
INVESTMENT FRIENDS CAPITAL SE
FOR THE YEAR ENDED 30/06/2020**

/in thous. EUR/

a) profit (loss) for the period	-130	122
Decrease (due to)	-1 374	0
a) transfer of revaluation capital	-1 371	0
b) transfer of capital from a merger of entities	-3	0
Closing balance of retained profit/not settled loss of previous years	-6 044	-4 540
Opening balance of exchange differences	-168	0
Changes of exchange differences	-150	-168
increases	0	151
decreases	150	319
Closing balance of exchange differences	-318	-168
Closing balance of equity	4 614	4 894

Notes to the annual accounts on pages 45-78 are an integral part of the annual accounts.

5. Cash flow statement

CASH FLOW STATEMENT (indirect method)	Notes	Period 01/01/2019 - 30/06/2020 (thous.EUR)	Period 01/01/2018 - 31/12/2018 (thous.EUR)
OPERATING ACTIVITIES			
I. Net profit (loss)		-130	122
II. Adjustments total		103	-108
(Profit) losses due to exchange rate differences		0	-3
Interest and share in profit (dividends)	7	-309	-176
(Profit) loss on investing activities	14	414	0
Change in reserves		4	0
Change in receivables and active accruals		1	2
Change in liabilities		-6	-13
Change in the status of passive accruals		-1	4
Other adjustments		0	77
Exchange differences		0	1
I. Net cash flows from operating activities		-27	14
INVESTING ACTIVITIES			
I. Inflows from investing activities		3 605	4 854
Sale of real estate investments and intangible assets	1	338	0
Sale of financial assets		1	0
Received repayments of the loans		3 094	4 670
Received interest		172	184
II. Outflows from investing activities		-3 584	-5 187
Granted loans		-3 584	-5 187
II. Net cash flows from investing activities		21	-333
Exchange differences		0	-6



FINANCIAL STATEMENT OF
INVESTMENT FRIENDS CAPITAL SE
FOR THE YEAR ENDED 30/06/2020

/in thous. EUR/

Total net cash flows		-6	-325
Balance sheet change in cash		-6	-325
Cash at the beginning of the period		26	351
Cash at the end of the period		20	26

Notes to the annual accounts on pages 45-78 are an integral part of the annual accounts.

6. Notes to the financial statements

THE PRINCIPLES APPLIED FOR PREPARATION OF THE FINANCIAL STATEMENTS

The Management Board of the Company makes public the report of Investment Friends Capital SE for the year 2019/2020. The report includes especially the following elements:

- Financial statement including:
 - statement of financial position,
 - profit and loss account and statement of comprehensive income for the period from 01/01/2018 to 31/12/2018, from 01/01/2019 to 30/06/2020,
 - statement of changes in equity for the period from 01/01/2018 to 31/12/2018, from 01/01/2019 to 30/06/2020,,
 - cash flow statement for the period from 01/01/2018 to 31/12/2018, from 01/01/2019 to 30/06/2020,,
 - additional information and other information specified in the regulations.

BASIS FOR PREPARATION

Functional and reporting currency

The functional currency of the Company is Polish zloty (PLN) and reporting (presentational) currency of the Company is EUR. The financial statements are presented in EUR thousand. The financial statements are prepared with assumption that the Company will going concern in the foreseeable future.

Rules of converting basic items of the financial statements into EURO

Selected financial data presented in the financial statement was converted into EUR as follows:

- balance sheet items are calculated according to the average exchange rate announced by the European Central Bank as at the balance sheet day:
 - As at June 30, 2020 r. 1 EUR = 4,4560
 - As at December 31, 2018 r. 1 EUR = 4,3014
- items in the profit and loss account and cash flow statement are converted at the exchange rate being the arithmetic average exchange rates announced by the European



Central Bank as at the last day of each month in the period from January 1, 2019 to June 30, 2020 in the reporting period:

- In the period since January 1, 2019 to June 30, 2020 1 EUR = 4,3447
- In the period since January 1, 2018 to December 31, 2018 1 EUR = 4,2335

Applied accounting principles (accounting policy)

The basis for the preparation of the financial statements

Investment Friends Capital SE financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted in the European Union.

The statements have been prepared on the assumption that the Company will continue as going concerns in the foreseeable future. As at the date of the financial statements, there are no circumstances that would indicate a threat to the continued business activity of the Company.

The Company applies superior principles of valuation based on the historical purchase, purchase or production price, except for some financial assets which, in accordance with IFRS, were measured at fair value.

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.

Changes in the applied accounting principles

When preparing these financial statements, the Company did not voluntarily change any previously applied accounting principles in relation to the previous periods.

New standards and interpretations published but not yet effective

The following standards, amendments to the applicable standards and interpretations have not been adopted by the European Union or are not effective as of January 1, 2019:

1. Standard: IFRS 14 "Regulatory Deferral" Description of changes: Accounting and disclosure rules for regulatory deferral items.
2. Standard: IFRS 10 "Consolidated Financial Statements" and IAS 28 "Affiliates" Amendments: Guidelines on the sale or contribution of assets by an investor to an associate or joint venture.
3. Standard: IFRS 3 "Business combinations" Amendments: Specification of the definition of "undertakings".
4. Standard: Conceptual Assumptions - changes. Description: unifying the Conceptual Framework. Effective Date: January 1, 2020
5. Standard: IFRS 17 "Insurance Contracts" Amendments: New approach defining the recognition of income and profit or loss over the period of providing insurance services. Effective Date: January 1, 2021



6. Standard: IAS 1 "Presentation of financial statements" and IAS 8 "Accounting principles (policy), changes in accounting estimates and error correction" Amendments: Application of the concept of materiality in the process of preparing financial statements. Effective Date: January 1, 2020
7. Standard: IFRS 9 "Financial Instruments", IFRS 7 "Financial Instruments: Disclosures" and IAS 39 "Financial Instruments" Amendments: introduction of temporary exemptions from the application of specific hedge accounting requirements, the requirement to disclose additional information about hedging relationships. Effective Date: January 1, 2020
8. Standard IFRS 16 regards Leasing and had no use in the Company.

The Company will adopt the above-mentioned new standards and amendments to the IFRS standards and interpretations published by the International Accounting Standards Board, but not binding as of the reporting date as of the date of their entry into force to the extent that they relate to the company's operations.

The impact of the application of the above standards on the accounting policy of the Company and on the financial statements

The Company does not anticipate any significant impact of the above standards on the Company's financial reports.

Selected accounting policy

Valuation of financial assets and liabilities

From January 1, 2018, the Company classifies its financial assets to the following categories:

- measured at amortized cost,
- measured at fair value through other comprehensive income,
- measured at fair value through profit or loss,

The classification is made upon the initial recognition of the assets. The classification of debt financial assets depends on the financial asset management business model and the contractual cash flow characteristics (SPPI-Solely Payment of Principal and Interest test) for the financial asset.

In the category of assets measured at amortized cost, the Company classifies trade receivables, loans granted which passed the SPPI test, other receivables and cash and cash equivalents.

Financial assets measured at amortized cost are measured at amortized cost using the effective interest rate method, taking into account impairment write-offs. Trade receivables with a maturity of less than 12 months from the date of their origination are not discounted and are measured at their nominal value.

In the case of purchased or created financial assets, which are impaired at the moment of initial recognition, these assets are measured at amortized cost using the 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).

As of January 1, 2018, the Company classifies its financial liabilities into the following categories:

- measured at amortized cost,
- measured at fair value through profit or loss,
- hedging financial instruments.

Liabilities at amortized cost include liabilities other than liabilities at fair value through profit or loss (e.g. for supplies and services, loans and credits), except for:

- financial liabilities that arise in the event of a transfer of financial assets that does not qualify for derecognition,
- financial guarantee contracts that are valued at the higher of:
 - the amount of the allowance for expected credit losses determined in accordance with IFRS 9

- the amount initially recognized (i.e. the fair value plus transaction costs that can be directly attributed to the financial liability component) less about the cumulative amount of income recognized in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

Liabilities due to derivative instruments not designated for the purposes of hedge accounting are classified as liabilities at fair value through profit or loss.

Impairment of financial assets

IFRS 9 introduces a new approach to estimating losses in relation to financial assets measured at amortized cost. This approach is based on the determination of expected losses, regardless of whether the premises occurred or not.

The Company uses the following models for determining impairment losses:

- general (basic) model,
- simplified model.

In the general model, the Company monitors changes in the level of credit risk associated with a given financial asset.

In the simplified model, the Company does not monitor changes in the credit risk level over the life of the instrument, it estimates the expected credit loss in the horizon until the instrument maturity date. For the purpose of estimating the expected credit loss, the Company uses:

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

The Company considers that the event of insolvency is the contractor's failure to meet its obligations after 90 days from the due date.

The Company takes into account future information in the parameters of the expected loss estimation model by adjusting the base default probability coefficients (for receivables) or by calculating the default probability parameters based on current market quotes (for other financial assets).



The Company uses a simplified model for calculating impairment losses on trade receivables. The general model is applied to other types of financial assets, including debt financial assets measured at fair value through other comprehensive income.

Impairment losses for debt financial instruments measured at amortized cost (at the initial recognition date and calculated for each subsequent day ending the reporting period) are recognized in other operating expenses. Profits (reversal of write-offs) from the reduction of the expected value of impairment are recognized in financial revenues.

For purchased and created financial assets that are impaired due to credit risk, at the moment of initial recognition, favorable changes in expected credit losses are recognized as an impairment gain in other operating income.

Impairment losses for debt financial instruments measured at fair value through other comprehensive income are recognized in other operating expenses in correspondence with other comprehensive income. Gains (reversal of write-offs) on the reduction of the expected credit loss value are recognized in other operating income.

IFRS 15 Revenue from Contracts with Customers

On January 1, 2018, the company adopted IFRS 15, published and approved by the European Parliament for use in the European Union.

In accordance with IFRS 15, revenues are recognized when the performance (or in fulfillment) of the performance obligation is provided by transferring the promised good or service (ie an asset) to the customer. The transfer of an asset takes place when the customer obtains control over that asset.

Control of an asset relates to the ability to directly manage and obtain substantially all of the other benefits from the asset.

As part of the introduced changes regarding the method of recognizing and presenting revenues from contracts with customers, the Company reviewed and analyzed the existing contracts in terms of IFRS 15 guidelines according to the five-element model of revenue recognition.

An asset that has been recognized so far, and also under the influence of new IFRS 15 provisions, is the right to payment in the form of trade receivables, recognized simultaneously as sales revenues. The presentation of prepayments received from customers in advance, constituting an obligation to deliver products and services until it is settled and recognized in revenues after each delivery, also remains unchanged. As part of the contracts concluded with customers, the presentation of 2019 data on this account will not change. In the opinion of the company, there are no significant issues related to the concluded contracts, which should be presented in a different way than to date.

The first application of IFRS 15 with retrospective application with the combined effect of the first application of the standard has no effect on the adjustment to the opening balance of retained earnings as at January 1, 2018 as well as on other items in the financial statements of both the current reporting period and January 1, 2018 compared to the standards and related interpretations in force before the change.



When preparing these financial statements, the Company did not voluntarily change any previously applied accounting principles in relation to the previous periods.

The other accounting principles applied to the preparation of the financial statements are consistent with those applied to the preparation of the Company's financial statements for the year ended December 31, 2018, except for the application of amendments to standards and new interpretations applicable to annual periods beginning on or after January 1, 2019. year.

Impairment of property, plant and equipment and intangible assets, excluding goodwill

If there are any indications of possible impairment of the tangible fixed assets and intangible assets held, an impairment test is carried out and the determined amounts of revaluation write-offs reduce the carrying amount of the asset to which they relate and are charged to the profit and loss account.

Investment property

Investment property is real estate (land, building, part of a building or both) which is treated as a source of income from rents or is held due to the increase in its value, where such real estate is not:

- used in the production, supply of goods, provision of services or administrative activities, or
- held for sale in the ordinary course of business.

Investment property is real estate potentially for sale if, despite the active search for a buyer by the management, there is a high probability of selling these assets within one year. The absolute condition for classifying such real estate as investment real estate is obtaining income from rent.

In the case of partial rental of real estate, the criterion for classification as investment real estate is the ratio of the area intended for rent to the total area.

Investment properties are recognized at fair value. Profits or losses resulting from changes in the fair value of investment properties are recognized in the profit and loss account in the period in which they arise.

Investment property is removed from the balance sheet in the event of its sale or in the event of permanent withdrawal of the investment property from use, when no future benefits from its sale are expected. Any profits or losses resulting from the removal of the investment property from the balance sheet are recognized in the profit and loss account for the period in which such removal was made.

Assets are transferred to investment property only when there is a change in their use, confirmed by the end of use of the asset by the owner, conclusion of an operating lease agreement or completion of construction / production of the investment property.



Shares and stocks in subsidiaries

Shares and stocks in subsidiaries and associates are stated at historical cost, less any impairment losses. Shares and stocks in subsidiaries and associates for which there is an active market are measured at fair value.

Trade and other receivables

Trade receivables with maturities usually from 30 to 90 days are recognized at the amounts initially invoiced, less allowances for bad debts. The write-downs of bad debts are estimated when the recovery of the full amount is no longer probable. The amounts of created write-downs updating the value of receivables are referred respectively to other operating costs or to financial costs - depending on the type of receivable to which the write-off relates.

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.

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.

Significant values based on professional judgment and estimates

The Management Board value the loans and receivables in fair value. The Management Board makes decisions taking into account all the potential consequences of its decisions. Hence, the decision-making process is based on multi-stage analyzes of, inter alia, borrowers' collaterals.

Professional judgment

If a given transaction is not regulated by any standard or interpretation, the Management Board, guided by a subjective judgment, determines and applies accounting policies that will ensure that the financial statements will contain correct and reliable information and will:

- correctly, clearly and fairly present the property and financial situation of the Company, the results of its activities and cash flows,
- reflect the economic content of the transaction,
- objective,
- prepared in accordance with the principle of prudent valuation,
- complete in all material respects.

There were no significant areas in these financial statements where the professional judgment of the management was of significant importance.

When valuating the loans, the debtor's solvency is taken into account. We take into account the risk of non-repayment. If there is no risk of repayment, we value the loans at their nominal value. There are conducted proper analysis.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand as well as short-term deposits with an original maturity not exceeding three months.

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.



Supplementary capital from the sale of shares above their nominal value.

The differences between the fair value of the payment received and the nominal value of shares are recognized in the supplementary capital from the sale of shares above their nominal value. In the event of buyout of shares, the amount paid for the shares is charged to equity and is disclosed in the balance sheet under equity.

The costs of issuing shares, incurred when establishing a joint-stock company or increasing the share capital, reduce the entity's supplementary capital to the amount of the excess of the issue value over the par value of the shares, and the remaining part is classified as financial costs.

Retained profits / losses.

The accumulated financial results of the Company, including the results transferred to the supplementary capital by a resolution of the Shareholders' Meeting, are recognized under retained profit / loss from previous years.

Provisions

Provisions are created when the company has an existing obligation (legal or custom) resulting from past events and when it is probable that the fulfillment of this obligation will require an outflow of funds and the amount of this obligation can be reliably estimated. If there is a credible expectation that the costs covered by the provision will be reimbursed, then the reimbursement is recognized as a separate asset, but only when it is practically certain that the reimbursement will take place (e.g. under an insurance contract).

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue amount can be reliably measured. The following criteria are used to determine revenue:

Sale of goods and products

Revenues are recognized when the significant risks and rewards of ownership of goods and products have been transferred to the buyer and when the amount of revenues can be reliably estimated.

Interest

Interest income is recognized successively as it increases.



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 Company is subject to the Estonian tax system since 30/11/2018.



Contingent assets and liabilities

The Company doesn't have any contingent assets.

A contingent liability is:

- a possible obligation that may arise as a result of past events, the fulfillment of which will be confirmed only at the time of occurrence or non-occurrence of one or more future events beyond the control of the Company,
- a present obligation, which arises as a result of past events, but is not recognized in the financial statements, because the amount of the obligation cannot be reliably determined or it is not probable that it will be necessary to spend funds in order to meet the obligation.

In the opinion of the Company's Management Board, potential contingent liabilities described in Note 21 do not require additional disclosure.

Affiliated entities

For the purposes of the financial statements, related entities include: significant shareholders, subsidiaries, associates and jointly controlled companies, members of the Management Boards and Supervisory Boards of the Group companies, their immediate families and entities controlled by them.

Uncertainty of estimates

When applying the accounting principles in force in the Company, the Management Board is obliged to make estimates, judgments and assumptions regarding the amounts of valuation of individual assets and liabilities. The estimates and related assumptions are based on historical experience and other factors considered relevant. The actual results may differ from the adopted estimated values. The preparation of the financial statements requires the Management Board of the Company to make estimates, as much of the information contained in the financial statements cannot be measured precisely. The Management Board verifies the adopted estimates based on changes in the factors taken into account when making them, new information or past experiences. Therefore, the estimates made as at June 30, 2020 may be changed in the future. The main estimates are described in the following notes on the fair value of financial instruments, which materially affects the company's financial statements.

In the report for 2019, the Management Board assesses that there are no other significant areas with regard to which there is a risk related to uncertainty of estimates.



Information on operating segments

An operating segment is a component of an entity:

- that engages in business activities from which it may earn income and incur costs (including income and expenses related to transactions with other components of the same entity),
- whose operating results are regularly reviewed by the entity's chief operating decision maker and uses these results to decide on the allocation of resources to the segment and when assessing the segment's performance, and
- for which separate financial information is available.

In accordance with the requirements of IFRS 8, operating segments should be identified based on internal reports on those elements of the Group that are regularly verified by persons deciding about allocating resources to a given segment and assessing its financial results.

NOTES TO THE FINANCIAL STATEMENTS

EXPLANATORY NOTE TO THE SEPARATE FINANCIAL STATEMENT OF FINANCIAL SITUATION

Note 1 Investment properties

As at 30.06.2020 the Company did not have any investment properties. By means of Datio In Solutum Agreement of March 8, 2019, Investment Friends Capital SE exempted Patro Inwestycje Spółka z ograniczoną odpowiedzialnością from the return to Investment Friends Capital SE of the ownership and perpetual usufruct right to real estate in Poznań, described in detail in §1 of the Trust Deed of October 11, 2018 in exchange for a cash benefit in the amount of PLN 1 470 thous. The apartment was measured at fair value and as at the date of signing the agreement its value amounted to PLN 1 469 thous. (EUR 338 thous.). The sales revenue amounted to PLN 1 470 thous (EUR 338 thous.). The profit on the sale of the property was PLN 0 thous. (0 thous. EUR). Transfer of apartment described above is included in note 21 regarding transactions with related parties. Investment properties were measured at fair value. As at 30/06/2020 the Company does not have any investment properties

INVESTMENT PROPERTIES	30/06/2020 (thous.EUR)	31/12/2018 (thous.EUR)
Investment properties	0	342



Note 2 Long-term financial assets

LONG-TERM FINANCIAL ASSETS	30/06/2020 (thous.EUR)	31/12/2018 (thous.EUR)
Long-term financial assets	1 300	418
A) In related entities (Note 21)	1 300	0
- loans granted	1 300	0
B) In other entities	0	418
- stocks and shares	0	418

As at June 30, 2020 the Company had one long-term loan granted to a related entity Damar Patro UÜ.

Long-term loans granted in thous. EUR

Name (Company) Of the entity	Headqu arters	Credit/loan amount according to the agreement in thous. EUR		Credit/loan amount remaining to be repaid in thous. EUR		Interest terms	Maturity date	Collaterals
		currency	currency	currency	currency			
Damar Patro UÜ*	Tallinn	1 300	EUR	1 300	EUR	2,5%	30.06.2023	Blank promissory note

*Loan granted to Damar Patro UÜ is granted in EUR. The loan conversion rate set in the loan agreement is EUR 4.4. The company shows capital loan in its long-term financial assets. The interest accrued as at the balance sheet date is EUR 2 thous. and is presented in note 3 as short-term financial assets.

Long-term financial assets - stocks and shares	Shares not listed on the stock exchange (thous.EUR)	Total (thous.EUR)
Opening balance as at 01.01.2019	418	418
Disposal / settlements	1	0
Write-off of the value of the shares held	403	403
Exchange differences	14	14
Closing balance as at 30.06.2020	0	0

As at 31.12.2018 the Company held 1 515 shares in IFEA Spółka z ograniczoną odpowiedzialnością constituting 5,24% of the share capital of IFEA Spółka z ograniczoną odpowiedzialnością with balance sheet value of PLN 1 795 thous. As a result of the transformation of IFEA Spółka z ograniczoną odpowiedzialnością into Nowy Wiatr Spółka z ograniczoną odpowiedzialnością in liquidation limited partnership and subsequent liquidation of this company, the amount of PLN 1 795 thous (= EUR 414 thous.) was written off in full as at June 30, 2020 and this amount was fully put to the financial costs (Note 12).



**FINANCIAL STATEMENT OF
INVESTMENT FRIENDS CAPITAL SE
FOR THE YEAR ENDED 30/06/2020**

/in thous. EUR/

As at December 31, 2018, the Company held 2 873 564 shares in IFERIA S.A. with a nominal value of PLN 0,02 constituting 1.47% of the total number of votes and 1.47% of the share capital of IFERIA S.A.

2 873 564 shares of IFERIA S.A. were disposed on February 19, 2019 for PLN 2 thous. (EUR 1 thous.) and these shares were sold to the related party for their equivalent in the balance sheet as at the sale date in the amount of PLN 2 thous. (EUR 1 thous.) therefore no profit on sales was shown.

Receivables for loans and interest from related entities are included in Note 15 as transactions with related parties.

Note 3 Short-term financial assets

SHORT-TERM FINANCIAL ASSETS	30/06/2020 (thous.EUR)	31/12/2018 (thous.EUR)
Short-term financial assets	3 299	4 115
A) In related entities (Note 21)	2 929	3 726
- loans granted	2 929	3 726
- Valuation adjustment (+/-)	0	28
- value at acquisition prices	2 929	3 698
B) In other entities	370	389
- loans granted	370	389
- Valuation adjustment (+/-)	-7	-5
- value at acquisition prices	377	394

Short-term loans granted in thous. PLN as at 30/06/2020

Name (Company) Of the entity	Headqu arters	Credit/loan amount according to the agreement in thous. PLN		Credit/loan amount remaining to be repaid in thous. PLN/		Interest terms	Maturity date	Collaterals
		currency		currency				
Natural person*	-	60	PLN	57	PLN	10%	31.03.2016	Notarial deed on voluntary submission to enforcement, blank promissory note, mortgage on real estate
Natural person	-	150	PLN	13	PLN	10%	30.06.2018	Notarial deed on voluntary submission to enforcement, blank promissory



FINANCIAL STATEMENT OF
INVESTMENT FRIENDS CAPITAL SE
FOR THE YEAR ENDED 30/06/2020

/in thous. EUR/

								note, mortgage
Natural person	-	1 671	PLN	1 575	PLN	10%	23.04.2016	blank promissory note, Notarial deed on voluntary submission to enforcement, mortgage
Patro Invest sp. z o.o. w likwidacji	Płock	4 000	PLN	2 922	PLN	5,7%	31.12.2021	blank promissory note
Patro Invest sp. z o.o. w likwidacji	Płock	5 000	PLN	5 332	PLN	WIBOR 3M + 3%	31.12.2021	blank promissory note
Patro Invest sp. z o.o. w likwidacji	Płock	4 000	PLN	4 266	PLN	WIBOR 3M +3%	31.12.2021	blank promissory note
PATRO INVEST OÜ	Tallinn	3 000	PLN	493	PLN	2,5%	31.12.2021	blank promissory note
Patro Invest sp. z o.o. w likwidacji	Płock	1 100	PLN	20	PLN	4,5%	31.12.2019	blank promissory note
Patro Invest sp. z o.o. w likwidacji	Płock	400	PLN	7	PLN	WIBOR 3M +3%	31.12.2019	blank promissory note
Patro Invest sp. z o.o. w likwidacji	Płock	270	PLN	5	PLN	WIBOR 3M +3%	30.09.2019	blank promissory note



**FINANCIAL STATEMENT OF
INVESTMENT FRIENDS CAPITAL SE
FOR THE YEAR ENDED 30/06/2020**

/in thous. EUR/

Total		19 651	PLN	14 690	PLN			
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*The Company made a write-down on a loan granted to a natural person for the amount of 7 thous. EUR (= 33 thous. PLN).

Short-term loans granted in thous. EUR (exchange rate 4.456) as at 30/06/2020

Name (Company) Of the entity	Headq arters	Credit/loan amount according to the agreement in thous. EUR		Credit/loan amount remaining to be repaid in thous. EUR		Interest terms	Maturity date	Collaterals
		currency	currency	currency	currency			
Natural person *	-	13	EUR	13	EUR	10%	31.03.2016	notarial deed of submission to enforcement, blank promissory note, mortgage
Natural person	-	150	EUR	3	EUR	10%	30.06.2018	Notarial deed on voluntary submission to enforcement,, a promissory note, mortgage
Natural person	-	375	EUR	354	EUR	10%	23.04.2016	blank promissory note. Notarial deed of submission to enforcement, mortgage
Patro Invest sp. z o.o. w likwidacji	Płock	898	EUR	656	EUR	5,7%	31.12.2021	blank promissory note
Patro Invest sp. z o.o. w likwidacji	Płock	1 122	EUR	1 197	EUR	WIBOR 3M + 3%	31.12.2021	blank promissory note



**FINANCIAL STATEMENT OF
INVESTMENT FRIENDS CAPITAL SE
FOR THE YEAR ENDED 30/06/2020**

/in thous. EUR/

Patro Invest sp. z o.o. w likwidacji	Płock	898	EUR	957	EUR	WIBOR 3M +3%	31.12.2021	blank promissory note
PATRO INVEST OÜ	Tallinn	673	EUR	110	EUR	2,5%	31.12.2021	blank promissory note
Patro Invest sp. z o.o. w likwidacji	Płock	247	EUR	4	EUR	4,5%	31.12.2019	blank promissory note
Patro Invest sp. z o.o. w likwidacji	Płock	90	EUR	2	EUR	WIBOR 3M +3%	31.12.2019	blank promissory note
Patro Invest sp. z o.o. w likwidacji	Płock	60	EUR	1	EUR	WIBOR 3M +3%	30.09.2019	blank promissory note
TOTAL		4 526	EUR	3 297**	EUR			

*The Company made a write-down on a loan granted to a natural person for the amount of EUR 7 thous. (= PLN 33 thous.)

**2 thousand EUR should be added to the above TOTAL result as interest from Damar Patro UÜ to receive the number presented in balance sheet. The interest from Damar Patro UÜ are described in note 2.

Receivables from loans and interest from related entities are included in note 15.

Note 4 Cash and cash equivalents

Cash and cash equivalents	30/06/2020 (thous.EUR)	31/12/2018 (thous.EUR)
Bank deposits (current accounts) and short-term deposits	20	26



**FINANCIAL STATEMENT OF
INVESTMENT FRIENDS CAPITAL SE
FOR THE YEAR ENDED 30/06/2020**

/in thous. EUR/

Cash shown in the balance sheet	20	26
Total	20	26

Note 5 Share capital and shareholding structure as at 30/06/2020

Share capital as at 27/10/2020	Type of shares	Number of shares	Share capital
	Bearer shares	15 015 972	2 102 thous. EUR
Total		15 015 972	2 102 thous. EUR

As at 27/10/2020, the share capital amounts to: EUR 2 102 thous. and is divided into 15 015 972 ordinary registered shares without par value with a book value of EUR 0,14.

As at the date 27/10/2020 according to the Management Board's best knowledge, the structure of direct and indirect shareholders holding at least 5% of the total number of votes at the General Meeting was as follows:

Structure of direct shareholding as at 27/10/2020

No.	Direct shareholders	Number of shares	% shares	Number of votes	% votes
1.	Patro Invest OÜ	10 459 380	69,66	10 459 380	69,66
X	Total	15 015 972	100,00	15 015 972	100,00

Structure of indirect shareholding as at 27/10/2020

No.	Indirect shareholders	Number of shares	% shares	Number of votes	% votes
1.	Patro Invest OÜ	10 459 380	69,66	10 459 380	69,66
2.	Damian Patrowicz	10 459 380	69,66	10 459 380	69,66

*** Damian Patrowicz owns 100% of Patro Invest OU**

As at June 30, 2020, the share capital amounts to: EUR 2 102 thous. and is divided into 15 015 972 ordinary registered shares without par value with a book value of EUR 0,14.

As at the balance sheet date 30.06.2020 according to the Management Board's best knowledge, the structure of direct and indirect shareholders holding at least 5% of the total number of votes at the General Meeting was as follows:



Structure of direct shareholding as at 30/06/2020

No.	Direct shareholders	Number of shares	% shares	Number of votes	% votes
1.	Patro Invest OÜ	10 339 380	68,86	10 339 380	68,86
X	Total	15 015 972	100,00	15 015 972	100,00

Structure of indirect shareholding as at 30/06/2020

No.	Indirect shareholders	Number of shares	% shares	Number of votes	% votes
1.	Patro Invest OÜ	10 339 380	68,86	10 339 380	68,86
2.	Damian Patrowicz	10 339 380	68,86	10 339 380	68,86

* Damian Patrowicz owns 100% of Patro Invest OU

According to the information presented in the 2018 annual report, the structure of direct and indirect shareholders holding at least 5% of the total number of votes at the General Meeting was as follows:

Structure of direct shareholding as at 31/12/2018

No.	Direct shareholders	Number of shares	% shares	Number of votes	% votes
1.	Patro Invest OÜ	9 199 605	61,27	9 199 605	61,27
X	Total	15 015 972	100,00	15 015 972	100,00

Structure of indirect shareholding as at 31/12/2018

No.	Indirect shareholders	Number of shares	% shares	Number of votes	% votes
1.	Patro Invest OU	9 199 605	61,27	9 199 605	61,27
2.	Damian Patrowicz	9 199 605	61,27	9 199 605	61,27

* Damian Patrowicz owns 100% of Patro Invest OU

Note 6 Book value per share

	18 months ended on 30/06/2020 (thous.EUR)	12 months ended on 31/12/2018 (thous.EUR)
Book value	4 614	4 894
Weighted average number of ordinary shares used in calculating the book value per ordinary share	15 015 972	15 015 972
Weighted average number of ordinary shares used in the calculation of diluted book value per ordinary share	15 015 972	15 015 972



**FINANCIAL STATEMENT OF
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/in thous. EUR/

Basic book value per share (in euro)	0,31	0,33
Diluted book value per share (in euro)	0,31	0,33

EXPLANATORY NOTES FOR SEPARATE PROFIT AND LOSS ACCOUNT

Note 7 Net revenues from sale of products

NET REVENUES FROM SALE OF PRODUCTS:	Period 01/01/2019 - 30/06/2020 (thous.EUR)	Period 01/01/2018 - 31/12/2018 (thous.EUR)
Interest income from operating activities (interest on loans granted)	309	178
Other income	0	25
Total net revenues from the sale of products	309	203
- including to related entities	251	139

Sales to related parties are included in note 15.

Note 8 Cost by type

COST BY TYPE	Period 01/01/2019 - 30/06/2020 (thous.EUR)	Period 01/01/2018 - 31/12/2018 (thous.EUR)
a) Amortisation and depreciation	0	-1
b) Consumption of materials and energy	-1	-8
c) External services	-21	-94
d) Taxes and charges	0	-2
Cost by type, total:	-22	-105
Change in balance of products and accruals and deferred income	-3	0
General and administrative costs	-25	-97
Manufacturing cost of products sold	0	-8



Note 9 Other operating income

OTHER OPERATING INCOME	Period 01/01/2019 - 30/06/2020 (thous.EUR)	Period 01/01/2018 - 31/12/2018 (thous.EUR)
c) other, including	0	19
- other	1	19
Total other operating expenses	1	19

Note 10 Other operating costs

OTHER OPERATING COSTS	Period 01/01/2019 - 30/06/2020 (thous.EUR)	Period 01/01/2018 - 31/12/2018 (thous.EUR)
Other, including:	-4	-3
- written off receivables	-4	0
- others	0	-3
Other operating costs, total	-4	-3

Note 11 Financial income from interest

FINANCIAL INCOME FROM INTEREST	Period 01/01/2019 - 30/06/2020 (thous.EUR)	Period 01/01/2018 - 31/12/2018 (thous.EUR)
a) other interest	2	9
- from other entities	2	9
Total financial income from interest	2	9

OTHER FINANCIAL INCOME	Period 01/01/2019 - 30/06/2020 (thous.EUR)	Period 01/01/2018 - 31/12/2018 (thous.EUR)
a) positive exchange differences	0	2
C) profit on disposal of financial assets	1	0
Other financial income, total	1	2



Note 12 Other financial costs

OTHER FINANCIAL COSTS	Period 01/01/2019 - 30/06/2020 (thous.EUR)	Period 01/01/2018 - 31/12/2018 (thous.EUR)
Other, including:	-414	-3
- financial operations fee	0	-1
- merger of entities	0	-2
- share value write-off (Note 2)	-414	0
Other financial expenses	-414	-3

Note 13 Profit (loss) per share

PROFIT (LOSS) PER SHARE	01.01.2019 – 30.06.2020	01.01.2018 - 31.12.2018
Net profit (loss) (thous.EUR)	-130	122
Weighted average number of ordinary shares	15 015 972	15 015 972
Profit (loss) per ordinary share (in PLN) according to the formula: net profit divided by the weighted average number of ordinary shares	-0,01	0,01
Diluted weighted average number of ordinary shares	15 015 972	15 015 972
Profit (loss) per ordinary share (in PLN) according to the formula: net profit divided by the weighted average number of ordinary shares	-0,01	0,01

Note 14 EXPLANATORY NOTE TO THE CASH FLOW STATEMENT

The item "(Profit) loss on investment activities" in operating activities for 2019 in the amount of 414 thousand. EUR concerns the write-off of IFEA shares in the amount of 414 thousand. EUR. The write-off was made on 30/06/2020 in accordance with Resolution No. 2/01/2020 adopted by the Management Board of the Company. The decision to write off the value of the shares held in IFEA has been made as a result of its transformation into Nowy Wiatr spółka z ograniczoną odpowiedzialnością in liquidation spółka komandytowa and its subsequent liquidation. It is described in note 2.

Note 15 Relationships in the Company

There are organizational links between members of the Company's management and supervisory bodies:



Parent company: Patro Invest OÜ in Tallinn (directly), Mr. Damian Patrowicz (indirectly by Patro Invest OÜ).

Entities related through personal ties in the composition of Supervisory Boards and due to the dominant direct and indirect shareholder: FON SE, Atlantis SE, Elkop S.A., Investment Friends SE, Damf Inwestycje S.A., Patro Invest Sp. z o.o., Patro Invest OÜ.

Management Board:

- Damian Patrowicz – performs since 04.06.2018 function of the only member of the Management Board of the Company and Patro Invest OÜ, also a member of the Management Board of Patro Inwestycje Sp. z o.o., FON SE, Atlantis SE and perform a function of the member of the Supervisory Board in: Elkop S.A., Investment Friends SE, is a shareholder of Patro Invest OÜ. Mr. Damian is a general partner in Damar Patro UÜ and shareholder of Patro Invest Sp. z o.o. in liquidation.

Supervisory Board

- Wojciech Hetkowski Chairman of the Supervisory Board- performs a function of a Supervisory Board Member in Atlantis SE, Elkop SE, Investment Friends SE, FON SE, Damf Inwestycje S.A.
- Jacek Koralewski Member of the Supervisory Board- performs the function of the President of the Management Board in: Elkop SE and function of Supervisory Board Member in: Atlantis SE, Investment Friends SE, Damf Inwestycje S.A., FON SE.
- Małgorzata Patrowicz Member of the Supervisory Board- perform a function of the Liquidator of Patro Invest Sp. z o.o w in liquidation and the President of the management Board at Patro Inwestycje Sp. z o.o. in addition, she is member of the Supervisory Board in: Atlantis SE, Elkop SE, FON SE, Damf Inwestycje S.A., Investment Friends SE.
- Martyna Patrowicz Member of the Supervisory Board- performs a function of a Supervisory Board Member in: Atlantis SE, Elkop SE, FON SE, Damf Inwestycje S.A.

Transactions with related entities:

Loans granted to related entities - all loans granted to related entities are described in note 2 and 3. Loans granted to entities other than natural persons are granted to a related entity. Patro Invest OÜ - parent's Company of Investment Friends Capital SE, Damar Patro UÜ - the Limited Partner is the Member of Management Board of Investment Friends Capital SE, Damf Księgowość and Office Center - these two Companies are liquidated as at 30/06/2020. Patro Invest Sp. z o.o. in liquidation - shareholder of Patro Invest Sp. z o.o. in liquidation is indirectly a shareholder of INVESTMENT FRIENDS CAPITAL SE. Parent's Company of INVESTMENT FRIENDS CAPITAL SE is also parent's Company of ELKOP SE and Patro Inwestycje Sp. z o.o.



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2 873 564 shares of IFERIA S.A. were disposed on February 19, 2019 for PLN 2 thous. (EUR 1 thous.) to related party Mr. Mariusz Patrowicz. It is described in note 2.

The apartment in Poznań was transferred out of the Company via Datio in Solutum agreement for PLN 1 470 thous. (= EUR 338 thous.) to Patro Inwestycje Sp. z o.o. It is described in note 1.

As a result of the transformation of IFEA Spółka z ograniczoną odpowiedzialnością into Nowy Wiatr Spółka z ograniczoną odpowiedzialnością in liquidation limited partnership and subsequent liquidation of this company, the amount of PLN 1 795 thous. (= 414 thous. EUR) was written off in full as at June 30, 2020 and this amount was fully put to the financial costs. It is described in note 2.

TRANSACTIONS WITH RELATED PARTIES FOR THE PERIOD 01/01/2019 - 30/06/2020 (thous.EUR)	Sale of interest, products, goods and materials to related entities	Sale of investment property	Sale of financial assets	Purchases from related entities	Receivables for loans and interest from related entities	Liabilities for deliveries and services and other liabilities at the end of the period to related entities
Patro Invest OÜ	33	0	0	0	110	0
Damar Patro UÜ	1	0	0	0	1 302	0
Damf Księgowość	1	0	0	0	0	0
Office Center	1	0	0	0	0	0
Patro Invest sp z o.o in liquidation	212	0	0	0	2 817	0
Patro Inwestycje sp z o.o.	3	338	0	3	0	1
Elkop SE	0	0	0	1	0	0
Mr. Mariusz Patrowicz	0	0	1	0	0	0
Total	251	338	1	4	4 229	1

The Company didn't issue any letter of guarantees to the others.

TRANSACTIONS WITH RELATED ENTITIES FOR THE PERIOD 01/01/2018 - 31/12/2018 (thous.EUR)	Sale of interest, products, goods and materials to related entities	Purchases from related entities	Receivables for loans and interest from related entities	Liabilities for deliveries and services and other liabilities at the end of the period to related entities
PATRO INVEST SP. Z O.O.	127	0	3 509	0
ATLANTIS SE	0	7	0	0
ELKOP S.A.	0	2	0	0
FON SE	0	4	0	1
Damf Księgowość sp. z o.o.	6	0	130	0



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Refus sp. z o.o.	1	0	0	0
Office Center sp. z o.o.	5	0	88	0
FON Zarządzanie Nieruchomościami sp. z o.o	0	0	0	0
Total	139	13	3 727	1

Note 16 Remuneration of Management Board and Supervisory Board

Remuneration of supervising and managing persons	Period 01/01/2019 - 30/06/2020 (thous.EUR)	Period 01/01/2018 - 31/12/2018 (thous.EUR)
Supervising persons - members of the Supervisory Board	0	1
Managing persons	0	11

The company has not employed any employees in the financial year lasting since 1 January 2019 till 30 June 2020. The annual average employment during the period to 31/12/2018 amounted to 0,8 person of the employment contract.

Note 17 Information about financial instruments

Financial assets

30/06/2020

Types of financial instruments (thous.EUR)	Fair value through total income	Fair value through financial results	Amortised cost	Total
Total financial assets	0	0	4 619	4 619
Stocks and shares – balance value	0	0	0	0
- <i>Value of valuation places in revaluation reserve</i>	0	0	0	0
- <i>Value at an acquisition price</i>	0	0	0	0
Granted loans	0	0	4 599	4 599
Receivables from deliveries and services and other receivables	0	0	0	0
Cash and cash equivalents	0	0	20	20



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31.12.2018

Types of financial instruments (thous.EUR)	Fair value through total income	Fair value through financial results	Amortised cost	Total
Total financial assets	418	0	4 142	4 560
Stocks and shares – balance value	418	0	0	418
- <i>Value of valuation places in revaluation reserve</i>	-1 374	0	0	-1 374
- <i>Value at an acquisition price</i>	1 774	0	0	1 774
- <i>Exchange rate differences</i>	18	0	0	18
Granted loans	0	0	4 115	4 115
Receivables from deliveries and services and other receivables	0	0	1	1
Cash and cash equivalents	0	0	26	26

The Company uses the following hierarchy for revealing information about financial instruments evaluated in fair value – divided into the ways of valuation:

Level 1: prices listed on the active market (uncorrected) for identic assets or liabilities.

Level 2: methods of valuation, in which every data has pivotal influence on estimated fair value are observable, directly or indirectly, by market data;

Level 3: methods of valuation, in which entrance data have pivotal influence on estimated fair value are not based on observable market data

Available-for-sale equity investments that are not listed in an active market, the fair value of which cannot be reliably measured, and derivative instruments related to them and accounted for through the transfer of such not listed equity investments, are measured at cost less impairment at the end of each reporting period.

(thous.EUR)	31.12.2018	Level 1	Level 2	Level 3
Shares/stocks not listed	418	-	-	418
Financial assets valued at fair value	418	-	-	418
Financial liabilities valued at fair value.	-	-	-	-

In the reporting period instruments valuation transfers between levels of the hierarchy did not occur.



OTHER INFORMATION THAT COULD SIGNIFICANTLY AFFECT THE ASSESSMENT OF THE PROPERTY, FINANCIAL SITUATION AND THE RESULTS OF THE COMPANY.

In the opinion of the Management Board, as at the date of the annual report, the financial situation of the Company is stable. The Company does not have any significant liabilities, and the implemented cost optimization policy limits the occurrence of events that may disturb the financial liquidity of the Company

The Company's results are significantly influenced by the write-off of the shares in IFEA Sp. z o.o. Due to the fact that the main activity of the Company is financial (loans) services, an important factor, which influence the financial results is also the proper servicing of contractual obligations by the Borrowers.

Selected indicators of INVESTMENT FRIENDS CAPITAL SE

Selected indicators of Investment Friends Capital SE:

Indicators	30/06/2020	31/12/2018
Assets (in thous. EUR)	4 620	4 902
Return on Assets (ROA)	-2,80%	2,50%
Equity (in thous. EUR)	4 614	4 894
Return on equity (ROE)	-2,80%	2,50%
Net profitability	-42%	60%
Debt ratio	0,12%	0,16%
Net profit (in thous. EUR)	-130	122

Shares	30/06/2020	31/12/2018
Price per share (EUR)	0,14	0,13
Earnings per share (EUR)	-0,01	0,008
Price-to-profit ratio (P/E)	-16	15
Book value per share (EUR)	0,31	0,3
Price-to-book value (P/BV) ratio	0,45	0,39
Current liquidity ratio	553	518
Market capitalization (in thous. EUR)	2 102	1 885
Closing price of share (in EUR)	0,14	0,12

Return on Assets = Net Profit / Total Assets

Return on equity = net profit / equity



Net profitability = net profit (loss) / sales revenues

Debt ratio = liabilities / total assets

Earnings per share = net profit / number of shares

Current liquidity ratio = current assets / short-term liabilities

Price-to-profit (P / E) = price per share / earnings per share

Price-per-share = market cap/number of shares

Book value of shares = total equity / number of shares

Book price-to-value ratio = closing price per share / book value of shares

Market capitalization = closing price per share X number of shares

INFORMATION ON OPERATING SEGMENTS

According to the requirements, operating segments should be identified based on internal reports on those elements of the Company that are regularly verified by persons deciding about allocating resources to a given segment and assessing its financial results. The Company provides homogeneous activity involving the provision of other financial services. The Management Board has not identified operating segments in the Company.

Revenues from external clients are presented below, divided into operating areas and information on fixed assets divided into location of these assets.

For the 2019/2020 financial year

GEOGRAPHICAL AREA FOR FINANCIAL ACTIVITIES	REVENUE FROM EXTERNAL CUSTOMERS (thous.EUR)	FIXED ASSETS (thous.EUR)
TALLINN	309	0
Financial activity in total	309	0

For the 2018 year

GEOGRAPHICAL AREA FOR FINANCIAL ACTIVITIES	REVENUE FROM EXTERNAL CUSTOMERS (thous.EUR)	FIXED ASSETS (thous.EUR)
PŁOCK	178	418
Financial activity in total	178	418
GEOGRAPHICAL AREA FOR OTHER ACTIVITIES	REVENUE FROM EXTERNAL CUSTOMERS (thous.EUR)	FIXED ASSETS (thous.EUR)
POZNAŃ	22	342



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/in thous. EUR/

PŁOCK	3	0
Other activities in total	25	342

Information on leading customers.

For the 2019/2020 year:

In the period 01.01.2019-30.06.2020 the Company achieved revenue from transactions with a single client over 10% of the total revenue of the entity:

- Client no. 1 – 68,64 % of total revenues
- Client no. 2 – 17,86 % of total revenues

For the 2018 year

In the period 1.01. - 31.12.2018 The company realized revenues from the sale of services that exceeded 10% of the company's total revenues from the sale of services with the following recipients: Patro Invest sp. z o.o., natural persons. The turnover with each of the other recipients of the Company did not exceed 10% of the total turnover of the Company in the period 1.01. - 31.12.2018.

NOTE 18 THE POSITION OF THE MANAGEMENT BOARD REGARDING THE POSSIBILITY OF REALIZATION PREVIOUSLY PUBLISHED FORECASTS FOR A GIVEN YEAR, IN THE LIGHT OF THE RESULTS PRESENTED IN THE REPORT IN RELATION TO THE FORECAST RESULTS.

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

NOTE 19 SIFNIFICANT FACTORS OF RISKS.

The main types of risk arising from the Company's financial instruments include interest rate risk, liquidity risk, credit risk and risk related to financial securities. The Management Board is responsible for establishing of the risk management rules and supervising of its respecting. The principles of risk management aim at identification and analysis of risks the Company is exposed to, setting out proper limits and control, as well as monitoring of the risks and compliance with the limits.

➤ ***Liquidity risk***

As any entity operating on the market, the Company is exposed to the risk of losing financial liquidity, understood as the ability to settle its obligations within the set time limit. Financing the operation using external sources (debt instruments, loans) increases the risk of losing liquidity in the future. The Company currently does not run the risk of losing liquidity. However, one can not



exclude the risk of disturbance or even loss of liquidity due to missed investments and repricing capital or lack of repayment of loans granted and enforcement difficulties as well as non-compliance of obligations by contractors. The company does not exclude in the future (if necessary) financing of investments with debt instruments or target issuance of shares. The company manages its liquidity through ongoing monitoring of the level of due liabilities, cash flows and proper cash management.

➤ **Credit risk**

(a) Credit risk assessment - credit risk represents a potential loss that could arise if a Company's counterparty in a transaction is unable to meet its contractual obligations and provide cash flows. Credit risk is mainly related to loans granted by the Company, cash and cash equivalents, deposits, trade receivables.

The scope of the Company's credit risk is most affected by the specific circumstances of each customer. At the same time, the Company's management also follows the general circumstances such as the legal status of the client (private or public company), the geographical location of the client, the field of operation, the state of the economy and future economic forecasts. To reduce the credit risk, customers' payment discipline and their ability to meet their commitments are monitored daily.

(b) Credit quality of financial assets - the Company uses a simplified approach to measure expected credit losses under IFRS 9, applying lifetime expected credit losses to all trade receivables and contract assets. Historical loss rates are adjusted to include both current and future information about the macroeconomic factors, which may have impact on the ability of customers to pay the receivables. Based on the principles described above the impact of impairment losses on the cash and cash equivalents 31 December 2019 was immaterial.

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

30/06/2020 In EUR thous.	Maturity dates			
	< 1 year	1-2 years	2-3 years	Above 3 years
Cash and cash equivalent	20			
Loans granted	377	2920		1302
Total	397	2920	0	1302

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

31/12/2018 In EUR thous.	Maturity dates			
	< 1 year	1-2 years	2-3 years	Above 3 years
Cash and cash equivalent	26			
Loans granted	990	3391		
Total	1016	3391	0	0



➤ ***Risk related to the shareholding structure***

As at the balance sheet date 68,86% share capital and 68,86% votes at the Company's General Meeting belong directly to Patro Invest OÜ, as a result of which the above Shareholder has a significant impact on the resolutions adopted at the Company's General Meeting.

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

The situation and economic situation in Poland has a significant impact on the financial results achieved by all entities operating in these countries, including the Company, because the success of the development of companies investing in financial instruments and conducting financial service activities largely depends, inter alia, on the conditions of conducting business activity

➤ ***Risk related to the liquidity and volatility of the Company's share prices***

The share price and liquidity of trading in shares of companies listed in an organized trading system depends on buy and sell orders made by investors. It can not be ensured that the person purchasing the Company's shares offered will be able to sell them at any time and at a satisfactory price. The share price may be lower than the purchase price due to many factors, including periodic changes in the Company's operating results, missing investment decisions of the Company resulting in rented or accrued capital, the number and liquidity of listed shares, inflation, regional changes or domestic economic and political factors, and situation on other world securities markets.

➤ ***Risk related to ties between members of the Company's bodies***

There are interpretations indicating the possibility of risk arising from the negative impact of links between members of the Company's bodies on their decisions. This applies in particular to the impact of these ties on the Company's Supervisory Board in the scope of ongoing supervision over the Company's operations. When assessing the likelihood of such risk, it should be considered that the supervisory bodies are subject to the control of another body - the General Meeting, and it is in the interest of the members of the Supervisory Board to perform their duties in a reliable and lawful manner.

➤ ***Currency risk***

There is a currency risk in connection with the loans granted in PLN. 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. As a result of the appreciation of PLN against EUR, the value of granted loans may increase, while as a result of the depreciation of PLN against EUR, the value of granted loans may decrease. Therefore, there is a risk of a decrease in the value of loans granted due to the depreciation of PLN against EUR.



➤ ***Risk related to the impact of the SARS-CoV-2 coronavirus epidemic on the Company's operations***

Due to the type of business, the Company is moderately exposed to the negative consequences of the SARS-CoV-2 coronavirus epidemic causing the COVID19 disease. The Management Board of the Company is not able to predict the full consequences and scale of the decrease in revenues from core activities, however, the Company expects that the current situation may have a negative impact on the Company's results. The Company also informs that it implements protective procedures aimed at limiting the possibility of infection by the Company's contractors, in particular, the Company aims to eliminate personal contacts and limit meetings as much as possible, which should enable the Company to operate smoothly. The Company, after analyzing the current situation related to the SARS-CoV-2 coronavirus epidemic, causing the COVID-19 disease, and its potential impact on the Company's operations - indicates that as at the date of publication of the report, the Company did not notice the impact of the above-mentioned the situation on the Company's activity.

Capital management

The policy of the Management Board is to maintain a solid capital base in order to maintain the trust of investors and to ensure the future development of economic activity.

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

In line with market practice, the Company monitors capital, among others, on the basis of the equity ratio and the ratio of credits, loans and other sources of financing / EBITDA. The equity ratio is calculated as the ratio of the net asset value (equity less intangible assets) to the balance sheet total.

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

In order to maintain financial liquidity and creditworthiness allowing for 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 of loans, borrowings and other sources of financing / EBITDA at a level of up to 2.0

	30/06/2020 (thous.EUR)	31/12/2018 (thous.EUR)
Equity	4 614	4 894
Net asset value	4 614	4 894
Total balance sheet	4 620	4 902
Equity ratio*	0,99	0,99
Net profit (loss)	-130	122



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/in thous. EUR/

EBITDA**	-130	122
Credits, loans and other sources of financing	6	8
Free cash and short term investments*	3 319	4 141
Indicator: Loans, borrowings and other sources of financing / EBITDA	-0,05	0,07

*Equity ratio = equity / assets

**EBITDA = Net income + taxes + interest expenses + depreciation and amortization

***Free cash and short term investment = short term investments + cash

Note 20 Events after the balance sheet date.

There are no significant events after June 30,2020.

Note 21 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.

2. Legal case against the Borrowers - natural person (spouses).

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

3. Legal case upon request of the Company against the Borrower - natural person.

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 22 Profit and loss Account – comparison of the 2018 year with 12 months of 2019

PROFIT AND LOSS ACCOUNT	Period 01/01/2019 - 31/12/2019* (thous.EUR)	Period 01/01/2018- 31/12/2018 (thous.EUR)
Revenue from interests, sales of product, goods and materials	39	203
Cost of products goods and materials sold	0	8
Gross profit (loss) on sales (I-II)	39	195
General and administrative costs	20	97
Other operating income	0	19



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/in thous. EUR/

Other operating costs	0	3
Operating profit (loss)	19	114
Financial income	2	11
Financial costs	0	3
Profit before taxes	21	122
Net profit (loss)	21	122
Net profit (loss) (for 12 months)	21	122
The weighted average number of ordinary shares	15 015 972	15 015 972
Profit (loss) per one ordinary share (in EUR)	0,00	0,01
The weighted diluted average number of ordinary shares	15 015 972	15 015 972
Diluted profit (loss) per one ordinary share (in EUR)	0,00	0,01

* the rate adopted for the conversion of data for 12 months of 2019 – according to the rate being the arithmetic mean of average rates announced by the European Central Bank for 12 months 2019, i.e. 1EUR = 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 February 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



FINANCIAL STATEMENT OF
INVESTMENT FRIENDS CAPITAL SE
FOR THE YEAR ENDED 30/06/2020

/in thous. EUR/

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 CAPITAL SE and Number RT OÜ on market terms.

Tallinn, October 27, 2020

Signatures of all members of the Management Board

Damian Patrowicz
Full name

Member of the Management Board
position/function

.....
signature

Signature of the person entrusted with keeping the accounts:

Jolanta Gałuszka
Full name

.....
signature