

# **Investment Friends Capital SE**



**REPORT OF THE MANAGEMENT BOARD  
ON ACTIVITY OF INVESTMENT FRIENDS CAPITAL SE  
FOR THE PERIOD SINCE JANUARY 1, 2018 TO DECEMBER 31, 2018**

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Tallinn, 21/08/2019



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## **1 Letter of the Chairman 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 year 2018.*

*This year was for the Company the period of continued operation in the field of financial services, i.e. loan services which constitutes the main part of revenues obtained by the Issuer. In the reporting period 2018 the Management Board has been maintaining the process of costs optimisation and in the opinion of the Management Board the situation of the Issuer is stable and there is no liquidity risk and risk regarding continuation of operation.*

*In 2018 the Issuer has also carried out a successful process of acquiring the legal form of European Company and it finished the procedure of change the Issuer's seat into Tallinn, the Republic of Estonia as well as procedure of amending the Article of Association.*

*According to intention of the Management Board, operation of the Issuer in the new financial year will be still concentrated on the field of financial activities especially on granting loans for business entities.*

*On behalf of the Management Board, I hope that consequent striving for the business objectives set by the Company and reduction of costs, will allow us to gain positive financial results which will meet requirements of our Shareholders in 2019.*

*I would like to also thank to all Shareholders for their confidence in the Company as well as Contractors and Cooperators, wishing them further fruitful cooperation.*

*Yours faithfully;*

*Damian Patrowicz  
Chairman of the Management Board*



## 2 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 Akciová společnost 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.

### **VAT identification number:**

- 8133186031 (effective in the reporting period)

### **Business activity according:**

- Applicable in the reporting period pkd - 6619 Z. Other activities auxiliary to financial services, except insurance and pension funding.
- From 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:**

- Till 30/11/2018 the Company had been entered to 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.



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

#### ***Share capital of the Company:***

- Till 09/02/2018 the share capital of the Company was: PLN 9.009.583,20 (say: nine million nine thousand five hundred eighty-three zlotys 20/100) and it was divided into 15.015.972 (fifteen million fifteen thousand nine hundred seventy-two) shares of the nominal value PLN 0,60 (sixty grosz) each.
- 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.

#### ***Financial year:***

- The financial year for the reporting period has started on 1 January 2018 and ended on 31 December 2018.

### **2.1 Governing 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
- Mariusz Patrowicz - Member 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:

- Robert Ogrodnik - Chairman of the Management Board till 30/05/2018
- Damian Patrowicz - Chairman of the Management Board since 04/06/2018

#### ***The Audit Committee:***

On 14/06/2018 the Issuer in the form of current report no 37/2018 informed that the Supervisory Board of the Company decided to appoint the Audit Committee with the following composition:

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



On 29/06/2018 in the current report no 44/2018 the Management Board of the Issuer informed that the Supervisory Board if the Company decided to change the composition of the Audit Committee by dismissing Mrs. Martyna Patrowicz and appointing Mrs. Małgorzata Patrowicz.

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

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

#### **3.1. Statement of compliance.**

The financial statement covers the period since January 1, 2018 to December 31, 2018 and the comparative period since January 1, 2017 to December 31, 2017 and it was prepared using accounting principles in accordance with International Financial Reporting Standards which were approved by the European Union.

The financial statement is prepared with assumption that the Company will going concern in the foreseeable future.

The financial statement was subjected into audit of an independent certified auditor. A report and an audit opinion are published along with this statement.

#### **3.2 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.

#### **3.3 Accounting principles applied for preparation of the financial statements.**

Pursuant to resolution of the Extraordinary General Meeting of Shareholders of 4 February 2014, starting from 1 January 2014 the Company has changed the accounting principles which have been used so far, and has passed 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 2013, which is the date of preparation of the opening balance.

### **4 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 annual financial statements for 2018 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, 21/08/2019

Damian Patrowicz

Chairman of the Management Board





## 5 Statement of the Management Board regarding selection of an entity authorized to carry out an audit of the financial statement.

General Meeting of Shareholders of Investment Friends Capital SE on 17/06/2019 made a selection of an entity authorized to carry out an audit of financial statement of Investment Friends Capital SE for 2018.

An entity selected by the General Meeting is Hansa Audit osäühing headquartered in Pärnu mnt. 377, 10919 Tallinn, registry code of the company: 10616667.

The Management Board of Investment Friends Capital SE confirms that the entity authorised to audit financial statements, carrying out an audit of the annual financial statements of the Issuer was selected in accordance with provisions of law and that this entity as well as certified auditors who audit the financial statement meet requirements to issue an impartial and independent report on audit, pursuant to binding provisions and professional standards.

Tallinn 21/08/2019

Damian Patrowicz

Chairman of the Management Board

## 6 Selected financial data including basic items of the annual financial statements.

Selected financial data	in EUR thousand	
	31/12/2018	31/12/2017
Revenue from sales of products, goods and materials	203	230
Profit on operating activities	114	24
Pre-tax profit	122	35
Net profit	122	40
Net cash flow from operating activity	13	-165
Net cash flow from investment activity	-333	52
Net cash flow from financial activity	0	0
Balance sheet change in cash	-325	-109
Assets total	4,902	5,731
Short-term liabilities	8	17
Equity	4,894	5,711
Share capital	2,102	2,157



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The weighted diluted average number of ordinary shares	15 015 972	15 015 972
Profit (loss) per one share (in EUR)	0,01	0,003
Book value per share (EUR)	0,33	0,38

### **The rules for converting basic items of the financial statement into EURO**

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

- Statement of Financial Position items are translated at the exchange rate announced by European Central Bank in force as at the balance sheet date.
  - As at 31/12/2018 1 EUR = 4,3014
  - As at 31/12/2017 1 EUR = 4,1770
- the items in the Profit and Loss Statement and the Cash Flow Statement are translated using the exchange rate being the arithmetic average of exchange rates from the beginning and the end of a given period announced by the European Central Bank
  - since 1/01/2018 to 31/12/2018 1 EUR = 4,2335
  - since 1/01/2017 to 31/12/2017 1 EUR = 4,2937

### **7 The main fields of activity, groups of products and services.**

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

### **8 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 constitute 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 estimate 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.



**9 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.

**10 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.

**11 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 main risks to which the Company is exposed, are described in detail in point 3.27 (Note 27) of the Annual Financial Report of the Company for 2018.

**12 The most significant investments made during the financial year and planned in 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 which are described in point 3.5 (Note 5) of the Annual Financial Statements for 2018. The Company intends to continue lending activities in the near future, so possible further investments will be realized also in this area.

**13 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 Issuer does not realize research and development projects.

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

Selected ratios of Investment Friends Capital SE:

Ratio	31.12.2018	31.12.2017
Total assets (thousand EUR)	4,902	5,731
Return on assets (ROA)	2,50%	0,69%
Equity (thousand EUR)	4,894	5,711



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Return on equity (ROE)	2,50%	0,69%
Net profitability	60%	17%
Debt ratio	0,16%	0,30%
Net profit (thousand EUR)	122	40

Shares (31/12/2018)	31.12.2018	31.12.2017
Closing price of the share (EUR)	0,13	0,16
Earnings per share (EUR)	0,008	0,003
Price-to-earnings (PE) ratio	15	62
Book value of the share (EUR)	0,3	0,4
Price-to-book ratio (P/BV)	0,39	0,43
Current liquidity ratio	518	239
Market capitalisation (thousand EUR)	1 885	2 445

Return on assets = net profit / total assets

Return on equity = net profit/ equity

Net profitability = net profit / revenue from sales

Debt ratio = liabilities / total assets

Earnings per share = net profit/ number of shares

Current liquidity ratio = current assets/current liabilities

Price-to-earnings (PE) ratio = closing price of the share / earnings per share

Book value of the share = equity / number of shares

Price-to-book ratio = closing price of the share / book value of the share

Market capitalisation = close price\*number of shares

**15 If at the balance-sheet date the owners' equity of the accounting entity does not comply with the requirements established by the Commercial Code, the activities planned for restoration of owners' equity shall be described in the management report.**

The equity of the Company disclosed in the balance-sheet meets the requirements set out in the Commercial Code.

**16 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.



**17 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, 2019 shares of Investment Friends Capital SE are listed on Warsaw Stock Exchange. As at the balance-sheet date 31/12/2018 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 2017 the price per share was PLN 0,68. While at the end of December 2018 the price was PLN 0,54.

Currently, all shares of the Issuer 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 Issuer.**

- 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 Akciowospolečnost 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.

➤ Since the date of getting by the Issuer 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 Issuer'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.

**18 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.



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

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

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

According to the best knowledge of the Management Board, as at the balance-sheet date, i.e. 31/12/2018 the structure of direct and indirect shareholding owning at least 10% of the total number of votes at the General Meeting was as following:

### **Structure of direct shareholding as at 31/12/2018**

No.	Shareholder	Number of shares	% ownership	Number of votes	% votes
1.	Patro Invest OÜ	9 199 605	61,27	9 199 605	61,27
2.	Other shareholders	5 816 367	38,73	5 816 367	38,73
X	Total	<b>15 015 972</b>	<b>100,00</b>	<b>15 015 972</b>	<b>100,00</b>

### **Structure of indirect shareholding as at 31/12/2018**

No.	Shareholder	Number of shares	% ownership	Number of votes	% votes
1.	Mr. Damian Patrowicz	9 199 605	61,27	9 199 605	61,27

According to the best knowledge of the Management Board, as at the date of preparation of this report, i.e. 21/08/2019, the structure of direct and indirect shareholding owning at least 10% of the total number of votes at the General Meeting has not changed in comparison with the structure as at the balance sheet date 31/12/2018.

## **21 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.

## **22 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.

## **23 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.



***24 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.

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

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.

***26 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.

***27 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.

***28 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.

***29 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 Issuer's operating and gained profits or sustained losses in the financial year.***

In the reporting period the Issuer noted:

- gross profit/loss on sale in the amount of EUR 195 thousand
- profit/loss on operating activity in the amount of EUR 114 thousand
- net profit/loss on business activity in the amount of EUR 122 thousand,
- revenues on sale of products in the amount of EUR 203 thousand,
- financial revenues in the amount of EUR 11 thousand,



- general management cost in the reporting period in the amount of EUR 97 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.

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

All important events occurring after the balance-sheet date are described in detail in point 3.14 (Note 14) of the Annual Financial Report of the Company for 2018.

### ***30 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 Issuer in the next years.***

All important events occurring in the period of preparation of the annual financial statements are described in detail in point 3.14 (Note 14) of the Annual Financial Report of the Company for 2018.

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

In 2018 there were not any new, important judicial or administrative proceedings. Relative to the information presented for the 3th quarter 2018 - the Company did not initiate or was not a party in a new, important judicial proceedings or administrative proceedings during the period covered in the report.

The Issuer indicated the most important pending court and administrative proceedings:

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

On 17/05/2019 the Management Board of the Issuer became aware of imposition a punishment on the Company in the amount of PLN 250.000 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 Issuer and FON Ecology S.A. in Plock and TransRMF Sp. Z o. o. headquartered in Siedliska.

The KNF in justification of the decision, indicates that in the opinion of Authority, the Issuer 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 Issuer.

The Issuer'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 Issuer 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 Issuer, and because of this the Company paid the imposed punishment in the amount of PLN 250.000.

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 Issuer submitted a cassation appeal to the Supreme Administrative Court in Warsaw because the Issuer 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 60.000,00. 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 100.000,00 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 Issuer 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 Issuer 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 Issuer 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 Issuer granted to a natural person a loan in the amount on PLN 1.671.000,00. 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 3.300.000, 00 pursuant to art. 777 par. 1 point 5 of the Civil Procedures Code, as far as repayment to the Issuer 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 Płock, 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 Issuer 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 Issuer 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.

***32 Information on capital links of the Issuer 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.***

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 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). The Acquiring Company INVESTMENT FRIENDS CAPITAL SE operates in the area of granting cash loans for entrepreneurs while INVESTMENT FRIENDS CAPITAL 1 Polska Akciové Společnost operates in the field of production, trade and other services according to the business activity disclosed in the relevant register, and INVESTMENT FRIENDS CAPITAL 1 Polska Akciové Společnost was a special purpose entity that was registered on October 10, 2017.

As a result of registration by the District Court for the Capital City of Warsaw in Warsaw of the above merger, the Issuer has adopted the legal form of the European Company and currently operates under the name INVESTMENT FRIENDS CAPITAL SE with its registered office in Płock at Padlewskiego Street 18C, Poland, entered in the Register of Entrepreneurs of the National Court Register maintained by the District Court for the Capital City of



**REPORT OF THE MANAGEMENT BOARD  
ON ACTIVITY OF INVESTMENT FRIENDS CAPITAL SE  
FOR THE PERIOD SINCE JANUARY 1, 2018 ROKU TO DECEMBER 31, 2018**

Warsaw in Warsaw, 14th Commercial Division under KRS number 0000716972, REGON 691529550, NIP 8133186031.

The merger took place on the terms specified in the Merger Plan of 30/11/2017 made available free of charge to the public on the websites of the merging companies. The merger took place by the way of takeover by INVESTMENT FRIENDS CAPITAL SE the company INVESTMENT FRIENDS CAPITAL1 Polska Akciová Společnost, in accordance with the provisions of Article 2 para. 1 in connection with article 17 par. 2 letters a and 18 of the EC Council Regulation No. 2157/2001 of 8/10/2001 on the Statute for a SE European company of 8/10/2001 Journal No. U.L. No. 294, p. 1.

The merger was approved by the General Meeting of the Issuer on 3/01/2018 with Resolution No. 9, published to the public in the current report ESPI No. 2/2018 on 3/01/2018.

As at the balance sheet date 31/12/2018 the Company Investment Friends Capital SE has no subsidiaries and it does not create its own capital group.

According to the best knowledge of the Management Board the direct shareholder is Patro Invest OÜ headquartered in Tallinn that owns 61,27% contribution in the share capital and 61,27% of votes at the general Meeting of Shareholders of the Issuer.

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

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

• **Personal and organizational links of the Issuer:**

Parent entity: Patro Invest OÜ headquartered in Tallinn (directly), Mr. Damian Patrowicz (indirectly via Patro Invest OÜ).

Related entities via personal links in the Supervisory Board and due to the main direct and indirect shareholder: FON SE, Atlantis SE, Elkop S.A., Investment Friends SE, Damf Inwestycje S.A., IFEA Sp. z o.o., IFERIA S.A., Office Center Sp. z o.o., Patro Invest Sp. z o.o., Patro Invest OÜ, Damf Invest S.A. w likwidacji.

**The Management Board:**

- Damian Patrowicz – holding function of the Management Board Chairman since 04/06/2018, holds also function of the Management Board Chairman of FON SE and function of the Supervisory Board Member in Atlantis SE, DAMF Invest S.A. w likwidacji, DAMF Inwestycje S.A., Elkop S.A., IFERIA S.A., Investment Friends SE, he is also a shareholder of FON Zarządzanie Nieruchomościami Sp. z o.o., Patro Invest Sp. z o.o., Nova Giełda Inwestycje LPS, shareholder and Chairman of the Management Board of Nova Giełda Inwestycje Sp. z o.o., and Patro Invest OÜ, he was also a Chairman of the Management Board of FON1 Polska a.s. and Investment Friends Capital 1 Polska a.s. headquartered in Ostrava, the Czech Republic.

**The Supervisory Board:**

- Wojciech Hetkowski Chairman of the Supervisory Board - hold function of the Member of the Supervisory Board of: Atlantis SE, Elkop S.A., Investment Friends SE, FON SE Damf Inwestycje S.A.
- Jacek Koralewski Member of the Supervisory Board - holds function of the Chairman of the Management Board of: Elkop S.A., and function of the Supervisory Board Member of: Atlantis SE, Investment Friends SE, DAMF Invest S.A. w likwidacji, Damf Inwestycje S.A., FON SE.



- Małgorzata Patrowicz Member of the Supervisory Board - holds function of the Chairman of the Management Board of DAMF Invest S.A. w likwidacji, IFEA Sp. z o.o., IFERIA S.A. Pato Invest Sp. z o.o and function of the Member of the Supervisory Board of Atlantis SE, Elkop S.A., FON SE, Damf Inwestycje S.A., Investment Friends SE.
- Damian Patrowicz holding till 25/04/2018 the function of the Member of the Supervisory Board - held function of the Member of the Supervisory Board delegated to perform duties of the Management Board Chairman of FON SE till 29/06/2018, and since 05/07/2018 he has held function of the Chairman of the Management Board of FON SE and function of a member of the Supervisory Board of: Atlantis SE, DAMF Invest S.A. w likwidacji, DAMF Inwestycje S.A., Elkop S.A., IFERIA S.A., Investment Friends SE, he is a shareholder of FON Zarządzanie Nieruchomościami Sp. z o.o., Patro Invest Sp. z o.o., Nova Giełda Inwestycje LPS, he is a shareholder and Chairman of the Management Board of Nova Giełda Inwestycje Sp. z o.o., Patro Invest OÜ, he held function of the Management Board of FON1 Polska a.s. and Investment Friends Capital 1 Polska a.s. headquartered in Ostrava, the Czech Republic.
- Martyna Patrowicz Member of the Supervisory Board - hold function of the Supervisory Board's Member of: Atlantis SE, DAMF Invest S.A. w likwidacji, Elkop S.A., FON SE, Damf Inwestycje S.A.
- Mariusz Patrowicz Member of the Supervisory Board – holds function of the Supervisory Board's Member of: FON SE, Elkop S.A., IFERIA S.A., Damf Invest S.A. w likwidacji.

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

In the period covered by this report, the Issuer 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 point 3.14 (Note 14) and in point 3.17 (Note 17) of the Annual Financial Report of the Company for 2018.

### ***34 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 2018, the Issuer has not had taken and terminated credits and loans.

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

The loans granted by the Company are described in point 3.5 (note 5) of the Annual Financial Report of the Company for 2018.

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

The Issuer, in the reporting period, have not granted or received any warranties and guaranties.

### ***37 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 till the moment of preparation of the report on activity.***

In the reporting period, the Company has not issued any new securities.



***38 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 2018 year and the next years.

***39 Assessment and its justification, regarding management of funds, specifying ability to discharge from taken obligations, and indication of possible threats and actions which the Issuer undertook or intends to undertake in order to prevent those threats.***

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 Issuer 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 Issuer which result from concluded loan agreements.

The Issuer owns also assets in the form of shares of non-public entities which are characteristic feature is that these shares are not listed on regulated markets, i.e. stock exchanges. These are, inter alia, owned by the Issuer shares of IFEA Sp. z o. o. Allocation of funds in non-public issuance is connected with opportunity to gain higher return rates in comparison with portfolio of companies listed on WSE, with simultaneous taking of higher risk. The Issuer, owning shares of aforementioned non-public companies must take into account the risk based on gaining unsatisfying return rate from these investments, sustain a loss or total loss of invested capital.

***40 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 Issuer 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 or funds gained from sale of owned assets. In case of necessity to get additional financing, the Issuer does not exclude a possibility of issuance of special-purpose shares and debt instruments.

***41 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 point 3.14 (Note 14) of the Annual Report of the Company for 2018, there were no 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 Issuer's results have revenues due to lending service activities and valuation of owned financial instruments (shares, stocks) being in the Company's portfolio, as well as liquidity of these instruments allowing their disposal on satisfying price level.

Because the process of transferring of the Issuer's seat to Tallinn, the Republic of Estonia is finished, the Management Board points out that the temporal adjustment period and continuation of operating in the new economic and legal circumstances will be significant for the further operating of the Company in the next reporting period.



According to the best knowledge of the Management Board, as at the date of publication of this periodical report, the Issuer's operating after transferring its seat will be continued and still the main activity will be financial services, i.e. financial service activity. Currently, the Management Board, according to their best knowledge does not envisage a change of the Company's activity profile and at the date of publication of this report the Management Board has not any knowledge that any of the Shareholders plans or submitted a request in this matter.

***42 Characteristic of external and internal factors significant for development of the enterprise of the Issuer and description of perspectives for development of the Issuer'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 Issuer.***

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.

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

In the reporting period there were no significant changes in the basic rules of the Issuer's enterprise management. The Issuer has realized the procedure of merger of entities and gained the European Company statute and transferred its seat to Tallinn in the Republic of Estonia.

***44 Any agreements concluded between the Issuer 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 Issuer via takeover.***

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

***45 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 issuer who is a controlling entity or a major investor, a partner of a co-subsiary or consequently an entity being a part of a joint contractual arrangement.***

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



**46 Value of remuneration, rewards or benefits paid out or due for managing and supervising persons of the Issuer in 2018.**

Management board and supervisory board employees' salaries	12 months ended at December 31, 2018	12 months ended at December 30, 2017
Members of Supervisory Board	1	26
Management Board	11	3

**47 Information on average employment with division into professionals.**

The company employed on average 0,9 person employed under an employment contract during the period to a day 31.12.2017. The annual average employment during the period to 31/12/2018 amounted to 0,8 person of the employment contract.

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

- **Members of the Management Board**

As at the balance-sheet date 31/12/2018 and as at the date of publication of the periodical report, 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 his subsidiary Patro Invest OÜ, 9.199.605 shares of Investment Friends Capital SE constituting 61,27% of the share capital of the Company and granting 9.199.605 votes constituting 61,27% of votes at the General Meeting of the Issuer.

- **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 31/12/2018 and as at the date of publication of the periodical report do not own directly and indirectly shares of the Issuer.

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

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

**50 Information on system of control of employee shares scheme.**

The Issuer does not introduce employee shares scheme.



**51 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.

**52 Information on own shares.**

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

**53 Information on branches of the Company**

The Company has not any branches.

**54 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.

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

The governing body entitled to choose a certified auditor, according to the Company's Article of Association is the General Meeting of Shareholders.

On 17/06/2019 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 as at 31/12/2018 and 31/12/2019.

An entity selected by the General Meeting is Hansa Audit osäühing headquartered in Pärnu mnt. 377, 10919 Tallinn, registry code of the company: 10616667, Certified Auditor Alar-Ants Smirnov, licence no. 97.

Remuneration for the Auditor will be paid according to the Agreement concluded between the Company and Hansa Audit osäühing, which was established on market conditions.

Tallinn 21/08/2018

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Damian Patrowicz – Chairman of the Management Board