

# *Investment Friends Capital SE*



**SEMI-ANNUAL REPORT ON THE ISSUER'S ACTIVITY  
FOR 6 MONTHS ENDED ON JUNE 30, 2019**

Tallinn, 03/10/2019



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## ***1. Basic information about the Company.***

**Name of the Company:** Investment Friends Capital SE

- On 09/02/2018 the Registry Court made a registration of the merger of the Issuer, 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 Akciováspolečnost 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 Issuer 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 Issuer's registered office to Estonia. Since 30/11/2018 the Company is being entered in Tartu County Court Registration Department, registry code: 14618005.

### ***Address:***

- till 30/11/2018 - Płock 09-402, ul. Padlewskiego 18C
- since 01/12/2018 - Narva mnt 5, 10117 Tallinn, Estonia
- since 05/06/2019 - Harju maakond, Tallinn, Kesklinna linnaosa, Tornimäe tn 5, 10145 Estonia.

### ***Tax identification number:***

- the Company is not registered as a VAT taxpayer after transferring its seat to Estonia. The Company has a tax identification number: 14618005

### ***Business activity:***

- Since 30/11/2018 the main business activity of the Company according to EMTAK classification is „Activities of holding companies”, EMTAK No 64201.

### ***Duration of the Company:***

- Duration of the Company is indefinite.



**Registry court of the Company:**

- Since 01/12/2018 the Company has been entered in Tartu County Court Registration Department, registry code: 14618005.

**Share capital of the Company:**

- Since 30/11/2018 share capital of the Company is 2.102.236,08 EURO (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 nine hundred seventy-two) shares without nominal value.

**Financial year:**

- On 29/04/2019 the proper for the Estonian law register of commercial companies (Ariregister) registered the amendment of the financial year of the Company, pursuant to Resolution no 3 of the Extraordinary General Meeting of Shareholders of 19/04/2019. Therefore, financial year of the Company starts on 1 July and ends on 30 June.

**1.1 Corporate bodies of the Company.**

**Composition of the Supervisory Board:**

In the reporting period, composition of the Issuer'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

As at 11 January 2019, the written resignation letter from held function in the Supervisory Board was submitted by Mr Mariusz Patrowicz.

**Management Board:**

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

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

**Audit Committee:**

Till 11/04/2019 the Audit Committee has been functioning in the following composition:

- Wojciech Hetkowski - Chairman of the Audit Committee
- Małgorzata Patrowicz - Member of the Audit Committee
- Jacek Koralewski - Member of the Audit Committee

On 11/04/2019 in the current report no 13/2019 the Issuer informed that the Supervisory Board adopted resolution on dissolution of the Audit Committee and dismissal of its Members as at 11/04/2019.



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

### ***2.1. Statement of compliance.***

This financial statement covers the period since January 1 to June 30, 2019 and the comparable period since January 1 to June 30, 2018 and it was prepared using accounting principles in accordance with the International Financial Reporting Standards which was approved by the European Union. The report was prepared with assumption that the entity is going concern in the foreseeable future.

According to regulations to which the Company is subjected, the semi-annual financial statement does not required to be aud it and was not subjected into review by an independent certified auditor.

### ***2.2 Functional and reporting currency.***

This financial report was prepared in EUR. 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.

### ***2.3 Accounting principles applied for preparation of this financial statement.***

Pursuant to the Resolution of the Extraordinary General Meeting of Shareholders of February 4, 2014, starting from January 1, 2014 the Company has changed accounting principles applied so far and made a transition to International Financial Reporting Standards as approved by the European Union (IFRS EU).

The first, full annual financial statements compliant with IFRS EU were prepared for the year ended on 31 December 2014 taking into account the requirements of IFRS 1 'First-time Adoption of IFRS'. In accordance with IFRS 1, the date of transition is 1 January 3013, which is the date of preparation of the opening balance.

## ***3. Statement of the Management Board on reliability of preparation of the financial statements.***

The Management Board of Investment Friends Capital SE declares that according to their best knowledge, the semi-annual financial statements for six months ended on 30/06/2019 and comparative data are prepared in compliance with binding accounting principles and that they reflect real, fair and clear view the financial and property situation of Investment Friends Capital SE as well as its financial result and the fact that the annual report on the Issuer's activity includes real view of development, achievements and situation of Investment Friends Capital SE, including a description of the basis threats and risks.

*Tallinn, 03/10/2019*

*Damian Patrowicz - Chairman of the Management Board*



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**4. Selected financial data including items of condensed financial statement.**

| Selected financial data  | 6 months<br>ended on<br>30/06/2019<br><br>EUR thous. | 6 months<br>ended on<br>30/06/2018<br><br>EUR thous. |
|--|--|--|
| Revenues from sale of products, goods and materials              | 23   | 105  |
| Profit (loss) on operating activity                              | 14   | 35   |
| Pre-tax profit (loss)  | 3  | 41   |
| Net profit (loss)  | 3  | 43   |
| Net cash flow from operating activity                            | -1 032   | 28   |
| Net cash flow from investment activity                           | 1032   | 1 888  |
| Net cash flow from financial activity                            | 0  | 0  |
| Change in cash and cash equivalents                              | 1  | 1 916  |
| Assets total *   | 4 811  | 5 295  |
| Long-term liabilities*   | 4  | 1  |
| Short-term liabilities *   | 4  | 18   |
| Equity *   | 4 803  | 5 276  |
| Share capital *  | 2 102  | 2 102  |
| The weighted diluted average number of ordinary shares (in pcs.) | 15 015 972   | 15 015 972   |
| Profit (loss) per share (in EUR)                                 | 0,00   | 0,00   |
| Book value per share (in EUR) *                                  | 0,32   | 0,35   |

**Rules for conversion of the items of financial statement into EURO.**

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

- Statement of Financial Position items are converted at the exchange rate announced by the National Bank of Poland:
  - as at June 28, 2019 1 EUR = 4,2520



- as at December 31, 2018 1 EUR = 4,3000
- as at June 29, 2018 1 EUR = 4,3616
- the items in the Profit and Loss Statement and the Cash Flow Statement are converted using the exchange rate being the arithmetic average of exchange rates from the beginning and the end of a given period announced by the National Bank of Poland:
  - since January 1, 2019 to June 30, 2019 1 EUR = 4,2880
  - since January 1, 2018 to June 30, 2018 1 EUR = 4,2395

### ***5. Description of the significant achievements and failures of the issuer in the period covered by the report, along with a list of the most important events.***

In the reporting period the Issuer recorded:

- gross profit/loss on sale in the amount of EUR 20 thousand
- profit/loss on operating activity in the amount of EUR 14 thousand
- net profit/loss on business activity in the amount of EUR 3 thousand,
- revenues on sale of products in the amount of EUR 23 thousand,
- financial revenues in the amount of EUR 2 thousand,
- general management cost in the reporting period in the amount of EUR 5 thousand.

In the reporting period, the Issuer obtained revenues mainly from its financial service activity, i.e. interest on loans granted, rental of real estate and interest on funds deposited on bank accounts and deposits. Influence on presented financial results of the Issuer had also revaluation of owned shares of IFEA Sp. z o. o.

The Management Board point out that investing in securities gives a chance to benefit in various scope, but also it is not risk-free that not only expected profits will be gained, but also there could occur partial or even total loss of capital invested in these instruments. This risk occurs in various forms and with unequal intensity. For a particular instrument, we can distinguish the following kinds of risk: market/systematic, financial, bankruptcy of the Issuer, partial suspension or reduction of revenues, inflation, currency, liquidity.

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

##### ***➤ Resignation from performing function in the Issuer's Supervisory Board***

The Management Board of the Company in the current report no. 1/2019 of 11/01/2019 informed that Mr. Mariusz Patrowicz resigned from held function in the Supervisory Board of the Company effective as at 11/01/2019.

##### ***➤ Information regarding selection of Home State***

Due to the fact that Investment Friends Capital SE was registered in the Estonian Commercial Register on 30/11/2018 under the registration number: 14618005 with the official address Harju county, Tallinn, City Center district, Narva Road 5, 10117, Estonia, and being obligated in accordance with (i) art. 2 of Directive 2004/109/EC of the European Parliament and the Council of 15/12/2004 (in line with the amendments to Directive 2013/50/EU of the European Parliament and the Council of 22 October 2013) and (ii) § 1844 para. 1 Estonian Securities Act the Company announced via the report no. 2/2019 on 21/01/2019 that it selects a Contracting State as the Home State the Republic of Estonia. As a result of this the Republic of Poland is a Contracting Host State.

##### ***➤ Obtaining a license for trading of cryptocurrencies***

The Management Board of the company in the current report no. 9/2019 of 18/03/2019 informed that on 18/03/2019 the Company obtained licenses to conduct financial activities, including providing services related to trading of virtual currencies which are considered to be legal tenders. The licences were issued by Estonian Financial Intelligence Unit





and are registered under the following numbers: FRK000676 and FVR000775. As a result of this, the Management Board of the Company is considering starting operations in the area covered by the licenses.

➤ ***Dissolution of the Audit Committee***

The Management Board of the Company in the current report no. 13/2019 on 11/04/2019 informed that on 11/04/2019 the Supervisory Board of the Company adopted a resolution regarding dissolution of the Company's Audit Committee and the dismissal of its members as at 11/04/2019.

➤ ***Registration of the change of the financial year of the Company and amendments to the Articles of Association***

On 29/04/2019 the register of commercial companies (Ariregister) competent for the law of Estonia, registered the change of the financial year in accordance with Resolution no. 3 of the Extraordinary General Meeting of Shareholders of 19/04/2019. As a result of this, the financial year of the Company starts on July 1 and ends on June 30. At the same time, along with the registration of the change of the financial year of the Company, the relevant register of the law of Estonia registered also changes to the Articles of Association of the Company (Current report no. 17/2019 of 29/04/2019).

➤ ***Termination of the Agreement with an entity authorized to audit the Company's financial statements***

The Management Board of the Company in the current report no. 19/2019 on 30/04/2019 informed that the Agreement for conducting the Company's audit for 2018 was terminated. The agreement was concluded by the Issuer with Grupa Gumulka - Audyt Spółka z ograniczoną odpowiedzialnością Sp. K. with its registered office in Katowice at Matejki Jana Street 4 branch in Warsaw (01-031) at Route Street 65 inscribed on the list of entities authorized to audit financial statements under no. 3975, about the conclusion of which the Management Board informed in the Current Report No. 43/2018 of 29/06/2018.

The reason for termination the Agreement is inability to provide services by the auditor in connection with the change of the Issuer's country of residence during the term of the Agreement. Pursuant to applicable provisions, the Issuer's reports and review must be carried out by entities authorized to provide such services in accordance with the law of Estonia.

➤ ***Suspension of trading of the Company's shares***

On 07/05/2019 via the current report no. 20/2019 the Management Board of the Company informed that the Company received the Resolution No. 389/2019 of the Management Board of the Warsaw Stock Exchange of May 7, 2019 regarding suspension of trading of Investment Friends Capital SE shares on the WSE Main Market till the end of the day following the day when the Company will publicize the annual report for the financial year 2018.

➤ ***Information on change of the Issuer's seat***

The Management Board of the Company, on 0/06/2019 via the current report no. 23/2019 informed that the commercial register relevant for the law of Estonia (Ariregister) has registered change of the Issuer's address.

Therefore, the Issuer informs that the new address of the Company's seat is: Harju maakond, Tallinn, Kesklinna linnaosa, Tornimäe tn 5, 10145. The Company's website and e-mail address remain unchanged: <http://ifcapital.pl/>, [biuro@ifcapital.pl](mailto:biuro@ifcapital.pl)

➤ ***Selection of the certified auditor***

On 17/06/2019 via the current report no 24/2019, the Issuer publicized the Protocol of the Extraordinary General Meeting of Shareholders that was held on 17/06/2019.

The Extraordinary General Meeting, inter alia, pursuant to provisions of the Company's Article of Association chose and approved the audit company that will audit the Company's financial statements for 2018 and 2019 and will evaluate the Company's annual financial statements for 2018 and 2019.



It was decided to choose Hansa Audit Os u hing based in P rnu mnt. 377, 10919, Tallinn, company code 10616667, as an auditing company that will audit the Company's financial statements for 2018 and 2019 and will evaluate the Company's annual financial statements for 2018 and 2019. The remuneration for the auditor will be paid in accordance with the contract concluded between INVESTMENT FRIENDS CAPITAL SE and Hansa Audit Os u hing on market terms.

➤ **Revaluation of the Company's financial assets value**

As at 31.12.2018 Company holds 1515 shares of IFEA Sp. z o.o., with a nominal value of PLN 5 000,00 per one share, i.e. for the total value of shares purchase price PLN 7 575 thousand.

As at 31.12.2018 the shares of IFEA sp. z o.o. are revaluated to a total value of (-) PLN 1.796 thousand. In the year 2018 was made a revaluation of shares value for the total amount of (-) PLN 3 253 thousand. The last valuation was on the day 30.11.2018, as a result of which revaluation write-offs amounting to (-) PLN 466 thousand was made.

Revaluation of the above-mentioned assets were made by revaluation capital.

As at 31.12.2018 Company holds 2.873.564 shares of IFERIA S.A., with a nominal value of PLN 0.02 per one share, i.e. for the total value of shares purchase price PLN 57 thousand.

As at 31.12.2018 the stocks of IFERIA S.A. are revaluated to a total value of (-) PLN 3 thousand. In the year 2018 was made a revaluation of shares value for the total amount of (-) PLN 55 thousand. The last valuation was on the day 31.12.2018, as a result of which revaluation write-offs amounting to (-) PLN 55 thousand was made. Revaluation of the above-mentioned assets was made by revaluation capital.

At 19<sup>th</sup> of February the Company has sold all stocks of IFERIA S.A. for the price of 3 thousand PLN.

➤ **Resumption of the Company's shares trading.**

On 26/08/2019 in the current report no. 26/2019 the Management Board of Investment Friends Capital SE informed that the Management Board of the Warsaw Stock Exchange S.A. issued an announcement of 27/08/2019 informing that in accordance with the provisions of the resolution of the Management Board of the Warsaw Stock Exchange No. 389/2019 of 7 May 2019 with regard to the publication of the annual report for 2018 by INVESTMENT FRIENDS CAPITAL SE, starting from 27/08/2019 the trading of the shares of this company marked with the code „EE3100143041” is resumed.

**6. Indication of factors and events, including atypical ones, which have significant influence on condensed financial statements.**

In the reporting period atypical factors or events, which have significant influence on achieved financial results have not occurred. All crucial events are indicated in point 5 of this Management Board's report. In the next reporting period, because of the fact, that the process of transferring the Issuer's seat to Tallinn, the Republic of Estonia was finished, a factor significant for the Company's operating is continuation of activity in the new economic environment and the new legal regulations.

**7. Description of organizational changes of the Issuer's capital group, including this resulting from merger of entities, gaining or losing control over subsidiaries and long-term investments, as well as division, restructuring or discontinuation of operating and indication of consolidated entities, and in case of an issuer being a parent company that is not obliged to prepare consolidated financial statements pursuant to applicable provisions of law - an additional indication of reason and legal basis for non-consolidation.**



As at the date of publication of this interim report Investment Friends Capital SE has not any subsidiaries and does not create a capital group.

The Issuer has been realized the procedure of merger of entities and obtained statue of the European Company and transferred its seat to Estonia.

According to the best knowledge of the Management Board, the major direct shareholder is Patro Invest OÜ headquartered in Tallinn, and this Company holds 62,78% of the share capital and 62,78% of votes at the General Meeting of the Issuer, while an indirect shareholder is Mr. Damian Patrowicz (indirectly via Patro Invest OÜ).

***8. Management Board's statement regarding a possibility to realize earlier published financial results' forecasts for the given year, in the context of financial results presented in this interim report in relation to the forecasted results.***

The Company has not published forecasts for 2019 and the next years.

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

According to the best knowledge of the Management Board, as at the balance sheet date, i.e. 30/06/2019 the structure of direct and indirect shareholding owning at least 10% of the general number of votes at the General Meeting was as follows:

**Direct shareholding as at 30/06/2019**

| No. | Shareholder     | Number of shares  | % of shares   | Number of votes   | % of votes    |
|-----|-----------------|-------------------|---------------|-------------------|---------------|
| 1.  | Patro Invest OÜ | 9 426 784         | 62,78         | 9 426 784         | 62,78         |
| 2.  | Others          | 5 589 188         | 37,22         | 5 589 188         | 37,22         |
| X   | Total           | <b>15 015 972</b> | <b>100,00</b> | <b>15 015 972</b> | <b>100,00</b> |

**Indirect shareholding as at 30/06/2019**

| No. | Shareholder          | Number of shares | % of shares | Number of votes | % of votes |
|-----|----------------------|------------------|-------------|-----------------|------------|
| 1.  | Mr. Damian Patrowicz | 9 426 784        | 62,78       | 9 426 784       | 62,78      |

According to the best knowledge of the Management Board as at the date of preparation of this interim report, direct and indirect shareholding structure owning at least 10% of the general number of votes at the General Meeting have not changed in comparison with the balance as at 30/06/2019.

***10. Information on the Issuer's shares ownership or rights to these shares by the managing and supervising persons as at the date of publication of this report, along with indication of changes in the ownership in the period since publication of the previous interim report, separately for each person.***

**• Members of the Management Board**



As at the balance sheet date 30/06/2019 the Chairman of the Management Board Mr. Damian Patrowicz owns indirectly shares of the Issuer. According to the best knowledge of the Management Board, Mr. Damian Patrowicz owns indirectly via a subsidiary - Patro Invest OÜ, 9 426 784 shares of Investment Friends Capital SE, constituting 62,78% of the share capital and entitling to 9 426 784 votes constituting 62,78% of the total number 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 Supervisory Board as at the balance sheet date 30/06/2019 and as at the date of publication of the interim report do not own directly and indirectly shares of the Issuer.

***11. Indication of proceedings pending before a court, arbitration body or public administration authority regarding liabilities or receivables of an Issuer or its subsidiary specifying a subject of a proceeding, parties of initiated proceeding and the issuer's statement on it.***

In the period covered by this report, the Company has not initiated and has not been a party of new, significant proceedings in court or an arbitration body or a public administration authority. All significant proceedings were disclosed in the Management Board Report on the Company's activity in 2018 published on 23/08/2019.

***12. Information about one or many transactions concluded by the Issuer or its subsidiary with related entities on other than market terms, specifying their values and which significantly influenced the enterprise's situation or its activity results in the reporting period. Any amendments to transactions with related parties described in the last annual report which may significantly influence the financial situation of the company or its activity results within the first six months of the financial year.***

In the period covered by this report, the Issuer has not concluded any significant transactions with related entities on different than market conditions. The Issuer has not amended transactions with related entities which were indicated in the annual report and which may significantly influence results of the enterprise in the reporting period.

Important transactions, including these concluded with related entities, were indicated in point 3.47 of the semi-annual financial statement that is an integral part of the semi-annual report and in point 5 of this report.

- On 08/03/2019 the Company concluded an agreement with Patro Inwestycje Sp. z o.o. headquartered in Płock regarding exemption from the obligation to transfer back to Investment Friends Capital SE the ownership right of the real estate located in Poznań that was a subject of the fiduciary agreement of 11/10/2018 in return for a cash benefit in the total amount of PLN 1.470 thous.
- On 21/05/2019 the Company (as a lender) concluded a loan agreement with Patro Invest OÜ headquartered in Tallinn in the amount of PLN1.630 thous. with repayment term till 31/12/2019. Interest rate of the loan is 5% per year.
- On 12/06/2019 the Company (as a lender) concluded a loan agreement with Patro Invest OÜ headquartered in Tallinn in the amount of PLN 2.000 thous. for indefinite term with reservation that the Issuer is entitled to demand entire or partial return of the loan from the Borrower in any time. In case of submission of such a demand, the Borrower is obliged to return the loan within 7 calendar days since such a demand. Interest rate of the loan is 4% per year.



***13. Information on granting by the issuer or its subsidiary warranties of credits or loans or granting guaranties - to one entity or its subsidiary, if total value of existing warranties or guaranties is significant.***

In the reporting period the Company has not granted warranties of credits or loans or guaranties of significant value.

***14. In case of issuance of securities in the period covered by this report - description of usage of revenues from issuance of securities by the Issuer.***

In the presented period the Issuer has not issued any issuance of securities.

***15. Information on issuance, redemption and repayment of debt and capital securities.***

In the presented period the Company has not issued, made redemption and repayment of debt and capital securities.

***16. Information on paid (or declared) dividend, total and per one share, divided into ordinary and preferred shares.***

The Company did not pay and did not declare payment of dividend.

***17. 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.***

Obligations of these kinds do not occur in the Company.

***18. Information on own shares.***

In the reporting period the Company has not owned any own shares.

***19. Information on the Company's branches.***

The Company has not any branches.

***20. Other information which are significant in the Issuer's opinion, to assess its HR, property, financial situation and financial result and their changes, as well as information which are significant to assess ability to fulfill the Issuer's obligations.***

In the reporting period of the 1<sup>st</sup> half-year of 2019, apart from those indicated in point 5 of this statement on the Issuer's activity, in the Management Board's opinion, any other significant events which may have influence on



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assessment and change of the Company's property and financial situation as well as fulfilling of obligations by the Issuer, have not occur.

The Issuer has introduced and maintains realization of business concept based on optimisation of costs, including minimisation of HR resources by outsourcing most of the company's needed services. In this way, most of the fixed personal and local costs related to renting of the office space, was reduced.

Because of the fact that the leading activity of the Company is loan activity, a significant influence on the Company's results and liquidity have the proper and timely realization obligations resulting from loan agreements, by the Borrowers toward the Issuer. As at the date of publication of this report, any significant interruptions in fulfilling contractual obligations do not occur, while towards the Borrowers who stopped realization of their obligations, there were the proper enforcement actions undertaken.

As at the date of publication of this interim report, the Management Board according to their best knowledge, does not recognize any threats regarding fulfilling taken commitments and financial liquidity. The Company regularly pays its obligations and has not any taken credits, loans and other important charges. The Issuer uses owned funds for conducted lending activity and which will be gradually developed. Possible funds surpluses are put on term deposits in safe banking institutions.

The Management Board points out that investing in securities gives a chance to benefit in various scope, but also it is not risk-free that not only expected profits will be gained, but also there could occur partial or even total loss of capital invested in these instruments. This risk occurs in various forms and with unequal intensity. However, it rises and it is especially intense in case of non-listed entities (IFEA Sp. z o. o.), where a return on the investment may be unsatisfactory or even the entire invested capital may be lost.

In the Management Board's opinion the current situation of the Issuer is stable and according to the best knowledge of the Management Board as at the date of preparation of this report the risk of losing or disruption of financial liquidity and continuation of the Company's operating do not occur.

**Selected profitability rates of Investment Friends Capital SE:**

| <b>Ratio [%]</b>                    | <b>1 half<br/>of 2019</b> | <b>1 half<br/>of 2018</b> |
|-------------------------------------|---------------------------|---------------------------|
| Gross profitability on sale         | 0,87                      | 0,96                      |
| Profitability on operating activity | 0,61                      | 0,33                      |
| Net profitability                   | 0,13                      | 0,41                      |
| Return on assets – ROA              | 0,001                     | 0,01                      |
| Return on equity – ROE              | 0,001                     | 0,01                      |

*Gross profitability on sale – gross profit on sale / revenues on sale*

*Profitability on sale – profit on sale / revenues on sale*

*Profitability on operating activity – profit on operating activity / revenues on sale*

*Net profitability – net profit / revenues on sale*

*Return on assets (ROA) – net profit / assets*

*Return on equity (ROE) – net profit / equity*





SEMI-ANNUAL STATEMENT ON ACTIVITY  
OF INVESTMENT FRIENDS CAPITAL SE  
for 6 months ended on June 30, 2019

**Selected ratios of liquidity and debt of Investment Friends Capital SE:**

| <b>Ratio [%]</b>  | <b>I half of 2019</b> | <b>I half of 2018</b> |
|-------------------|-----------------------|-----------------------|
| Current liquidity | 1 137                 | 216                   |
| Quick liquidity   | 1 137                 | 216                   |

*Current liquidity = current assets/short-term liabilities*

*Quick liquidity = (current assets – inventory – short term deferrals)/short-term liabilities*

| <b>Ratio [%]</b>   | <b>I half of 2019</b> | <b>I half of 2018</b> |
|--------------------|-----------------------|-----------------------|
| General debt ratio | 0,002                 | 0,004                 |

*General debt ratio = total payables/liabilities.*

***21. Indication of factors, which in the Issuer's opinion will influence obtained financial results within the next quarter at least, and basic threats and risks related to the next months of the financial year.***

Taking into account the specific of the Issuer's activity, i.e. financial service activities in the field of granting non-consumer cash loans and renting owned apartment, as well as considering owned by the Company stocks and shares of public and non-public market entities, according to the Issuer, 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 Issuer,
- opportunity to gain possible borrowers,
- market prosperity on capital markets,
- economic situation and investing circumstances in Poland, Estonia and the region,
- access to external financing sources,
- cooperation with other financial entities,
- results and condition of the companies being in the Issuer's portfolio, having influence on their valuation and liquidity, including further level of valuation of owned by the Issuer shares of non-public entity IFEA Sp. z o. o.,
- adaptation of the Company to conditions of business operating in the new localization of the Company's seat and on the basis of Estonian law.

***22. Significant factors of risks and threats***

The main types of risks resulting from financial instruments of the Company are: 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**

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**

It is understood as the lack of possibility for the creditors of the Company to meet their obligations. Credit risk is related to three main areas: creditworthiness of trading partners, creditworthiness of financial institutions, i.e. banks, creditworthiness of entities in which the Company invests, grants loans. The Company monitors the amounts of receivables from contractors on an ongoing basis, thus exposing it to the risk of non-recoverability of receivables is limited. In terms of free cash, the Company uses short-term bank deposits in reliable financial institutions.

➤ **Risks related to the shareholder structure**

As at the date of the report, 61,27% of the share capital and 61,27% of votes at the Issuer's General Meeting owned directly Patro Invest OÜ, as a result of which the above-mentioned Shareholder has a significant influence on the adopted resolutions at the General Meeting of the Issuer's Shareholders.

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

The situation and the economic situation in Poland and Estonia have a significant impact on the financial results achieved by all entities operating in these countries, including the Issuer, because the success of development of companies investing in financial instruments and conducting financial services largely depends on the conditions of running a business.

➤ **Legislative risk and interpretation of legal provisions**

In Poland, changes to the tax law regulations are frequently made, and the risk of introducing less beneficial solutions for the Issuer, which will directly or indirectly affect the conditions and effects of the Company's operations, is increased. Moreover, due to the heterogeneous practices of state administration bodies and court decisions, there is a risk of incurring additional costs if the Issuer adopts a different interpretation than the position of state administration bodies. The Issuer is trying to limit this risk through constant cooperation with a law firm and a registered auditor's office, enabling ongoing consultations regarding the interpretation of legal provisions.

➤ **The risk of low liquidity and valuation of investments on the private market**

The Issuer holds shares in a non-public company and therefore has significantly limited liquidity. Investments in instruments of shares/stocks of non-public companies involve a limited ability to supervise the entity due to the lack of obligation to publish and disclose financial statements and information. As a consequence, there may be potential difficulties in closing investment projects or obtaining a satisfactory price when selling shares or stocks. There may also be difficulties in disposing of the possessed assets. The Issuer has shares of IFEA Sp. z o. o. which as a non-





public entity are particularly exposed to loss of liquidity and value or total loss of invested capital from this investment.

➤ ***Risk related to the liquidity and volatility of the Issuer'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 cannot be ensured that the person purchasing the Issuer'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 Issuer's operating results, missing investment decisions of the Issuer 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 connected to change of the seat and article of association of the Issuer***

As a result of the resolutions adopted by the General Meeting of Shareholders, the company's registered office was changed to Tallinn in Estonia and the Company Statute changed. There is a risk related to effective adaptation of the Issuer to organizational and legal laws applicable in Estonia. These changes can temporary influence organizational effectiveness of the Issuer and risk of possible mistakes and errors in law interpretations, obligations of entities operating in Estonia, local and related to listing of the Company's shares on Warsaw Stock Exchange disclosure obligations, and their proper implementation by the Issuer can occur. The company will make every effort to limit the above-mentioned risks, however, due to the significance and complexity of organizational and legal changes, the occurrence of unfavourable phenomena can not be completely ruled out.

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

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

***23. Statement of a managing body along with an opinion of a supervising body of the issuer regarding reservations expressed by an entity authorized to audit financial statements in a report on review or refusal to issue a report on review of the half-year financial statements, and in case when the condensed half-year financial statements were subjected into audit by an entity authorized to audit financial statements - to issued by an entity authorized to audit financial statements qualified opinion, negative opinion or refusal to issue an opinion on the condensed half-year financial statements.***

The Management Board of Investment Friends Capital SE informs that pursuant to regulations binding the Company, the financial statements for the 1<sup>st</sup> half of 2019 were not audited.

Tallinn, 03/10/2019

Damian Patrowicz – Chairman of the Management Board