



**ANNUAL REPORT\***

**OF RESBUD SE**

*based in Tallinn*

**2019 Year**

Beginning of the reporting period: 01 January 2019  
End of the reporting period: 31 December 2019

(translation of Estonian original)\*

Identification data of the entity:

**RESBUD SE**

with the registered office in Tallinn, Estonia

registered in the registration department  
of the Tartu County Court, Estonia,  
under the registry code 14617750

LEI: 259400V9BOVAIHNBXLX98

\* This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

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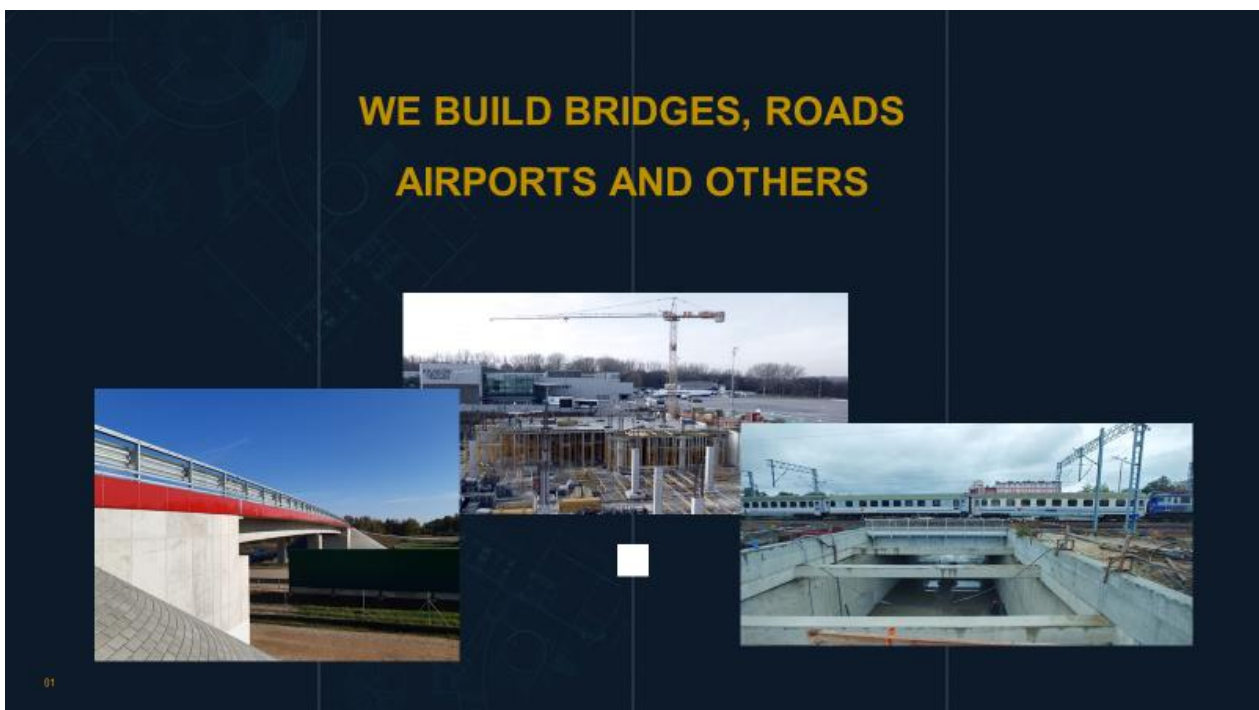
## I. SELECTED FINANCIAL DATA

<i>SELECTED FINANCIAL DATA</i>	<i>In Thousand Euros</i>	
	<i>For the period from 2019-01-01 to 2019-12-31</i>	<i>For the period from 2018-01-01 to 2018-12-31</i>
Net revenues from sales of products, goods and materials	0	125
Profit (loss) on operating activities	-93	298
Gross profit (loss)	35	88
Net profit (loss)	35	88
Net cash flow from operating activities	-24	-51
Net cash flow from investment activities	-208	-1 039
Net cash flow from financial activities	200	803
Net cash flow, total	-32	-287
Total assets	2 824	2 012
Liabilities and provisions for liabilities	357	164
Non-current liabilities	302	4
Current liabilities	55	160
Equity	2 467	1 848
Share capital	1 991	1 430
Number of shares (units)	18 100 000	13 000 000
Net profit (loss) per ordinary share (in EUR)	0.00	0.01
Net diluted profit (loss) per ordinary share (in EUR)	0.00	0.01
Book value per one share (in EUR)	0.14	0.14
Diluted book value per one share (in EUR)	0.14	0.14
Dividend per share decelerated or paid	0	0

## II. CORPORATE PROFILE

Resbud SE started new strategy, that assuming creation of a holding company, which will hold shares in operating entities in the field of construction services, producing selected construction products and trade in construction products.

The target holding structure for the current year should be as follows:



**WE PRODUCE INDUSTRIAL  
CONCRETE AND BITUMEN**



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**WE BUILD RAILROAD INFRASTRUCTURE**



**DELIVERY OF BUILDING ELEMENTS  
FOR ENERGY CONSTRUCTION SITES.**



## Listed on Warsaw Stock Exchange since 2007



70-th Anniversary

## 70-th Anniversary

Resbud has been founded in 1950 as a state-owned construction company in Poland and then privatized in 1994

The enterprise has build with success many objects in Poland, Germany, Czechia, Slovakia, Hungary, Belgium and North Africa





### III. MANAGEMENT BOARD CONFIRMATION TO THE FINANCIAL STATEMENTS AND AUTHORISATION FOR ISSUE

The Management Board acknowledges its responsibility and confirms, to the best of its knowledge, that the accounting policies used in preparing the financial statements are in compliance with International Financial Reporting Standard as adopted in European Union, the financial statements are true and fair view of the financial position, the results of the operations and the cash flows and are going concern.

The financial statement was authorised for issue by the Management Board on 30 June 2020. The Management Board have the power to amend and reissue the financial statements.

The financial statements are part of the annual report that has to be approved by the shareholders and they serve as a basis for adopting a resolution for distributing the profit. Shareholders may decide not to approve the annual report, which has been prepared by the management board and may demand that a new annual report be prepared.

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Jarosław Gerard Podolski – Member of the Management Board RESBUD SE  
(digitally signed)

#### IV. MANAGEMENT BOARD LETTER

**Dear Ladies and Gentlemen, Dear Shareholders, Clients and Business Partners!**

On behalf of the RESBUD SE, acting as Management Board, I am passing you the Annual Report of the RESBUD SE, covering the period from 01/01/2019 to 31/12/2019, which is a summary of all significant economic events that took place in the Company's operations this year, as well as events significant for the Company at the end of the financial year, and events - which in the opinion of the RESBUD SE Management Board - have an impact on the full and objective assessment of the activities conducted by the Company.

The Management Board of the Company was obliged to develop a new strategy of the Company. The main reason for that was changing of the major (leading) shareholder. From April 2019 Company intended to operate mainly as a holding company of companies in branches: highway constructions, construction works, civil engineering, production of concrete and delivery of component to the energy construction. To implement the abovementioned strategic plan, the Company began process of transformation to holding company. This process continues to this day. Some of the steps of this process were taken in 2019. Significant part of that process was acquiring shares in following companies: Energokomplekt OOO, Conpol Sp. z o. o. and Uniwersim sp. z o. o.

To acquire shares of Energokomplekt OOOO the issuer has concluded on October 4, 2019 an agreement with AP ENERGOBAU OÜ, seated in Tallinn. As a result of that agreement Resbud SE acquired 4.1% of the shares in the company ENERGOKOMPLEKT OOO (incorporated under the Russian law, with registration number 1136670023071) for the price of EURO 2,077,703.00, which was paid as set-off of the mutual receivables. The transaction price was determined on the basis of the valuation of the shares drawn up by an independent expert.

On May 31, 2019 the Extraordinary General Meeting of the Company has adopted a resolution regarding increase in the share capital of the Company and amendment of the Articles of the Association. The intention of this resolution was to contribute all shares of above mentioned companies at one time. Due to the extension of the work related to the valuation of the companies, the shares of which are the subject of the in-kind contribution and the accounting standards in which these companies draw up reports, the subscription term was extended on the basis of the resolution of the Management Board of the Company no 1/08/2019 dated August 19, 2019 to September 30, 2019. The issuance was also limited to the 5,100,000 shares. The issue of the remaining unqualified shares, over 5,100,000 units, by decision of the Management Board of the Company was canceled.

The shares were paid up in two ways: (1) with in-kind contribution in the form of shares in a company under the business name Conpol Sp. z o. o. with share capital of PLN 400,000 worth 408,999.60 € (four hundred eight thousand nine hundred ninety nine 60/100) and (2) in cash - 45.770 €.

On October 1, 2019 the issuance of shares, earlier adopted on May 31, 2019 has been completed. In the framework of the issuance, the Company concluded subscription agreements for the 5.100.000 of new shares only. On October

11, 2019 the Company has concluded two transfer agreements, on the basis of which the Company has acquired shares in the Polish law company Conpol Sp. o. o. (Polish registration code 0000398864). The Company acquired a total of 3.091 shares in Conpol Sp. z o. o., representing 38.64% in the share capital of that company. The increase of the share capital of the Company has been registered by the registrar Ariregister on December 19, 2019.

As a continuation of this process, the EGM of the Company convened on January 7, 2020 has adopted new resolutions relating to the amendments of Articles of Association of the Company and issuance of the new shares. This new shares will be offered to the shareholders of the companies: Energokomplet OOO, Conpol sp. z o. o. and Uniwersim sp. z o. o., as a continuation of process related to acquiring shares of that companies.

Bearing in mind all above mentioned circumstances, the Company in current year is preparing to finish subscription of new shares, which will result in acquiring remaining shares Energokomplet O.O.O., Conpol sp. z o. o. and Uniwersim sp. z o. o. At the same time, Management Board of the company is preparing Universal Registration Document, which will allow Resbud SE obtain status of a frequent issuer. After the approval of Resbud SE URD, it will be incorporated as a part of prospectus, allowing to admission for trading new shares on regulated market at Warsaw Stock Exchange.

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Jarosław Gerard Podolski – Member of the Management Board RESBUD SE  
(digitally signed)

## V. MANAGEMENT BOARD REPORT

### 1. THE MAIN AREAS OF ACTIVITY, PRODUCT AND SERVICE GROUPS. INFORMATION CONCERNING THE EXISTENCE OF BRANCHES OF THE ACCOUNTING ENTITY REGISTERED IN A FOREIGN STATE.

The main area of activity is construction activities, carried out indirectly through holdings in other companies (holding activities).

In 2019, there was a gradual change in the profile of financial activities to holding activities in the field of construction.

The basic statistical classification of the company's construction activities are: construction of residential and non-residential buildings - EMTAK: 41201 / EMTAK 2008, NACE: 41.20, PKD: 41.20.Z

The Company as a minority shareholder holds as at 31.12.2019 only the following shares:

- 3091 shares in the share capital of CONPOL Sp. z o.o. with registered office in Modlniczka, Poland that constitutes 38.64% of shares in the share and entitle to 38.64% voting rights at the shareholder's meeting;
- shares of the company Energokomplekt OOO with registered office in Yekaterinburg, Russia, that constitutes 4.1% of shares in the share capital and entitle to 4.1% voting rights at the shareholder's meeting.

Resbud SE has one foreign branch registered in Poland. The full name of the branch is: Resbud SE (European company) branch in Poland. The branch was registered by the District Court for Krakow - Downtown in Krakow XII Commercial Division of the National Court Register in the register of entrepreneurs, under the number KRS 0000813367. Branch address: Zielna 20, 32 – 085 Modlniczka. REGON: 384865290. In 2019, the branch in Poland did not conduct any activity.

The Company does not have any other branches, except for the branch indicated above.

### 2. THE MOST SIGNIFICANT INVESTMENTS MADE DURING THE FINANCIAL YEAR AND PLANNED IN THE IMMEDIATE FUTURE.

In the financial year 2019, the Company acquired shares in other entities, which is related to the implementation of the strategy consisting in the assumption that the issuer is a holding company that will hold shares in operating entities in the field of construction, trade in construction products and construction services.

The Issuer in 2019 acquired shares in the following companies: Conpol sp. z o. o. and Energokomplekt OOO. Details of the acquisition of these shares are described in the financial statements, Note number 6 to asset item "Non-current investments".

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

The Company did not conduct any research and development projects. For this reason, no expenditure has been incurred in this area of activity.

### **4. SIGNIFICANT EVENTS WHICH HAVE OCCURRED DURING THE PERIOD OF PREPARATION OF THE ANNUAL ACCOUNTS AND WHICH ARE NOT PRESENTED IN THE ANNUAL ACCOUNTS BUT WHICH HAVE OR MAY HAVE A MATERIAL EFFECT ON ECONOMIC PERFORMANCE FOR THE FOLLOWING FINANCIAL YEARS.**

An important event that occurred after the end of the financial year 2019 was the conclusion of a debt compensation agreement. On 14 January 2020, after the closure of the financial year 2019, between the issuer and AP ENERGOBAU OÜ with its registered office in Tallinn, a compensatory agreement was concluded.

RESBUD SE was a creditor of AP ENERGOBAU OÜ for a total amount of **1,975,969.32** EURO resulting from the debt merging agreement concluded on 25 February 2019, of which the APE became a party (debtor) under an investment agreement of 27 March 2019.

AP ENERGOBAU OÜ was a RESBUD SE creditor for a total amount of EUR 2,077,703.00 resulting from the agreement for the acquisition of shares of the Russian law company ENERGO KOMPLEKT OOO of 4 October 2019 with effective registration date 11 October 2019.

As a result of the debt compensation agreement, RESBUD SE shall pay to the AP ENERGOBAU OÜ remaining amount of 101,733.68 € (one hundred and one thousand seven hundred and thirty-three 68/100 EURO). The remaining amount to be paid in accordance with the annex to the debt compensation agreement will be paid by RESBUD SE by 31 December 2021. The parties fixed contractual interest of 4 % per year.

Information on this subject was provided by the issuer in current reports 5/2019, 7/2019, 26/2019, 31/2019, 41/2019, 3/2020 and 6/2020.

The EGM of the Company convened on January 7, 2020 has adopted new resolutions relating to the amendments of Articles of Association of the Company and issuance of the new shares. This new shares will be offered to the shareholders of the companies: Energokomplet OOO, Conpol sp. z o. o. and Uniwersim sp. z o. o., as a continuation of process related to acquiring shares of that companies.

### **5. GENERAL (MACROECONOMIC) DEVELOPMENT OF THE ACTIVITIES ENVIRONMENT OF THE ACCOUNTING ENTITY AND THE IMPACT OF SUCH DEVELOPMENT ON ITS FINANCIAL PERFORMANCE.**

In 2019, the company's macroeconomic environment was stable. Due to the change in the company's strategy of being converted into a holding company, this environment did not affect the company's performance.

The macroeconomic environment of the companies whose shares were acquired by the issuer was stable. Given that, the issuer acquired shares in these companies at the end of 2019, the performance of these companies did not affect the issuer's financial results.

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

The issuer's activities are cyclical as a non-consolidated holding company. The activities of construction subsidiaries take place on a seasonal basis with winter slowdown.

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

The issuer, after a change in the strategy made in 2019, conducts business as a holding company. The main activity of the company is the exercise of rights from its shares and participation in the management of other undertakings. The issuer's other activities shall be limited to management and administrative activities carried out for their own needs. The issuer's activities are of an office nature, which means that it does not produce significant environmental or social effects.

**8. 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.**

Information regarding this subject is provided in the financial statement, position Additional item explanatory notes, Note 1.

**9. THE MAIN FINANCIAL RATIOS CONCERNING THE FINANCIAL YEAR AND THE PRECEDING FINANCIAL YEAR, AND THE METHODS FOR CALCULATING THE RATIOS.**

<b>PROFITABILITY RATIOS:</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Net profitability</b>	444,95 %	-53,92 %	70,36 %	n/a
<b>Return on equity ROE</b>	28,87 %	-1,91 %	4,83 %	1,62 %
<b>Return on assets ROA</b>	19,21 %	-1,68 %	4,58 %	1,45 %

<b>LIQUIDITY RATIOS:</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
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Normal Liquidity	0,1392	5,5867	0,4055	0,60
Increased Liquidity	2,8797	22,2362	12,5494	3,40
High Liquidity	2,8797	22,2362	12,5494	3,40
Debt Coverage Ratio	-0,2377	4,8571	-0,3106	-0,20

DEBT RATIOS:	2016	2017	2018	2019
Share of equity in financing assets %	78,81 %	96,45 %	91,85 %	87,36 %
Share of long-term liabilities in liabilities %	0,00%	0,10 %	0,20 %	10,69 %
Debt ratio	0,2119	0,0355	0,0815	0,13

**Methods for calculating the ratios:**

**Net profitability:** (Net income / Revenue)\* 100%.

**Return on equity - ROE:** net profit after tax / arithmetic average of equity at the beginning and end of the year.

**Return on assets - ROA:** net profit after tax / arithmetic average of assets at the beginning and end of the given year.

**Normal Liquidity (I) - cash ratio:** cash and cash equivalents / current liabilities.

**Increased liquidity (II) - quick ratio:** (current assets - inventories) / short-term liabilities.

**High liquidity (III) - current ratio:** current assets / short-term liabilities.

**Debt Coverage Ratio:** Cash flow from operating activities (CFO) / Total liabilities.

**Share of equity in financing assets:** total equity / total assets \* 100%

**Share of long-term liabilities in liabilities:** long-term liabilities / total liabilities \*100%

**Debt ratio:** (long-term liabilities + short-term liabilities) / total assets.

**10. 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.**

At the balance sheet date, the entity's equity balance complies with the requirements set out in the Estonian Commercial Code.

**11. 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.**

In 2019 and in the period up to the date of submission of the financial statements for 2019, the issuer did not hold own shares.

**12. 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.**

This information is provided in point VII NOTES TO THE FINANCIAL STATEMENTS, Note 8

**13. 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 articles of association do not provide for any restrictions on the transfer of shares of the issuer. In addition, the articles of association do not require the consent of the company's authority or a third party to make a transaction regarding shares.

**14. 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 issuer doesn't know any contractual restrictions on transferring of shares.

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

This information is provided in section XIV of Resbud SE corporate governance report (included in this annual report).

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

No owner of the issuer's shares has specific powers.

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

Not applicable.



**18. 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.**

The knowledge held by the issuer implicates, that there are no agreements on the exercise of voting rights. There are no preferred shares in the company. The exercise of voting rights during the general meeting takes place on the model principles provided for in the Estonian Commercial Code. The company also did not conclude any agreements with shareholders.

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

There are general rules for the election, appointment, resignation and removal of the members of the management board of the company established by Estonian Commercial Code, especially § 308, § 309 and others.

Company's Articles of Association section V contain rules similar to general rules as in Commercial Code.

This information regarding description of the management and supervisory bodies, composition of their committees and the organization of their work is included in the corporate governance report in section VII (included in this annual report).

**20. PROVISIONS AND RULES FOR AMENDMENT OF THE ARTICLES OF ASSOCIATION OF THE COMPANY ESTABLISHED BY LEGISLATION.**

This information is included in the corporate governance report, located in section XI (included in this annual report).

**21. AUTHORIZATION OF THE MEMBERS OF THE MANAGEMENT BOARD OF THE COMPANY, INCLUDING THE AUTHORIZATION TO ISSUE AND REPURCHASE SHARES.**

In 2019, the Company's Management Board was not authorized to issue and repurchase shares. In 2019, the company issued shares, but the issue was made on the basis of the decision of the General Meeting of 31 May 2019. Details of the issue of shares were provided by the company in current reports number 36/2019 and 40/2019.

**22. AGREEMENTS BETWEEN THE COMPANY AND ITS MANAGEMENT BOARD OR EMPLOYEES WHICH PROVIDE COMPENSATIONS ON THE CASE OF A TAKEOVER PROVIDED IN CHAPTER 19 OF THE SECURITIES MARKET ACT.**

The issuer didn't conclude such agreements.

**23. ALL-IMPORTANT AGREEMENTS TO WHICH THE COMPANY IS A PARTY AND WHICH ENTER INTO FORCE, ARE AMENDED OR TERMINATED IN THE CASE WHERE, AS A RESULT OF A TAKEOVER BID PURSUANT TO THE PROVISIONS OF CHAPTER 19 OF THE SECURITIES MARKET ACT, ANOTHER PERSON GAINS THE QUALIFYING HOLDING IN THE COMPANY, AND THE EFFECT OF SUCH AGREEMENTS UNLESS, DUE TO THE NATURE THEREOF, THEIR DISCLOSURE WOULD RESULT IN SIGNIFICANT DAMAGE TO THE COMPANY.**

The issuer didn't conclude such agreements.

## **VI. REPORT ON THE APPLICATION OF CORPORATE GOVERNANCE RULES, DRAWN UP UNDER § 24<sup>2</sup> OF THE ESTONIAN ACCOUNTING ACT (RT I 2002, 102, 600).**

**1. An indication of the corporate policy set, which is subject to Resbud SE and the place where the text of the policy collection is publicly available.**

As of 1.01.2016, the company is subject to the recommendations and principles set out in the good practice of the company listed on the WSE 2016, which was adopted by the resolution No 26/1413/2015 of the Supervisory Board of WSE dated 13 October 2015, and was publicly available on the WSE website at [https://static.gpw.pl/pub/files/PDF/inne/GPW\\_1015\\_17\\_DOBRE\\_PRAKTYKI\\_v2.pdf](https://static.gpw.pl/pub/files/PDF/inne/GPW_1015_17_DOBRE_PRAKTYKI_v2.pdf). The issuer does not apply other than the following principles of good corporate governance practices, including the above-mentioned, in addition to the requirements laid down by Estonian law.

**2. Indication of how RESBUD SE has implemented and applies corporate governance rules.**

RESBUD SE applies corporate governance principles contained in the good practice of the company listed on the Warsaw Stock Exchange 2016 from the date of entry into force of these regulations. On 2 January 2016, the EBI report number 1/2016 provided information on the non-application of the specific rules indicated in the corporate governance ruleset mentioned in the previous sentence.

**3. An indication of the extent to which the issuer has disapplied the application of the corporate rules together with an indication of these principles and an explanation of the reasons for the withdrawal.**

Information on the state of use by the Company of recommendations and principles contained in good practice of the company listed in Warsaw Stock Exchange 2016.

According to the current state of use of good practices, the company does not apply 3 recommendations: III. R. 1., IV. R. 2., VI. R. 1.

According to the current state of use of the good practices, the company does not apply the 20 rules: I.Z.1.6., I.Z.1.7., I.Z.1.8., I.Z.1.9., I.Z.1.15., I.Z.1.16., I.Z.1.17., I.Z.1.18., I.Z.1.20., I.Z.1.21, II.Z.3., II.Z.4., II.Z.8., II.Z.10.3., II.Z.10.4. III.Z.3., III.Z.4., IV.Z.2., IV.Z.3., VI.Z.4,

#### **I. Information policy and communication with investors.**

The company is committed to communicating with investors and analysts, with a clear and effective and efficient use of it. To this end, it provides an easy and non-discriminatory way for anyone to access the information disclosed, use a variety of communication.

#### **Recommendations:**

**I.R. 1. Where the company is aware of the dissemination in the media of false information which materially affect its assessment, it shall immediately post such knowledge on its website a communication containing the position with regard to that information, unless, in the opinion of the company, the nature of the information and the circumstances of its publication give grounds for adopting another solution to be more appropriate.**

The recommendation is applied.

Comments of the Company: the recommendation is applied in full.

**I.R. 2. Where a company carries out sponsorship, charity or other activities of a similar nature, it shall include in its annual activity report information on its policy in this field.**

The recommendation does not apply to the company.

Comment of the company: The company on the date of entry into force of the good practices of the companies listed on the WSE 2016 does not carry out its activities.

**I.R. 3. The company should allow investors and analysts to ask questions and obtain, including any prohibition under the applicable legal provisions of the law, explanations of subjects of interest. The implementation of this recommendation can take place in the formula of open meetings with investors and analysts or in any other form provided by the company.**

The recommendation is applied.

Comment of the Company: In this regard, the legal advice is given to the extent permitted by law for any inquiries from shareholders and investors. The company carries out electronic communications with investors. There are no

open meetings with investors and analysts because of this, there is no interest in the form of acquiring information by the investor.

**I.R. 4. The company should endeavor, including in good time, to take all necessary steps to prepare a periodic report to enable investors to familiarize themselves with the financial results it has achieved in the shortest possible Time after the reporting period has ended.**

The rule is applied.

Comment of the Company: the company shall endeavor to ensure that periodic reports a remade possible at the most time after the end of the reporting period.

**Detailed rules:**

The company carries out the corporate website and provides it, in a legible form and in a readable form, in addition to the information required by law:

**I. Z. 1.1. Basic corporate documents, in particular the statutes of the company.**

The rule is applied.

**I. Z. 1.2. The composition of the management board and the supervisory Board of the company and the professional resumes of the members of these bodies together with information on the fulfilment by the members of the Supervisory Board of independence criteria.**

The rule is applied.

**I. Z. 1.3. The scheme of the tasks and the responsibilities between the member of the management Board, which is a accordance with rule II. Z. 1.**

The principle is applied, with the provision that the management board of the company is a single member.

Comment of the Company: The management Board is single and is responsible for any sphere of activity of the Company.

**I. Z. 1.4. The current shareholding structure, indicating shareholders with at least 5% of the total number of votes in the company, on the basis of the information provided to the company by the shareholders in accordance with the applicable legislation.**

The rule is applied.

**I. Z. 1.5. current and periodic reports and prospect and information memoranda, including annexes, published by the company for at least the last 5 years.**

The rule is applied.

**I. Z. 1.6. Calendar of corporate events resulting in the acquisition or restriction of rights on the shareholder side, the publication calendar of financial reports and other events of significant from the investor's point of view, the investment decisions will be taken by the investor in due time.**

The rule is not applied.

The company shall make public in the form of current reports, which are also available on the company's website, information about any corporate events in good time. Information in the form of a calendar in the company's assessment is redundant.

**I. Z. 1.7. Information material published by the company on the company's strategy and its financial performance.**

The rule is not applied.

Comment of the Company: The company shall make public in the form of current reports, which are also available on the company's website, information about any corporate events in good time. Information in the form of a calendar in the company's assessment is redundant.

**I. Z. 1.8. A statement of the selected financial data of the company for the last 5 years of operation, in a format enabling the data to be processed by their recipients.**

The rule is not applied.

Comments of the company: the Company shall make available to the public in the form of periodic reports information about the company's financial results and selected financial data. This information is also available on the company's website. Because of the identity of this information, the company does not publish them separately.

**I. Z. 1.9. Information on the dividend planned and the dividend paid by the company during the last 5 financial years, containing data on the dividend day, the timing of the disbursements and the amount of dividends, together and per share.**

The rule is not applied.

Comment of the company: the Company shall make public in the form of current reports, information about the resolutions undertaken by the general meetings. These reports are also available on the issuer's website. The decision to pay dividends belongs to the general meeting.

**I. Z. 1.10. Financial forecasts – if the company has decided to publish them, published for a period of at least 5 years, together with information on the extent of their implementation.**

The rule does not apply to the company.

Comment of the Company: The company has so far not drawn up financial forecasts and does not plan to draw up the forecasts in the near future.

**I. Z. 1.11. Information about the content of the company's rules on the change of the entity authorized to audit the financial statements or the absence of such a rule.**

The rule is applied.

Comment of the Company: the Company complies with the rules of amendment of the entity empowered to audit financial statements resulting from generally applicable laws.

**I. Z. 1.12. Published in the last annual report of the company's corporate governance statement.**

The rule is applied.

Comment of the Company: a separate report on the application of corporate governance rules is a distinct annex to the company's annual report. These documents are available on the issuer's website.

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

The rule is applied.

Comment of the Company: the Company publishes on the current information on the application of the principles and recommendations contained in good practices of the WSE listed companies through the EBI system.

**I. Z. 1.14. Materials communicated to the general meeting, including the assessments, reports and positions indicated in principle II. Z. 10, submitted to the general meeting by the Supervisory Board.**

The rule is applied.

**I. Z. 1.15. Information describing the company's diversity policy in relation to the company's authorities and its key managers; The description should take into account the elements of diversity policy, such as gender, educational direction, age, professional experience, and the objectives of the diversity policy applied and the way it is implemented during the reporting period; If the company has not developed and does not implement the diversity policy, it shall include on its website an explanation of the decision.**

The rule is not applied.

Comment of the Company: Key personnel decisions in relation to the company's authorities and its key managers are taken by the general meeting and the supervisory board. The company as a criterion for the selection of members of individual bodies is governed by the qualification of the candidate for certain functions. Information on the data of persons seated in the company's organs is published in the relevant current reports informing about the choice of authorities and on the company's website.

**I. Z. 1.16. Information on the planned transmission of the meetings of the general meeting, no later than 7 days before the date of the general Meeting.**

The rule is not applied.

Comment of the Company: The company recognizes that the costs of transmitting the meetings of the general meeting are too high. At the same time, the Board of Directors indicates that the company's shareholding structure is not interested in the general meeting's deliberations.

**I. Z. 1.17. Justifying the draft resolutions of the General Meeting on matters and decisions which are relevant or likely to arise in the interest of shareholders, within a period enabling the participants of the general meeting to become acquainted with them and to take an adequate resolution.**

The rule is not applied.

Comment of the Company: The company publishes draft resolutions of general meetings in accordance with applicable laws. In cases where the justification of the project content or resolution is required, it shall be communicated together with the draft resolutions presented to the general meeting.

**I. Z. 1.18. Information on the reasons for the cancellation of the general meeting, the amendment of the deadline or the agenda, as well as information on the interruption of the general meeting and the grounds for the interruption.**

The rule is not applied.

Comment of the Company: The decision on the cancellation of general meetings shall in principle be taken by the shareholders, where this is the case, the Company shall publish an appropriate current report with the relevant resolution.

**I. Z. 1.19. Shareholders questions addressed to the management Board in art. 428 § 1 or § 6 of the polish commercial companies code, together with the replies of the Management Board to the questions referred, or a detailed indication of the reasons for failure to respond, in accordance with rule IV. Z. 13.**

The rule is applied. The rule was in force until 30 November 2018, i.e. until the date of transfer of the registered office to Estonia. Since then, the Issuer has not applied the Polish Commercial Companies Code. In the Estonian Commercial Code there are provisions corresponding to the Polish regulations that the issuer applies.

**I. Z. 1.20. Record of meetings of the general meeting, in the form of audio or video.**

The rule is not applied.

Comment of The Company: In the company's assessment, the costs of such a solution are too high. The company does not have the necessary technical infrastructure and there is no interest in recording the proceedings of the general meetings due to the company's shareholding structure.

**I. Z. 1.21. Contact information to persons responsible for communication with investors, indicating their name and e-mail address or telephone number.**

The rule is not applied.

Comment of the Company: The company on its website provides the contact details that all interested parties may use. In the company's assessment, it is not appropriate to extract contact information for the purpose of communicating with investors.

**I.Z. 2. A company whose shares qualify for WIG20 or mWIG40 indices shall ensure the availability of its website also in English, at least to the extent indicated in principle I.Z. 1. This principle should also apply to companies outside the above indices if the structure of their shareholding or the nature and scope of their business is concerned.**



The rule does not apply to the company.

Comment of the Company: the Company does not participate in the indices WIG20 mWIG40,

## **II. Management board and the supervisory board.**

The listed company is governed by the Management Board, its members act in the interests of the company and are responsible for its activities. The management board should in particular be the company's leadership, commitment to strategic objectives and implementation, and providing the company with efficiency and security.

The company is supervised by an effective and competent supervisory board. Members of the Supervisory Board Act in the interests of the company and are guided by independent opinions and judgements in their proceedings. The supervisory board shall in particular evaluate the company's strategy and verify the work of the Management Board in achieving the strategic objectives set and monitor the results achieved by the company.

### **Recommendations:**

**II. R. 1. In order to achieve the highest standards for the management and supervisory board of companies of their responsibilities and their fulfilment in an efficient manner, the management board and the supervisory board shall be appointed persons representing high qualifications and Experience.**

The recommendation is applied.

Comment of the Company: the main criterion for the election of the members is their qualification and experience.

**II. R. 2. Decision-makers on the choice of members of the Management Board or supervisory Board of a company should endeavor to ensure the versatility and diversity of these authorities, inter alia in terms of gender, education, age and professional experience.**

The recommendation is applied.

Comment of the Company: the Company as a criterion for the election of members of the Board and members of the supervisory board shall be governed by the qualification of the person appointed to function. Information on the data of persons seated in the company's organs is published on the issuer's website.

**II. R. 3. Acting in the management board of the company is the main area of professional activity of the board member. The additional professional activity of the Board member shall not lead to such time and effort involvement in order to adversely affect the proper performance of the function in the company. In particular,**

**the board member should not be a member of the bodies of other entities if the time devoted to the performance of the functions of other persons prevents him from reliably performing his duties in the company.**

The recommendation is applied.

**II. R. 4. The members of the supervisory board should be able to devote the necessary time to perform their duties.**

The recommendation is applied.

**II. R. 5. In the event of resignation or inability to act by a member of the supervisory board, the Company shall immediately take appropriate action to supplement or amend the supervisory board's composition.**

The recommendation is applied.

**II. R. 6. The supervisory board, having regard to the expiry of the mandate of the members of the management board and their plans for the continuation of functions on the Board, shall take steps in advance to ensure the effective functioning of the management board of the company.**

The recommendation is applied.

**II. R. 7. The company shall provide the supervisory board with the possibility of using professional independent advisory services which, in the assessment of the Board, are necessary for its effective supervision in the company. When selecting an advisory service provider, the supervisory board shall take into account the financial situation of the company.**

The recommendation is applied.

**Detailed rules:**

**II. Z. 1. The internal division of responsibility for the various areas of the company's activities between the members of the Management Board should be formulated in an unequivocally transparent manner and the distribution scheme available on the company's website.**

The rule is applied.

Comment of the Company: the Company is a single management board responsible for all areas of the company activity.

**II. Z. 2. The members of the Management Board of the company in the boards of directors or supervisors of companies outside the company's capital group require the approval of the supervisory board.**

The rule is applied.

**II. Z. 3. At least two members of the supervisory board shall fulfil the criteria of independence referred to in principle II. Z. 4.**

The rule is not applied.

Comment of the Company: The decision to choose members of the supervisory board is the responsibility of the general meeting of shareholders. Shareholders who are guided by competence and trust in individual nominations shall appoint the composition of the supervisory board. The company may, depending on the decision of the general meeting, periodically meet or not this criterion depending on the council composition chosen. Currently (i.e. in 2019) the supervisory board does not fulfil the criteria of independence, since only one of the members of the supervisory board is independent and the assessment of the ensuing risks lies within the remit of the GM.

**II.Z. 4. As regards the criteria for the independence of the members of the supervisory board, annex II to the European Commission recommendation 2005/162/EC of 15 February 2005 concerning the role of non-executive directors or members of the supervisory board of listed companies and Board (Supervisory) committee. Notwithstanding the provisions of point 1 (a). b) the document referred to in the preceding sentence, the person who is an employee of a company, subsidiary or associate, as well as a person associated with such entities a contract of a similar nature, cannot be considered to meet the criteria Independence. A relationship with a shareholder excluding the independence of a member of the supervisory board within the meaning of this rule shall also be understood as actual and relevant links with a shareholder holding at least 5% of the total number of votes in the company.**

The rule is not applied.

Comment of the Company: The decision to choose the members of the supervisory board is the responsibility of the general meeting of shareholders. Shareholders who are guided by competence and trust in individual nominations shall appoint the composition of the supervisory board. The company may, depending on the decision of the general meeting, periodically meet or fail to fulfil this criterion depending on the composition of the Council and the assessment of the resulting risks lies within the remit of the General Meeting.

**II. Z. 5. A member of the supervisory board shall provide the other members of the Board and the Management Board with a statement of its fulfilment of the independence criteria laid down in principle II. Z. 4.**

The rule is applied.

**II. Z. 6. The supervisory board shall assess whether there are any links or circumstances which may affect the fulfilment by a member of the supervisory board of the criteria of independence. The assessment of the fulfilment of the independence criteria by the members of the supervisory board shall be presented by the board in accordance with rule II. Z. 10.2.**

The rule is applied.

**II. Z. 7. The provisions of annex I to the recommendation of the European Commission referred to in principle II shall apply to the tasks and functions of committees operating in the supervisory board. Z. 4 where the audit committee functions as a supervisory board, the above rules shall apply mutatis mutandis.**

The rule is applied.

Comment of the Company: The Audit committee is operational by the supervisory Board.

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

The rule is not applied.

Comment of the Company: The company operates an audit committee operated by the supervisory board. The decision to choose members of the supervisory board is the responsibility of the general meeting of shareholders. Shareholders who are guided by competence and trust in individual nominations shall appoint the composition of the supervisory board. The company may, depending on the decision of the general meeting, periodically meet or not this criterion depending on the composition of the Council, and the assessment of the resulting risks lies within the competence of the GM.

**II. Z. 9. In order to enable the Supervisory Board to fulfil its tasks, the Management Board shall provide the Council with access to information on matters relating to the company.**

The rule is applied.

**II. Z. 10. In addition to the activities resulting from the provision of the law, the Supervisory Board shall, once a year, submit to the ordinary general meeting:**

**II. Z. 10.1. Assessment of the company's situation, including assessment of internal control systems, risk management, compliance and internal audit functions; This assessment shall cover all relevant control mechanisms, including in particular reporting on Financial and operational activities.**

The rule is applied.

**II. Z. 10.2. Report on the activities of the supervisory board, including at least information on:**

- The composition of the Board and its committees,
- The fulfilment by the members of the Board of independence criteria,
- The number of meetings of the Board and its committees in the reporting period,
- Self-assessment of the supervisory board's work;

The rule is applied.

**II. Z. 10.3. An assessment of how the company is fulfilling its information obligations regarding the application of corporate governance principles set out in the exchange regulations and the provisions on current and periodic information transmitted by issuers of securities.**

The rule is not applied.

Comment of the Company: The supervisory board shall supervise the company's activities in all its spheres, including the company's compliance with its information obligations. However, given that current information including confidential information must be reported promptly, the supervisory board is not able to continuously monitor this aspect of the company's activities. For this reason, the supervisory board recommended that those responsible for reporting should have the appropriate competences and experience.

**II. Z. 10.4. Assessment of the rationality of the company's policy referred to in recommendation I.R. 2 or the absence of such a policy.**

The rule is not applied.

Comment of the Company: The company on the date of entry into force of the good practices of the companies listed on the WSE 2016 does not carry out that kind of activities.

**II. Z. 11. The supervisory board shall consider and opinion the matters to be the subject of resolutions of the General Meeting.**

The rule is applied.

Comment of the Company: The company's supervisory board expresses its own-initiative opinion, at the request of shareholders or the management board of the company, on important matters to be discussed or in matters

provided for in the statutes of the company. The company does not have an absolute principle of examining and reviewing all matters intended to be the subject of the resolutions of the general meeting.

#### **VI.III. Internal systems and Functions.**

**The listed company maintains effective systems: internal control, risk management and compliance supervision, as well as an effective internal audit function, appropriate to the size of the company and the type and scale of Business.**

#### **Recommendations:**

**III. R. 1. The company shall extract in its structure the entities responsible for carrying out the tasks in each system or function, unless the separation of the organizational units is not justified by the size or type of activity carried out by the Company.**

Recommendation is not applied.

Comment of the Company: The separation of organizational units is not justified due to the size and type of business carried out by the company. The company implemented internal systems appropriate to the size of the company and the type and scale of the business.

#### **Detailed rules:**

**III. Z. 1. For the implementation and maintenance of effective internal control systems, risk management, compliance and internal audit functions, the company's management board is held responsible.**

The rule is applied.

Comment of the Company: The company implemented internal systems appropriate to the size of the company and the type and scale of the business.

**III. Z. 2. Subject to rule III. Z. 3, the persons responsible for risk management, internal audit and compliance shall be directly subject to the president or another board member, and shall be provided with the possibility of reporting directly to the Supervisory board or audit committee.**

The rule is applied.

Comment of the Company: Due to the size of the company, the accepted business model and organizational structure of the company, in the company is established single management board subject to direct control of the supervisory board and the distinguished Audit Committee.

**III. Z. 3. For the person who directs the internal audit function and other persons responsible for carrying out its tasks, the principles of independence set out in the universally recognized international standards of professional practice for internal auditing shall apply.**

The rule is not applied.

Comment of the Company: The company operates an audit committee operated by the supervisory board. The decision to choose the members of the supervisory board and thus the Chairman of the Audit Committee is the responsibility of the general meeting of shareholders. Shareholders who are guided by competence and trust in individual nominations shall appoint the composition of the supervisory board. The company may, depending on the decision of the general meeting, periodically meet or fail to fulfil this criterion depending on the composition of the supervisory board and the assessment of the resulting risks lies within the remit of the GM.

**III. Z. 4. At least once a year, the person responsible for internal audit (in case of separation of such function in the company) and the Management Board shall submit to the supervisory board their own assessment of the effectiveness of the systems and functions referred to in principle III. Z. 1, together with the relevant report.**

The rule is not applied.

Comment of the Company: In the company the function of the Audit committee is fully the supervisory board, its members are elected by the general meeting.

**III. Z. 5. The supervisory board shall monitor the effectiveness of the systems and functions referred to in principle III. Z. 1, based, inter alia, on reports periodically delivered to it directly by the persons responsible for those functions and the management Board of the company, and shall undertake an annual assessment of the effectiveness of these systems and functions, in accordance with principle II. Z. 10.1. Where the company operates an audit committee, it shall monitor the effectiveness of the systems and functions referred to in principle III. Z. 1, however, does not relieve the supervisory board of the annual assessment of the effectiveness of these systems and functions.**

The rule is applied.

Comment of the Company: The supervisory board shall have full control over all areas of the company's activities.

**III. Z. 6. Where there is no organizational separation of the internal audit function in the company, the Audit Committee (or the supervisory board, if it is the Audit Committee) shall annually assess whether there is a need for such separation.**

The rule is applied.

Comment of the Company: The supervisory board shall have full control over all areas of the company's activities.

#### **IV. General Meeting and shareholders relations.**

The management board of a listed company and its supervisory board should encourage shareholders to engage in the company's affairs, which is primarily an active participation in the general meeting. The general meeting should respect the rights of shareholders and endeavour to ensure that the resolutions taken do not infringe the legitimate interests of the different shareholder groups. Shareholders taking part in the general meeting shall exercise their powers in a manner which is not of good morality.

#### **Recommendations:**

**IV. R. 1. The company should endeavor to complete the ordinary general meeting as soon as possible after the publication of the annual report, setting this deadline, taking into account relevant legal provisions.**

The recommendation is applied.

**IV. R. 2. If this is justified on account of the shareholding structure or the expectations of the shareholders, the company is able to provide the technical infrastructure necessary for the efficient implementation of the general meeting by using means of electronic communication, should enable shareholders to participate in the general meeting by using such means, in particular by:**

- 1) The transmission of meetings of the general meeting in real time,**
- 2) Bilateral real-time communication whereby shareholders may speak during the deliberations of the general meeting in a place other than that of the general Meeting,**
- 3) exercise, in person or by proxy, voting rights in the course of the general meeting.**

Recommendation is not applied.

Comment of the Company: The company recognizes that the costs of infrastructure and the transmission of the General Assembly's deliberations are too high. At the same time, the Board of Directors indicates that the company's shareholding structure is not interested in the general meeting's deliberations.



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

The rule does not apply to the company.

Comment of the Company: Securities issued by the company are listed exclusively on the regulated market of WSE in Warsaw.

Detailed rules

**IV. Z. 1. The company shall determine the place and the date of the general meeting in such a way as to enable the widest number of shareholders to attend.**

The rule is applied.

**IV. Z. 2. If this is justified due to the company's shareholding structure, the company provides a publicly available broadcast of the general meeting in real time.**

The rule is not applied.

Comment of the Company: The company recognizes that the costs of transmitting the meetings of the general meeting are too high. At the same time, the management board indicates that the company's shareholding structure is not interested in the general meeting's deliberations.

**IV. Z. 3. Media representatives are able to be present at general meetings.**

The rule is not applied.

Comment of the Company: The company indicates that there is no interest in media participation in the company's general meetings. In addition, the company's assessment of the participation of non-eligible persons may interfere with the general meeting.

**IV. Z. 4. Where the management receives information on the convening of a general meeting on the basis of art. 399 § 2 – 4 of the commercial Companies Code, the management board shall immediately carry out the activities to which it is obliged in connection with the organization and conduct of the general meeting. The principle also applies when convening a general meeting on the basis of an authorization issued by the Registry Court in accordance with art. 400 § 3 of the commercial Companies code.**

The rule is applied.

Comment of the Company: The rule was in force until 30 November 2018, i.e. The date of transfer of the registered office to Estonia. Since then, the issuer has not applied the Polish commercial code.

**IV. Z. 5. The rules of the general meeting, as well as the manner of deliberations and resolutions, shall not impede the participation of shareholders in the general meeting and the exercise of their rights. Amendments to the rules of general meeting should be effective at the earliest of the next general meeting.**

The rule is applied.

**IV. Z. 6. The Company shall endeavor to make the cancellation of the general meeting, the amendment of the deadline or the management of the interruption in deliberations not prevent or restrict the shareholders exercising the right to attend the general meeting.**

The rule is applied.

Comment of the Company: However, the company points out that decisions on the announcement of a break in the deliberations of the general meeting shall be undertaken only by shareholders and the Chairman of the general meeting

**IV. Z. 7. A break in the deliberations of the general meeting may take place only in specific situations, each time indicated in the explanatory memorandum to the resolution on the interruption order, based on the reasons provided by the shareholder requesting the break order.**

The rule is applied.

Comment of the Company: However, the company points out that decisions on the announcement of a break in the deliberations of the general meeting shall be undertaken only by the shareholders and the Chairman of the general meeting, who decide to indicate in the resolution of the justification for the management of the interruption in deliberations.

**IV. Z. 8. The resolution of the general meeting on the interruption order clearly indicates the timing of the resuming of deliberations, which cannot constitute a barrier to participation in the resumed deliberations by a majority of shareholders, including shareholders minority.**

The rule is applied.

Comment of the Company: The company points out, that decisions on the announcement of a break in the deliberations of the general meeting shall be undertaken only by the shareholders and the Chairman of the general meeting, who decide on the date of resuming the proceedings.

**IV. Z. 9. The Company shall endeavor to ensure that the draft resolutions of the general meeting contain a justification if it makes it easier for shareholders to take a resolution with due discernments. Where the placement of a case on the agenda of a general meeting is made at the request of a shareholder or shareholder, the board or Chairman of the general meeting shall ask for the justification of the proposed resolution. In material cases or in the case of doubts of shareholders, the company will provide a justification unless it otherwise provides to the shareholders the information which will ensure that the resolution is made with due discernment.**

The rule is applied.

Comment of the Company: The management board will seek to publish the justifications of the key to the company's activities in the draft resolutions of the general meetings.

**IV. Z. 10. The exercise of shareholder powers and the manner in which they are exercising their powers must not lead to obstructing the proper functioning of the company's organs.**

The rule is applied.

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

The rule is applied.

Comment of the Company: Members of the Company's organs shall endeavor to participate in the deliberations of the general meeting, but due to the fact that many times the general meetings of the company are held on request or within the deadlines set by the shareholders, The participation of the members of the bodies in the deliberations of the general meeting is hampered.

**IV. Z. 12. The management board should present to the participants of the ordinary general meeting the financial results of the company and other relevant information contained in the financial statements subject to approval by the general meeting.**

The rule is applied.

**IV. Z. 13. If the shareholder requests information about the company, no later than 30 days, the management board of the company is obliged to reply to the shareholder's request or inform him of the refusal to provide such information, If the management board has decided on the basis of art. 428 § 2 or § 3 of the commercial Companies code.**

The rule is applied. Since then, the Issuer has not applied the Polish Commercial Companies Code. In the Estonian Commercial Code there are provisions corresponding to the Polish regulations that the issuer applies.

**IV. Z. 14. The resolution of the general meeting should ensure that the necessary time interval is maintained between the decisions giving rise to certain corporate events and the dates on which shareholders rights arising from these corporate events are determined.**

The rule is applied.

Comment of the Company: However, the company points out that decisions on the content of the general meeting shall be taken by shareholders only.

**IV. Z. 15. The resolution of the general meeting on the issue of shares with a right of collection should specify the issue price or the mechanism for its determination, or oblige the authority empowered to determine it before the date of the right of collection, within a time limit for deciding investment.**

The rule is applied.

Comment of the Company: However, the company points out that decisions on the content of the general meeting shall be taken by shareholders only.

**IV. A. 16. The dividend day and the timing of the dividend payment should be so established that the period between them is no longer than 15 working days. The establishment of a longer period between these deadlines requires justification.**

The rule is applied.

Comment of the Company: However, the company points out that decisions on the content of the general meeting shall be taken by shareholders only.

**IV. Z. 17. The resolution of the general meeting on the payment of a contingent dividend may contain only those conditions, the possible materialization of which will be before the dividend date.**

The rule is applied.

Comment of the Company: However, the company points out that decisions on the content of the general meeting shall be taken by shareholders only.

**IV. Z. 18. The resolution of the general meeting on the Division of the nominal value of shares should not establish a new nominal value of shares at a level lower than 0.50, which could result in a very low unit market value of those shares, which could, as a consequence, be The correctness and reliability of the valuation of the listed company.**

The rule is applied.

Comment of the Company: However, the company points out that decisions on the content of the general meeting shall be taken by shareholders only.

#### **V. Conflicts of interest and transactions with related entities.**

For the purposes of this chapter, the definition of related entity as defined in the International Accounting standards adopted pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on Application of international accounting standards. The company should have transparent procedures for the prevention of conflicts of interest and the conclusion of transactions with related parties under the conditions of possible conflict of interest. Procedures should provide for ways to identify, disclose and manage such situations

#### **Recommendations:**

**V.R. 1. A member of the management board or of the supervisory board should avoid professional or non-occupational activity which could lead to a conflict of interest or adversely affect its reputation as a member of the company's body and, if conflict of interest should disclose it immediately.**

The recommendation is applied.

#### **Detailed rules:**

**V.Z. 1. No shareholder shall be privileged to other shareholders in respect of transactions concluded by a company with shareholders or entities associated with them.**

The rule is applied.

Comment of the Company: The management board states that due to the shareholding structure and the company's activity profile, transactions with the company's leading shareholder are present and may be concluded, which does not mean that its position in this regard is privileged.

**V.Z. 2. A member of the management board or of the supervisory board shall inform the management or supervisory board accordingly of the conflict of interest or the possibility of its creation and shall not take part in the vote on the resolution in respect of which the person may experience conflicts of interest.**

The rule is applied.

**V.Z. 3. A member of the management board or of the supervisory board may not accept any advantage which could affect impartiality and objectivity in its decision-making or negatively impact the assessment of the independence of its opinions and courts.**

The rule is applied.

**V.Z. 4. Where a member of the management board or the supervisory board considers that the decision, respectively, of the management board or the supervisory board, is contrary to the interests of the company, he may require the meeting of the management board or the supervisory Board of its position in the minutes of the subject.**

The rule is applied.

**V.Z. 5. Before the company concludes a substantial contract with a shareholder holding at least 5% of the total number of votes in a company or a related party, the Management Board shall request the supervisory board to agree to such a transaction. The supervisory board shall assess the impact of such a transaction on the interests of the company before agreeing. The above obligation is not subject to typical and market-based transactions in the course of operating activities of the company with entities within the company's group of companies. Where a decision on the conclusion by a company of a substantial contract with a related party is taken by a general meeting, the company shall, before taking such a decision, ensure that all shareholders have access to the information necessary to assess the impact this transaction to the company's interest.**

The rule is applied.

**V.Z. 6. The company determines in its internal regulations the criteria and circumstances in which a company may be confronted with a conflict of interest, as well as rules for dealing with conflicts of interest or the possibility of its occurrence. The company's internal regulations include, inter alia, ways of preventing, identifying and resolving conflicts of interest, as well as the exclusion of a member of the management board or of the supervisory board from participating in the handling of a case covered conflicts of interest.**

The rule is applied.

## **VI. Salaries**

The company has a remuneration policy at least for members of the company's organs and key managers. The remuneration policy shall specify in particular the form, structure and method of remuneration of the members of the company's organs and its key managers.

### **Recommendations:**

**VI. R. 1. Remuneration of members of company bodies and key managers should be derived from the adopted remuneration policy.**

Recommendation is not applied.

Comment of the Company: Due to the size of the company, the organizational structure and the scope of activity in the company was not developed the document "remuneration policy", remuneration for individual members of the company's organs, taking into account the assigned tasks and the assessment, the supervisory board, and for the members of the supervisory board, the general meeting of shareholders of the company, respectively.

**VI. R. 2. Remuneration policies should be closely linked to the company's strategy, its short-and long-term objectives, long-term interests and results, and should take into account solutions to avoid discrimination for any reason.**

The recommendation is applied.

Comment of the Company: Due to the size of the company, the organizational structure and the scope of activity in the company was not developed the document "remuneration policy", remuneration for individual members of the company's organs, taking into account the assigned tasks and the assessment, the supervisory board, and for the members of the supervisory board, the general meeting of shareholders of the company, respectively.

**VI. R. 3. If the remuneration committee functions in the Supervisory board, the principle II shall apply in respect of its functioning. Z. 7.**

The recommendation is applied.

Comment of the Company: The role of the remuneration committee in the company is fulfilled by the supervisory board.

**VI. R. 4. The level of remuneration of the members of the management board and of the supervisory board and of the key managers should be sufficient to acquire, maintain and motivating persons with the necessary competences to manage and supervise the company properly. Remuneration should be adequate for the tasks entrusted to individual persons and take into account additional functions such as work in the committees of the supervisory board.**

The recommendation is applied.

**Detailed rules:**

**VI. Z. 1. Incentive schemes should be designed to, inter alia, make the remuneration of directors of the company and its key managers dependent on the real, long-term financial situation of the company and the long-term increase in value for shareholders and the stability of the company.**

The rule does not apply to the company.

Comment of the Company: The company has not adopted incentive schemes.

**VI. Z. 2. To associate the remuneration of board members and key managers with long-term business and financial goals of the company, the period between the award of an option incentive scheme or other instruments related to the shares of the company, and the possibility of their implementation should be at least 2 years.**

The rule does not apply to the company.

Comment of the Company: The company has not adopted incentive schemes.

**VI. Z. 3. Remuneration of members of the supervisory board should not be conditional on options and other derivatives, or any other variable component, and should not depend on the performance of the company.**

The rule is applied.

**VI. Z. 4. The company in the management report shall submit a report on the remuneration policy containing at least:**

- 1) General information on the remuneration system adopted in the company,**
- 2) information on the conditions and remuneration of each of the members of the management board, broken down by fixed and variable components of remuneration, indicating the key parameters for determining the variable remuneration components and the rules for the payment of checks and other payments for termination**



**of an employment relationship, an order or other legal relationship of a similar nature – separately for the company and each entity within the group,**

**3) Information on the individual members of the board and key managers of non-financial components of remuneration,**

**4) An indication of the significant changes that occurred during the last financial year in the remuneration policy, or information on their absence,**

**5) An assessment of the functioning of the remuneration policy in terms of achieving its objectives, in particular the long-term shareholder value and stability of the company.**

The rule is not applied.

Comment of the Company: The company publishes information on the remuneration of members of the company's organs in accordance with the International Accounting Standards Company.

## **VII. Description of the management and supervisory bodies, composition of their committees and the organization of their work.**

1.1 The Executive Body of the company is the management board. The management board of the company in accordance with the articles of association may consist of 1 to 4 members. The board was single in 2019. It consisted of Mr Bartosz Stradomski. As at the date of publication of this annual report, management board is single with Mr Jarosław Gerard Podolski appointed at the position. This body directs the company's activities, it represents company outside. The management board members shall elect the supervisory board, which shall also decide on the remuneration of the board members. The management board did not have any committees or responsibilities between members, given that the management board was single in 2019. Any member of the management board of a company may represent the company independently in all legal acts, if the resolution of the supervisory board is not specified otherwise. If the management board of a company consists of more than two (2) members, the supervisory board shall appoint the Chairman of the management board. Meetings of the management board shall have a quorum if it involves more than half of the board members. The decisions of the Management Board shall be adopted by simple majority. Each board member has one vote. The vote of the Chairman of the management board shall be decisive in the event of equal distribution. A member of the board may resign at any time. Resignation is submitted to the supervisory board.

The detailed rules governing the functioning of the management board are governed by generally applicable Estonian law, the company articles of association and the regulations of the management board. The last two documents are available on the website of the issuer [www.resbud.pl](http://www.resbud.pl).

1.2 The supervisory board is the supervisory authority of the company. The scope of its responsibilities is the planning of the company's activities, assistance in organizing the company's management and oversight of management activities. The supervisory board had to consist of 5 to 9 members at the time when the company was

established in the Republic of Poland. From the date of transfer of the company to Estonia, the supervisory board may consist of 3 to 7 members. This authority shall be appointed by the general meeting of the company. The term of the supervisory board is 5 years.

Meetings of the supervisory board shall take place where appropriate, but not less than one time in three months. Notice of convening of a meeting of the supervisory board shall be sent at least seven days before the date of the planned meeting and shall contain the agenda proposed by the Chairman of the supervisory board. A meeting of the supervisory board has a quorum if it involves more than half of the members of the supervisory board. The resolutions of the supervisory board shall be adopted by simple majority. The vote of the Chairman of the supervisory board shall be decisive in the event of equal distribution. The supervisory board shall have the right to adopt resolutions without convening a meeting if all members of the supervisory board agree. The procedure for adopting resolutions is as follows: the Chairman of the supervisory board sends a draft resolution to all members of the supervisory board, setting a deadline within which a member of the supervisory board must submit a written position. If a member of the supervisory board does not submit in respect of the resolution of his or her vote in favor or against within the prescribed period, he shall be deemed to have voted against the resolution. The resolution is accepted if more than half of the members of the supervisory board voted in favor of the resolution. The approval of the supervisory board is required for the company's management to approve the company's budget and risk management principles; The acquisition or disposal by a company of any asset the value of which exceeds 100 000 euros in one or more related transactions; consent to the terms of operations with the members of the Management Board and deciding to enter into a legal dispute with a member of the Management Board and the designation of the person entitled to represent the company in such a dispute giving consent to each type of a transaction the value of which exceeds 100 000 euro in one or more related transactions; giving consent to the borrowing or lending or other debt obligations of a company or the acquisition by a company of liabilities, the value of which exceeds 100 000 euro in one or more related transactions; establishment and closure of foreign subsidiaries, representations or other entities of the company; acquisition or divestiture of any type of undertaking or termination of business or the conclusion of such transactions, which may result in future acquisitions or disposals of undertakings or the termination of business enterprise the creation or acquisition or merger with other undertakings or the disposal of subsidiaries or the transfer, sale or imposition in any other way of parts and associations of subsidiaries or termination of the activities of subsidiaries.

Detailed rules for the functioning of the supervisory board are defined by the company articles of associations and the supervisory board meeting rules available on the issuer website [www.resbud.pl](http://www.resbud.pl).

### **VIII. Description of the main features of internal audit and risk management systems in connection with the process of preparing annual accounts.**

The management Board of the issuer due to the simplified structure and the relatively limited number of financial risks has not developed and did not introduce a written procedure for the internal control system and risk

management for the preparation of financial statements, however, the issuer with utmost diligence approaches the issue of financial reporting.

The management board of the company is responsible for the internal control system of the company and its effectiveness in the correctness of the preparation of financial statements and periodic reports. Financial statements and periodic reports shall be drawn up on the basis of the financial data from the finance and accounting system, where they are recorded in accordance with the principles of the accounting policy adopted in accordance with the Accounting Act.

The verification of the correctness of the periodic financial statements shall be carried out by independent auditors for the annual financial audits and for each half-yearly review of the reports.

The management board also based on the opinion of the supervisory board and the Audit Committee, to the extent indicated in paragraph 4.2 of this report.

The financial statements are prepared by professional operators, in 2019 the issuer used the services of the accounting services "Galex", run by statutory auditor Jolanta Gałuszka, providing accounting services on an outsourcing contract to the issuer. Using the services of a specialized office, the management board shall be provided with ongoing external advice to consult any problems related to the regularity of the preparation of compulsory financial statements, including quarterly, semi-annual and annual accounts and tax issues.

#### **IX. Indication of the owners of the shares which grant specific audit powers and a description of those entitlements.**

All shares of the company are ordinary shares. No series of shares shall grant any special powers for shareholders, to perform audit. The articles of association of the company also do not grant any powers on the shareholders, and in particular the powers concerning the audit of the company.

#### **X. Any restrictions on the transferring of the issuer's shares and the exercise of voting rights.**

According to the best knowledge of the board of RESBUD SE in 2019, there were no restrictions on the transferring of shares or in the exercise of voting rights from the shares of the issuer. The information held by the management board shows that all shareholders holding shares had the right to vote at the general meeting of the company.

#### **XI. Regulations concerning the amendment of the company articles of association.**

According to the Estonian commercial code, a resolution of the general meeting is required by a majority of 2/3 votes to amend the articles of association. The articles of association of the company do not provide for further requirements to take such a resolution. Also in accordance with the current regulation included in § 300 (2) of the

Estonian Commercial Code, to amend the articles of association it is required to make an entry in the Estonian commercial register.

The current copy of the articles of association can be found on the company's website [www.resbud.pl](http://www.resbud.pl). A copy of the articles of the association can also be obtained from the Estonian Commercial Register at <https://ariregister.rik.ee/>.

#### **XII. Authority of board members including authorization to increase capital and issue shares.**

The management board did not have any specific powers in 2019 including entitlement to capital increase and issuance of shares.

#### **XIII. Diversity policy.**

The company did not introduce diversity policy. The reason for this is the minimum number of employees employed. In the company organ, diversity issues are explained in section 3 of the description of principle II. R. 2.

#### **XIV. Information about the holding structure.**

At 31.12.2019 Resub SE held shares in the following companies:

1. Conpol Sp. o. o. (polish registry code 0000398864), total number of shares – 3019, percentage in share capital 38.63%
2. Energokomplekt OOO (Russian registry code 1136670023071), percentage in share capital 4.1%.

## VII. FINANCIAL STATEMENTS

### STATEMENT OF FINANCIAL POSITION

Assets	Note	<i>in thousand euros (EUR)</i>	
		2019.12.31	2018.12.31
<b>NON-CURRENT ASSETS</b>		<b>2 637</b>	<b>4</b>
Non - current investments	1,2	2 637	0
Deferred income tax asset	3	0	4
<b>CURRENT ASSETS</b>		<b>187</b>	<b>2 008</b>
Prepaid charges	4	54	3
Trade and other receivables	5, 2	19	942
VAT receivables		0	7
Current investments	6, 2	81	991
Cash and cash equivalents	7, 2	33	65
<b>TOTAL ASSETS</b>		<b>2 824</b>	<b>2 012</b>

Equity and Liabilities	Note	<i>in thousand euros (EUR)</i>	
		2019.12.31	2018.12.31
<b>TOTAL EQUITY</b>		<b>2 467</b>	<b>1 848</b>
Share capital	8	1 991	1 430
Supplementary capital	9	2 106	1 919
Reserve capital	10	69	69
Revaluation reserve	11	279	422
Differences from Euro conversion		-64	-43
Capital from mergers		-4	-4
Retained earnings, including:		-1 910	-1 945
- previous year's loss	12	-1 945	-2 033
- current year net profit		35	88
<b>NON-CURRENT LIABILITIES</b>		<b>302</b>	<b>4</b>
Deferred tax liability	14	0	4
Borrowings	2, 15	200	0
Other non-current liabilities	2, 16	102	0
<b>CURRENT LIABILITIES</b>		<b>55</b>	<b>160</b>
Provisions	17	27	26
Trade payables	2, 18	0	20

Employee benefit obligations	2, 18	3	1
Other current liabilities	2, 18	25	113
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2 824</b>	<b>2 012</b>

Book value		2 467	1 848
Number of shares		18 100 000	13 000 000
Book value per one share (IN EUR)	13	0.14	0.14
Diluted number of shares		18 100 000	13 000 000
Diluted book value per one share		0.14	0.14

OFF-BALANCE SHEET ITEMS	Note	in thousand euros (EUR)	
		Balance as at 2019-12-31	Balance as at 2018-12-31
Contingent receivables		0	0
Contingent liabilities		0	0
Off-balance sheet items, total		0	0

## STATEMENT OF PROFIT OR LOSS

In Thousand EUR	Note	in thousand euros (EUR)	
		2019.01.01- 2019.12.31	2018.01.01- 2018.12.31
Continuing operations			
Revenue from contracts with customers	19	0	125
Cost of sales	20	0	28
Gross profit		0	97
Administrative expenses	21	-92	-123
Other operating income	22	36	848
Other operating expense	23	-37	-524
Operating profit / (loss)		-93	298
Finance income	24	206	87
Finance costs	24	-78	-296
Profit before income tax		35	88
Income tax expense	25	0	0
Profit from continuing operations		35	88
Profit/ (loss) from discontinued operation		0	0

<b>Profit for the period</b>		<b>35</b>	<b>88</b>
Weighted average number of ordinary shares		18 100 000	13 000 000
Profit (loss) per one ordinary share (in PLN)	26	0.00	0.01
Weighted average diluted number of ordinary shares		18 100 000	13 000 000
Diluted profit (loss) per one ordinary share (in PLN)		0.00	0.01

## STATEMENT OF COMPREHENSIVE INCOME

In Thousand EUR	in thousand euros (EUR)	
	2019.01.01- 2019.12.31	2018.01.01- 2018.12.31
<b>Net profit for the period</b>	<b>35</b>	<b>88</b>
<b>Other total income net of tax, including:</b>	<b>0</b>	<b>-4</b>
<b>Components that shall not be carried forward to the profit or loss statement at later periods:</b>	<b>0</b>	<b>-4</b>
- Settlement of mergers	0	-4
<b>Components that may be carried forward to the profit or loss statement at later periods:</b>	<b>0</b>	<b>0</b>
- Changes in the fair value of equity investments at fair value through other comprehensive income	0	0
<b>Total comprehensive income for the period net of tax</b>	<b>35</b>	<b>84</b>

## STATEMENT OF CHANGES IN EQUITY

	Equity [in thousand euros (EUR)]							
	Share capital	Reserve Capital	Supplementary capital	Revaluation Reserve	Conversion differences	Capital from a merger	Retained earnings	Total Equity
<b>Balance as at 31.12.2018</b>	<b>1 430</b>	<b>69</b>	<b>1 919</b>	<b>422</b>	<b>-43</b>	<b>-4</b>	<b>-1 945</b>	<b>1 848</b>
-Correction of basic errors (net of tax)	0	0	0	0	0	0	0	0
<b>Restated balance as at 31.12.2018</b>	<b>1 430</b>	<b>69</b>	<b>1 919</b>	<b>422</b>	<b>-43</b>	<b>-4</b>	<b>-1 945</b>	<b>1 848</b>
- Change in accounting policy	0	0	0	0	0	0	0	0
<b>Restated total equity as at 1 January 2019</b>	<b>1 430</b>	<b>69</b>	<b>1 919</b>	<b>422</b>	<b>-43</b>	<b>-4</b>	<b>-1 945</b>	<b>1 848</b>
Net profit (loss) for the period	0	0	0	0	0	0	35	35
Other comprehensive income	0	0	0	-143	-21	0	0	-164
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-143</b>	<b>-64</b>	<b>0</b>	<b>35</b>	<b>-129</b>
<b>Transaction with owners in their capacity as owners</b>								
-Capital increase (share issue)	561	0	187	0	0	0	0	748
-Dividends paid	0	0	0	0	0	0	0	0
<b>Transaction with owners in their capacity as owners in total:</b>	<b>561</b>	<b>0</b>	<b>187</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>748</b>
<b>Balance as at 31.12.2019</b>	<b>1 991</b>	<b>69</b>	<b>2 106</b>	<b>279</b>	<b>-64</b>	<b>-4</b>	<b>-1 910</b>	<b>2 467</b>



	Equity [in thousand euros (EUR)]							
	Share capital	Reserve Capital	Supplementary capital	Revaluation Reserve	Conversion differences	Capital from a merger	Retained earnings	Total Equity
<b>Balance as at 31.12.2017</b>	<b>1 558</b>	<b>71</b>	<b>1 850</b>	<b>435</b>	<b>0</b>	<b>-3</b>	<b>-2 096</b>	<b>1 815</b>
-Correction of errors (net of tax)	0	0	0	0	0	0	0	0
<b>Restated balance as at 31.12.2017</b>	<b>1 558</b>	<b>71</b>	<b>1 850</b>	<b>435</b>	<b>0</b>	<b>-3</b>	<b>-2 096</b>	<b>1 815</b>
Change in accounting policy	0	0	0	0	0	0	0	0
<b>Restated total equity as at 1 January 2018</b>	<b>1 558</b>	<b>71</b>	<b>1 850</b>	<b>435</b>	<b>0</b>	<b>-3</b>	<b>-2 096</b>	<b>1 815</b>
Net profit (loss) for the period	0	0	0	0	0	0	88	88
Other comprehensive income, including:	-3	-2	-56	-13	-43	-1	63	-55
-Conversion differences	-3	-2	-56	-13	-43	-1	63	-55
<b>Total comprehensive income for the period</b>	<b>-3</b>	<b>-2</b>	<b>-56</b>	<b>-13</b>	<b>-43</b>	<b>-1</b>	<b>151</b>	<b>33</b>
<b>Transaction with owners in their capacity as owners</b>								
-Capital increase (share issue)	0	0	0	0	0	0	0	0
-Dividends paid	0	0	0	0	0	0	0	0
-Reduction of share capital	-125	0	125	0	0	0	0	0
<b>Transaction with owners in their capacity as owners in total:</b>	<b>-125</b>	<b>0</b>	<b>125</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Balance as at 31.12.2018</b>	<b>1 430</b>	<b>69</b>	<b>1 919</b>	<b>422</b>	<b>-43</b>	<b>-4</b>	<b>-1 945</b>	<b>1 848</b>

## STATEMENT OF CASH FLOW

(Indirect method)	<i>In thousand euros (EUR)</i>	
	<b>2019.01.01-</b>	<b>2018.01.01-</b>
	<b>2019.12.31</b>	<b>2018.12.31</b>
<b>Cash flows from operating activities</b>		
<b>Profit before income tax</b>	<b>35</b>	<b>88</b>
Adjustments for:		
Depreciation and amortization	0	16
Dividend income and interest classified as investing cash flows	0	-69
Net finance income / cost	143	279
Change in provisions	-4	-2
Change in trade and other receivables	930	-49
Change in the current liabilities, excluding borrowings	-3	101
Change in prepaid charges and accruals	-47	4
Other adjustments	-1 124	-419
<b>Net cash from operating activities</b>	<b>-70</b>	<b>-51</b>
<b>Cash flow from investing activities</b>		
Interest received	0	203
Loans granted	-208	-1 242
<b>Net cash from investment activities</b>	<b>-208</b>	<b>-1 039</b>
<b>Cash flows from financial activities</b>		
Net receipts from the issuance of shares and other equity instruments and capital injections	46	0
Loans received	200	0
Other financial inflows	0	803
<b>Net cash from financial activities</b>	<b>246</b>	<b>803</b>
Net increase (decrease) in cash and cash equivalents	<b>-32</b>	<b>-287</b>
Cash and cash equivalents at the beginning of the year	<b>65</b>	<b>352</b>
- Effect of exchange rate fluctuations on cash held	<b>0</b>	<b>0</b>
Cash and cash equivalents at the end of the year	<b>33</b>	<b>65</b>

## NOTES TO THE FINANCIAL STATEMENTS

### General information:

The legal name of the Issuer is RESBUD SE and its legal form is European Company, in Latin: Societas Europaea. RESBUD SE (hereinafter – “the Company”) has been registered in the Estonian Commercial Register by the registration department of the Tartu County Court, Estonia, under the registry code 14617750, LEI 259400V9BOVAIHNBLX98.

The head office of the Company is in Tallinn, Estonia.

The Company's address:

Harju maakond, Tallinn, Kesklinna linnaosa, Järvevana tee 9-40, 11314.

Telephone number: +372 602 77 80.

website: <http://www.resbud.pl>

additional website: <http://resbud.se>

The information on the Company's website does not form part of this document unless that information is incorporated by reference into this document.

The Company operates in the legal status of a Euroopa Äriühing (in English European company, in Latin: Societas Europaea, in Polish: Spółka Europejska). The Company operates on the basis of COUNCIL REGULATION (EC) No 2157/2001 of 8 October 2001 on the Statute for a European company (SE) and Estonian law, in particular on the basis of the Commercial Code (Äriseadustik). RESBUD SE has been incorporated for indefinite duration.

Resbud SE has been established as a result of merger by acquisition based on article 2 paragraph 1 in connection with article 17 paragraph 2 letter a) and 18 COUNCIL REGULATION (EC) No 2157/2001 of 8 October 2001 on the Statute for a European company (SE) by the acquisition of the acquired company - RESBUD1 POLSKA AKCIOVA SPOLEĆNOST with headquarters in Ostrava, Czech Republic by the acquiring company - RESBUD SPÓŁKA AKCYJNA with headquarters in Płock, Poland (which was established in May 26, 1994 as a result of transformation of a state-owned enterprise operating under the name: Rzeszowskie Przedsiębiorstwo Budownictwa Przemysłowego "RESBUD" with headquarter in Rzeszów founded in 1950 year).

The Company was registered in the National Court Register of Entrepreneurs kept by the District Court for the capital city of Warsaw in Warsaw, XIV Economic Department of the National Court Register (Sąd Rejonowy dla m. st. Warszawy w Warszawie, XIV Wydział Gospodarczy Krajowego Rejestru Sądowego) on the February 2, 2018, under the number: 0000719570.

Then, the Ordinary General Meeting of the Company of May 30, 2018 adopted Resolution No. 18 on the transfer of the Company's registered office to Estonia and amendment of the Company's Articles of Associations - moving the

Company's registered office to Tallinn, Estonia. The Company has been registered in the Estonian Commercial Register by the registration department of the Tartu County Court on the November 30, 2018.

Enterprise History Table:

Date:	Company Name:	Headquarters:	Legal form:
1950	Rzeszów Przedsiębiorstwo Budownictwa Przemysłowego "RESBUD"	Rzeszów, Poland	A state enterprise
1994	ENTERPRISE OF INDUSTRIAL AND GENERAL CONSTRUCTION "RESBUD" SPÓŁKA AKCYJNA	Rzeszów, Poland	Joint-stock company
2005	"RESBUD" SPÓŁKA AKCYJNA	Rzeszów, Poland	Joint-stock company
2005	RESBUD SPÓŁKA AKCYJNA	Rzeszów, Poland	Joint-stock company
2014	RESBUD SPÓŁKA AKCYJNA	Płock, Poland	Joint-stock company
2018	RESBUD SE	Płock, Poland	European company
2018	RESBUD SE	Tallinn, Estonia	European company

The Company's main scope of activity includes construction of residential and non-residential buildings – EMTAK: 41201 / EMTAK 2008, NACE: 41.20 PKD: 41.20.Z

RESBUD SE does not provide construction services directly, but as a holding company, through the companies in which it holds shares.

The composition of the Management Board as of 31.12.2019 was as follows:

- Bartosz STRADOMSKI - Member of the Board

As at the date of approval of the statement, the composition of the management board is as follows:

- Jarosław Gerard PODOLSKI - Member of the Board

The composition of the supervisory board as of 31.12.2019 and also as at the date of approval of the statement is as follows:

- Alexey Petrov - chairman of the supervisory board
- Anna Jõemets - member of the supervisory board
- Andrei Prakopchyk - member of the supervisory board

### Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements to the extent they have not been disclosed in the other notes. These policies have been consistently applied to all the years presented, unless otherwise stated.

## **General information**

The presented financial statements contain aggregate data, which include branch in Poland. RESBUD SE does not have controlled subsidiaries and does not draw up a consolidated financial statement.

The financial statements, including comparative data, were not subject to transformation.

The Company prepares its profit and loss account by function and chose the indirect method of preparing a cash flow statement. The Entity's financial result for a given financial period includes all revenues achieved and accruing to it and related costs in accordance with the principles of accruals, matching of revenues and costs and prudent valuation.

The financial statements have been drawn up on the assumption of continuing economic activity for at least 12 consecutive months from the balance sheet date (going concern). There are no circumstances indicating threats to continuing operations.

## **Basis of preparation**

### (i) Compliance with IFRS

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

### (ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities – measured at fair value
- defined benefit pension plans – plan assets measured at fair value.

### (iii) New and amended standards adopted by the company

The company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments.

New standards that are mandatory for 2019 year, but the company has no such transactions:

- IFRS 16 Leases
- Prepayment Features with Negative Compensation – Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The management board of Resbud SE assesses the financial performance and position of the company, and makes strategic decisions. The board has been identified as being the chief operating decision maker.

### **Foreign currency translation**

#### *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the financial statements is the Polish zloty (PLN). The financial statements are presented in Euro (EUR), which is the Company's presentation currency.

#### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are recognised in profit or loss. Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

The company has decided to use conversion exchange rates for all conversion to PLN from National Bank of Poland ([www.nbp.pl](http://www.nbp.pl)), because Poland is a central point in foreign exchange on the PLN currency and especially on currency pair EUR/PLN, what gives best accuracy for the exchange rates and, consequently, the best financial statements accuracy.

For the purpose of preparing the financial statements, all items in the functional currency PLN (or whose original currency is a currency other than EUR) are converted to the currency of the presentation EUR. Economic events whose original currency was EUR are presented in the financial statements in that currency without conversion from the functional currency as they are in EUR already.

Financial data presented in the financial statements is converted into EUR currency as follows:

Balance sheet items are translated according to the average exchange rate announced by the National Bank of Poland as at the balance sheet date:

- On 31 December 2018, EUR 1 = 4.3000
- On 31 December 2019, EUR 1 = 4.2585

The items in the profit or loss statement and the cash flow statement are converted according to the rate of arithmetic mean of the average of the average exchange rates announced by the National Bank of Poland as at the last day of each month during the reporting period:

- Between 1 January 2018 to 31 December 2018, EUR 1 = 4.2669
- Between 1 January 2019 to 31 December 2019, EUR 1 = 4.3018

Exchange rate differences from translation from functional currency into presentation currency are recognized in equity. During the period covered by the financial statements and during the comparative period, the quotation of the average exchange rate of the zloty towards the EURO, set by the National Bank of Poland, were as follows:

<i>average rates in the reporting period</i>	<i>reporting period</i>		<i>reporting period</i>	
	<i>from 2019.01.01 to 2019.12.31</i>		<i>from 2018.01.01 to 2018.12.31</i>	
	<i>Exchange rate</i>	<i>date</i>	<i>Exchange rate</i>	<i>date</i>
exchange rate as at the last day of the period	4.2585	31-12-2019	4.3000	31-12-2018
average arithmetic exchange rate in the period*	4.3018	01-01-2019 to 31-12-2019	4.2669	01-01-2018 to 31-12-2018
the lowest exchange rate	4.2406	01-07-2019	4.1423	29-01-2018
the highest exchange rate	4.3891	23-09-2019	4.3978	03-07-2018

\* exchange rate being the arithmetic average of average exchange rates announced by the National Bank of Poland effective on the last day of each month in the reporting period

<i>Reporting period from 2019.01.01 to 2019.12.31</i>		<i>reporting period from 2018.01.01 to 2018.12.31</i>	
Tab. No. 22 from 31.01.2019	4.2802	Tab. No. 22 from 31.01.2018	4.1488
Tab. No. 42 from 28.02.2019	4.3120	Tab. No. 42 from 28.02.2018	4.1779
Tab. No. 63 from 29.03.2019	4.3013	Tab. No. 64 from 31.03.2018	4.2085
Tab. No. 84 from 30.04.2019	4.2911	Tab. No. 84 from 30.04.2018	4.2204
Tab. No. 105 from 31.05.2019	4.2916	Tab. No. 104 from 31.05.2018	4.3195
Tab. No. 124 from 28.06.2019	4.2520	Tab. No. 125 from 29.06.2018	4.3616
Tab. No. 147 from 31.07.2019	4.2911	Tab. No. 147 from 31.07.2018	4.2779
Tab. No. 168 from 30.08.2019	4.3844	Tab. No. 169 from 31.08.2018	4.2953
Tab. No. 189 from 30.09.2019	4.3736	Tab. No. 189 from 28.09.2018	4.2714
Tab. No. 212 from 31.10.2019	4.2617	Tab. No. 212 from 31.10.2018	4.3313
Tab. No. 231 from 29.11.2019	4.3236	Tab. No. 233 from 30.11.2018	4.2904
Tab. No. 252 from 31.12.2019	4.2585	Tab. No. 252 from 31.12.2018	4.3000
<b>Average arithmetical exchange rate in the period</b>	<b>4.3018</b>	<b>Average arithmetical exchange rate in the period</b>	<b>4.2669</b>

### **Revenue recognition**

The accounting policies for the revenue from contracts with customers are under IFRS 15 adopted as of 01.01.2018 using five step model.

### **Income tax**

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.



Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

In accordance with effective legislation, in Estonia corporate income tax is shifted from the moment of earning the profits to the moment of their distribution to shareholders (dividends). Therefore, deferred tax assets and liabilities do not arise. The income tax payable by the distribution on profits is recognized in the income statement of the period in which the dividends are paid. The regular CIT tax rate on distributed profits is 20% and no withholding tax is paid. From 2019, lower income tax rate of 14% may be applied if dividends are paid regularly, but in that case 7% withholding tax is applicable if dividend paid to natural person.

### **Leases**

The company has no lease contracts to be recognized under IFRS 16.

### **Impairment of assets**

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered the impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### **Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

### **Trade receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognized at fair value. They are subsequently measured at amortized cost using the effective interest method, less loss allowance.

### **Prepaid charges**

Prepaid charges are reconciled in proportion to the passage of time. Prepaid charges are made when expenses or use of assets relate to periods following the year in which they are incurred.

### **Investments and other financial assets**

#### *(i) Classification*

In accordance with IFRS 9 The Company classifies its financial assets in the following measurement categories: those to be measured subsequently at fair value (either through OCI or through profit or loss), and those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The company reclassifies debt investments when and only when its business model for managing those assets changes.

#### *(ii) Recognition and derecognition*

Regular way purchases and sales of financial assets are recognized on trade date, being the date on which the company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

#### *(iii) Measurement: General information*

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### *Measurement: Debt instruments*

Subsequent measurement of debt instruments depends on the company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the company classifies its debt instruments:

Amortized cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), and impairment expenses are presented as separate line item in the statement of profit or loss.

FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

#### *Measurement: Equity instruments*

The company subsequently measures all equity investments at fair value. Where the company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the company's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

#### *(iv) Impairment of investments and other financial assets*

The company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

The company measures loss allowances as follows:

- for trade receivables at an amount equal to lifetime ECLs;
- for cash and cash equivalents that are determined to have low credit risk at the reporting date (the management considers 'low credit risk' to be an investment grade credit rating with at least one major rating agency) at an amount equal to 12-month ECLs
- for all other financial assets at an amount of 12-month ECLs, if the credit risk (i.e. the risk of default occurring over the expected life of the financial asset) has not increased significantly since initial recognition; if the risk has increased significantly, the loss allowance is measured at an amount equal to lifetime ECLs

### **Trade and other payables**

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

### **Borrowings**

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### **Borrowing costs**

Borrowing costs are expensed in the period in which they are incurred.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale.

## **Provisions**

Provisions for legal claims, and make good obligations are recognized when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

Provisions created are charged to other operating costs, while release of provisions increases other operating income

## **Employee benefits**

### *(i) Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

### *(ii) Other long-term employee benefit obligations*

Company has no liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service.

## **Equity**

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. The equity is equivalent to net assets, i.e. assets less liabilities. They are recognized in the accounting books at their nominal value according to their types and principles specified in the provisions of law and the Company's Articles of Association: The share capital shall be shown in the amount specified in the company

Articles of Association and entered in the court register. Supplementary capital is created from the profit distribution. Revaluation capital is created from asset value revaluation. Exchange differences with the conversion of units with different functional currency.

### **Earnings per share**

#### *(i) Basic earnings per share*

Basic earnings per share is calculated by dividing: the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

#### *(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account: the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### **Rounding of amounts**

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand currency units unless otherwise stated.

### **Critical accounting estimates, judgments and uncertainties**

The preparation of financial statements in accordance with IFRS as adopted in the EU requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of the assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### **Deferred tax assets**

Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that taxable profit will be available in the period when deductible temporary differences realize against which those differences can be utilized.

### **Uncertainties in operating environment**

The financial results of the company have been impacted by both the changes in the currency exchange rates and the overall changes in the economy.

### **Global covid-19 pandemic**

A result of the spread of coronavirus in the territory of Estonia, Poland and Russia, the activities carried out by the company have not been significantly reduced. Due to the change in the company's strategy, the company does not carry out operational activities related to construction, therefore the outbreak does not have a significant direct impact on the company's current activities. All activities carried out by an company related to the administration are performed on an ongoing basis. Some of the tasks are performed by co-workers on a home office basis, while contacts between them and business partners are performed through means of distance communication. For additional information please see note: "important events after balance sheet date".

### **Fair value estimation**

Management estimates that the carrying amount of the company's financial assets and liabilities does not significantly differ from their fair value. Trade receivables and payables are short-term and therefore the management estimates that their carrying amount is close to their fair value. The fair values of trade receivables and payables are determined at third level.

### **Capital management**

The main objective of issuer when managing the capital is protection of company ability to run its operative activities. The issuer complies with regulations regarding share capital included in Estonia Commercial Code, especially with regulations concerning decreasing of assets. Resbud SE is monitoring share capital levels as a part of capital management in reporting period. All requirements of Estonian law regarding company's capital are met.

To maintain or adjust the capital structure, Resbud SE may issue new shares, decide to transfer the profit to appropriate reserve (legal or prescribed by the articles of association), use debt financing or sell assets for debt reduction. The company seeks to maintain strong capital base and build value of shares for long-term shareholders. To fulfill that goal, Resbud SE is using debt instruments only to cover its general management expenses. Acquisitions of assets is mainly carried out by issuing new shares, which does not significantly increase company's debt.

Subsidiaries of Resbud SE located in Russia and Poland are also obliged to upkeep their net assets at not less than the minimum amount of share capital, as imposed by the local law systems. As of 31 December 2019 all issuers subsidiaries met these requirements.

The company monitors capital using share of equity in financing assets ratio. There is no target share of equity in financing assets ratio set out by the issuers, however the company is using that ratio as performance indicator. Besides ratio mentioned above, Resbud SE is using general debt ratio and other debt ratios to evaluate its capital condition. The company presented debt ratios on page 15 of annual report.

## EXPLANATORY NOTES

### Note 1 Non-current investments

Change in the status of non-current financial assets (by types)

<i>CHANGE IN THE POSITION OF NON-CURRENT FINANCIAL ASSETS</i>	<i>31-12-2019</i>	<i>31-12-2018</i>
Balance at the beginning of the period	0	0
Increases due to acquisition	2 637	0
Decreases	0	0
Balance at the end of period	2 637	0

On 11 October 2019, the company acquired shares in Conpol Sp. z o. o. Shares were purchased as a contribution in kind within the framework of the issue of shares adopted on 31 May 2019, about which the issuer informed in the current report number 25/2019. As a contribution in kind, the issuer purchased from: (a) DKW Polska OÜ 1,291 shares and (b) Alexey Petrov 1,800 shares in Conpol Sp. z o. o. RESBUD SE holds a total of 3,091 shares in this company, which constitutes 38.63% of the share capital and is entitled to exercise the same number of votes at the General Meeting. Valuation of those shares is at their fair value through OCI.

On 4 October 2019 the issuer acquired shares in ENERGOKOMPLEKT OOO from AP ENERGOBAU OÜ. The Issuer purchased in total 4,1% share of ENERGOKOMPLEKT OOO for the price of EUR 2,077,703.00, which constitutes 4.1 % of share in the share capital and is liable to exercise the same number of votes. The shares were acquired through sale. The sale was settled by the deduction of mutual receivables, of which the issuer informed in detail in current reports 5/2019, 7/2019 and 8/2019, 26/2019, 31/2019, 41/2019 and 3/2020. Valuation of those shares is at their fair value through OCI.

<i>LONG-TERM FINANCE ASSETS</i>	<i>31-12-2019</i>	<i>31-12-2018</i>
Investments accounted for using the equity method	0	0
Financial assets at fair value through other comprehensive	2 637	0
Financial asset at fair value through profit or loss	0	0
Total	2 637	0

### Note 2 Financial assets and financial liabilities, financial risk management

The company holds the following financial instruments:

<i>FINANCIAL ASSETS</i>	<i>31-12-2019</i>	<i>31-12-2018</i>
1. Financial assets at amortized cost, including:	133	1 998
Trade receivables	19	942
Cash and cash equivalents	33	65



<b>Other financial assets at amortized cost</b>	<b>0</b>	<b>0</b>
<b>Current investments</b>	<b>81</b>	<b>991</b>
<b>2. Financial assets at fair value through other comprehensive income (FVOCI), including:</b>	<b>2 637</b>	<b>0</b>
<b>Non-current investment in shares</b>	<b>2 637</b>	<b>0</b>
<b>3. Financial assets at fair value through profit or loss (FVPL)</b>	<b>0</b>	<b>0</b>

<b>FINANCIAL LIABILITIES</b>	<b>31-12-2019</b>	<b>31-12-2018</b>
<b>1. Liabilities at amortized cost</b>	<b>327</b>	<b>134</b>
<b>Trade and other payables</b>	<b>25</b>	<b>134</b>
<b>Borrowings</b>	<b>200</b>	<b>0</b>
<b>Other non-current liabilities</b>	<b>102</b>	<b>0</b>
<b>2. Financial liabilities at fair value through profit or loss (FVPL)</b>	<b>0</b>	<b>0</b>

The company has no contractual obligations to purchase assets, nor any contingent liabilities that are not reflected in the financial statements.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

The company uses the following hierarchy for the purpose of disclosing information about financial instruments measured at fair value-broken down by valuation method:

Level 1: Quoted prices in an active market (uncorrected) for identical assets or liabilities.

Level 2: Valuation methods in which any data having a material impact on the estimated fair value is observable, directly or indirectly, market data.

Level 3: Valuation methods where inputs having a significant impact on the estimated fair value is not based on observable market data.

The following table shows the financial instruments measured at fair value at the balance sheet date:

	<b>31 December 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Shares - not listed</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>0</b>
<b>Shares in companies</b>	<b>2 637</b>	<b>-</b>	<b>-</b>	<b>2 637</b>
<b>Total financial assets at fair value</b>	<b>2 637</b>	<b>-</b>	<b>-</b>	<b>2 637</b>

<b>Financial liabilities at fair value</b>	-	-	-	-
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During the reporting period there was no revaluation of instruments between the levels of the fair value hierarchy.

#### Reconciliation of Level 3 fair value with the valuation of financial assets

As at 31 December 2019

	UNLISTED SHARES/STOCKS	OTHER	TOTAL
<b>Balance at the beginning of the period 01.01.2019</b>	<b>1</b>	<b>0</b>	<b>1</b>
Purchases/acquiring of shares	2 637	0	2 637
Disposal/settlement/loans	1	0	1
<b>Balance at the end of period 31.12.2019</b>	<b>2 637</b>	<b>0</b>	<b>2 637</b>

At the end of December 31, 2019, the Company had instruments classified at level 3 of the fair value hierarchy, including shares in Conpol Sp. o. o. - 3019 shares (38.64%) and Energokomplekt OOO - 4.1% share.

In 2019, the company held little-value shares in Iferia S. A., which were sold during the year.

During 2019 there were no changes in the hierarchy of values.

#### Objectives and principles of financial risk management

The company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk and fair value interest rate risk). The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

The Management Board has an overall responsibility for establishment and oversight of the company's risk management framework. The achievement of risk management goals in the company is organized in such a way that risk management is part of normal business operations and management. Risk management is a process of identifying, assessing and managing business risks that can prevent or jeopardize the achievement of business goals.

The main purpose of the financial instruments used by the Company is to raise funds for its activities and to finance the companies in holding.

The main financial instruments used by the Company are loans. The company spends free financial resources on granting cash loans.

The company does not enter into transactions involving derivatives.

The main types of risk arising from the Company's financial instruments include:

- interest rate risk,
- liquidity risk,
- credit risk and
- currency risk

### ***Interest rate risk***

Exposure to the risk of changes in market interest rates relates primarily to long-term financial liabilities, mainly loans and borrowings, bearing interest at variable interest rates.

The company raises funds to finance operations mainly in the form of loans with a fixed interest rate.

The company also invests its free cash into short-term fixed-rate deposits. All such investments have a maturity of up to one year.

The company did not use interest rate hedges, considering that the interest rate risk is not significant.

### ***Liquidity risk***

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The liquidity risk management process consists in monitoring projected cash flows, and then adjusting the maturity of assets and liabilities, working capital analysis and maintaining access to various sources of financing.

The Company's goal is to maintain a balance between continuity and flexibility of financing by using financing sources such as loans, overdraft facilities, and financial lease agreements.

### ***Credit risk***

Credit risk is the risk of incurring a financial loss by the Company when the customer or the other party to the contract for a financial instrument fails to comply with the obligations arising from the contract. Credit risk is mainly associated with receivables. The Company's exposure to credit risk is mainly due to the individual characteristics of each client. The company monitors its receivables on an ongoing basis. Due to the reduction in construction and assembly operations, the level of credit risk has fallen significantly in recent months.

The Company creates impairment losses that correspond to the estimated value of losses incurred on trade and other receivables and on investments.

The purpose of the Company's credit policy is to maintain financial liquidity ratios at a safe high level, timely payment of liabilities to suppliers and minimization of costs related to servicing bank liabilities. The policy of managing liabilities and receivables from suppliers and customers is also used to minimize the use of bank loans and related financial costs. Its purpose is to agree the terms of mutual payments in such a way that, while complying with the principle of timely fulfillment of own obligations, also use a trade credit.

### **Currency risk**

The Company is exposed to currency risk on purchases and cash that are denominated in a currency other than respective functional currency. Purchase prices are fixed in the following currencies: EUR (Euro), PLN (Polish Zloty). Additional information regarding functional and presentation currency please see "Summary of significant accounting policies".

Currency risk may also influence valuation of fair value of issuer main assets located outside euro zone like in Poland or Russia. Resbud SE acquired shares in Conpol sp. z o. o. and Energokomplekt OOO, as a part of new company strategy. Both subsidiaries are foreign companies, first located in Poland second in Russia. Evaluation of those companies is based on local currency: Polish zloty (PLN) and Russian ruble (RUB). In case of fluctuation in exchange rate of PLN and RUB against EURO, Management Board of Resbud SE may perform stress test of that assets. In Management Board opinion, stress test should be performed if fluctuation of exchange rates will cause the difference in value over 20% of the initial value.

### **Note 3 Deferred tax assets**

<b>ASSETS DUE TO DEFERRED INCOME TAX</b>	<b>31-12-2019</b>	<b>31-12-2018</b>
<b>Balance of deferred income tax assets at the beginning of the period, recognized in profit or loss, including:</b>	<b>4</b>	<b>2</b>
Cost provisions	4	4
Decrease to the amount of provisions	0	-2
<b>Increases charged to profit or loss of the period in relation to negative temporary differences, including:</b>	<b>0</b>	<b>3</b>
Cost provisions	0	1
Accrued interest	0	2
<b>Decreases charged to profit or loss of the period in relation to negative temporary differences, including:</b>	<b>4</b>	<b>1</b>
Cost provisions	4	1
<b>Balance of deferred income tax assets at the end of the period, recognized in profit or loss, including:</b>	<b>0</b>	<b>4</b>
Cost provisions	0	4

### **Note 4 Prepaid charges**

<b>PREPAID CHARGES</b>	<b>31-12-2019</b>	<b>31-12-2018</b>
Insurance paid	0	1
Document archiving	0	2
Costs of future issue of shares (deferred expences)	54	0
<b>Total prepaid charges</b>	<b>54</b>	<b>3</b>

#### Note 5 Trade and other receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

<b>TRADE AND OTHER RECEIVABLES</b>	<b>31-12-2019</b>	<b>31-12-2018</b>
<i>a) from affiliates</i>	0	794
-for supplies and services, with maturity up to 12 months	0	1
-other	0	793
<i>b) form the third parties</i>	7	148
- for supplies and services, with maturity up to 12 months	4	108
- due to corporate income tax	0	0
-other	3	39
<i>c) advances for supplies and services</i>	12	0
<b>Total net Trade and other receivables</b>	<b>19</b>	<b>942</b>
<i>e) Loss allowance</i>	0	931
<b>Total gross trade and other receivables</b>	<b>19</b>	<b>1 872</b>

Both trade receivables and other receivables are generally non-interest bearing and are usually collectible on 7 days terms.

<b>CHANGE IN IMPAIRMENT LOSSES OF TRADE AND OTHER RECEIVABLES</b>	<b>31-12-2019</b>	<b>31-12-2018</b>
<b>Balance at the beginning of the period</b>	<b>931</b>	<b>960</b>
Reversed during the year	376	0
Written off during the year	555	0
Exchange differences	0	-29
<b>Balance at the end of the period</b>	<b>0</b>	<b>931</b>

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

## Note 6 Current investments

<i>CURRENT INVESTMENTS</i>	<i>31-12-2019</i>	<i>31-12-2018</i>
<b>Shares or stocks in affiliates</b>	<b>0</b>	<b>1</b>
<b>Short-term loans given to affiliates</b>	<b>81</b>	<b>990</b>
<b>Total current investments</b>	<b>81</b>	<b>991</b>

On 08.03.2018 The company as lender has concluded a cash loan agreement with the PATRO INVEST OÜ with its headquarters in Tallinn as a borrower. Under the agreement, Resbud SE granted a loan of 2,400,00.00 PLN for the period up to 31.12.2018. The loan is remunerated at a fixed interest rate of 4.0 % per year. The parties found that interest on the loan granted would be payable once, together with the repayment of the capital in the split loan until 31.12.2018. The borrower secured the repayment of the loan with interest and possible other claims of the issuer which may arise from the contract by issuing own blank bill of exchange with a declaration.

On 07.06.2018, Issuer concluded as a lender a monetary loan agreement with PATRO INVEST OÜ in Tallinn (Estonia) as a borrower. The subject of the loan agreement is a cash loan in the amount of 900,000.00 PLN. The parties have decided that repayment of the loan will be effected by 31.12.2018. The interest rate on the loan was set at 4% on a yearly basis and will be payable on the loan's total repayment date. Payment of the loan amount occurred in one tranche on the date of conclusion of the loan agreement. Repayment of the loan was soft secured by the borrower by issuing a blank promissory note with a declaration to the lender. The contract is not concluded subject to a condition or deadline.

On 03.09.2018 Issuer concluded as a lender, a loan agreement with PATRO INVEST OÜ in Tallinn (Estonia) as a borrower. The subject of the loan agreement of 03.09.2018 is a cash loan in the amount of 850,000.00 PLN. The parties have decided that repayment of the loan will be effected by 31.03.2019. The interest rate on the loan was set at 4% on a yearly basis and will be payable on the loan's total repayment date. Payment of the loan amount occurred in one tranche on the date of conclusion of the loan agreement. Repayment of the loan was secured by the borrower by issuing a blank bill of exchange with a declaration to the lender. The contract is not concluded subject to a condition or deadline. The total amount of loans granted is 4.150.000 PLN.

The above receivables were merged on the basis of the agreement of 25 February 2019 on the merging of receivables. In accordance with the provisions of the agreement of 25 February 2019, the maturity of these receivables was established on 31 May 2019. The agreement on merging the receivables covered also other receivables.

The above-mentioned liabilities were taken over (debt take-over) by AP ENERGObAU OÜ with the seat in Tallinn under the agreement for acquisition of the issuer's shares under the investment agreement of 27 March 2019. The issuer published information about the conclusion of this agreement in its current report No. 8/2019.

The above receivables were settled by way of set-off as of 11 October 2019, of which the issuer informed in current report No. 3/2020.

Presented final balance of the loans is not connected with above described receivable against PATRO INVEST OÜ or AP ENERGOBAU OÜ but is the balance of the new loans given to the associated company Conpol sp. z o. o.

#### Note 7 Cash and Cash equivalents

<b>CASH AND CASH EQUIVALENTS</b>	<b>31-12-2019</b>	<b>31-12-2018</b>
Cash on current bank accounts	33	51
Short-term deposits in all currencies	0	14
<b>Total Cash and Cash equivalents</b>	<b>33</b>	<b>65</b>

#### Note 8 Share capital

##### Historical table of the company's capital formation (until 30/11/2018)

Series/i ssue	Type of share	Share preference type	Type of limitation of rights to shares	Number of shares	Value of series/issue by nominal value (thousand EUR)	Capital coverage method	Right to dividend
							(from date)
A-Series	Ordinary bearer	-	-	8 710 000	958	Transformation	1995-12-31
B-Series	Ordinary bearer	-	-	4 290 000	472	Cash	2013-06-10

The data presented above are of historical nature for the purposes of the financial statements. Since the date of the transfer of the company's seat to Estonia, the shares do not have separate series. All shares issued by the company have the same status, all are non par value and the shares are not in any way privileged and have no additional rights for the shareholders (i.e. all shareholders have the same rights arising from one share).

**The current table of the company's capital formation (after 30/11/2018)**

Series/ issue	Type of share	Share privilege type	Type of limitation of rights to shares	Number of shares	Value of series/issue by nominal value (thousand EUR)	Capital coverage method	Right to dividend
							(from date)
Shares from conversion - without series designation	Ordinary, registered	none	-	13 000 000	958	Conversion from previous series of shares	2018-01-01
Shares from issue 2019-05-30 - without series designation	Ordinary, registered	none	-	5 100 000	561	Cash and a non-monetary	2019-01-01
Total number of shares				<b>18 100 000</b>			
Total share capital as at 31-12-2019 (thousand EUR)					<b>1 991</b>		
The value of one non par value share in share capital (equivalent of nominal value) = 0.11 EUR							

The company's share capital as of 31 December 2019 amounts to EUR 1,991,000 and is divided into 18,100,000 ordinary, registered and non par value shares.

From all Resbud SE shares, only 8 710 000 shares are listed on Warsaw Stock Exchange S.A. in Warsaw on regulated market, segment "parallel market". Those shares were issued with the first part of the shares indicated above as shares from conversion, converter from earlier A-series shares.

Number of shares is equal to votes amount. One share allows to cast one vote.



**SHARE CAPITAL (ownership structure over 5% in votes)****Direct possession as at 31.12.2019**

No.	First name and last name/company name	Number of shares	Number of votes	% share of votes in the total number of votes
1.	AP Energobau OÜ	4 290 000	4 290 000	23.70%
2.	Alexey Petrov	2 788 000	2 788 000	15.40 %
3.	DKW Polska OÜ	2 312 000	2 312 000	12.77 %

**Indirect possession as at 31.12.2019**

No.	First name and last name/company name	Number of shares	Number of votes	% share of votes in the total number of votes
1.	Alexey Petrov, directly and indirectly over AP Energobau OÜ	7 078 000	7 078 000	39.10%
2.	Iwona Długosz indirectly over DKW Polska OÜ	2 312 000	2 312 000	12.77 %

**Direct possession as at 31.12.2018**

No.	First name and last name/company name	Number of shares	Number of votes	% share of votes in the total number of votes
1.	Patro Invest OÜ	4 290 000	4 290 000	33%

**Indirect possession as at 31.12.2018**

No.	First name and last name/company name	Number of shares	Number of votes	% share of votes in the total number of votes
1.	Damian Patrowicz indirectly over Patro Invest Ü	4 290 000	4 290 000	33%

**SHARE CAPITAL (in value)**

SHARE CAPITAL	31-12-2018
Nominal value of one shares – not applicable – shares are issue as non par value shares	N/A
The value of the shares in share capital – equivalent of the nominal value	0.11 €
Total number of shares	18 100 000
<b>Total share capital (in thousands of euros)</b>	<b>1 991</b>

On 19 December 2019, the Company's Articles of Association were amended and the share capital was increased. The said amendment is related to the increase of the share capital, adopted on 31 May 2019. Information on the share capital increase was provided in current reports number 36/2019 and 40/2019.

As a result of the registration of the share capital increase, the amount of the share capital is increased, which since 19 December 2019 amounts to EUR 1,991,000 (one million nine hundred and ninety one thousand).

Moreover, the number of shares in Resbud SE has changed. The total number of non par value shares since 19 December 2019 is 18,100,000 shares.

#### Note 9 Supplementary capital

<i>SUPPLEMENTARY CAPITAL</i>	<i>31-12-2019</i>	<i>31-12-2018</i>
From the sale of shares above nominal value	1 967	1 780
Evaluation of fixed assets	14	14
Reduction of the share capital	125	125
<b>Total Supplementary Capital</b>	<b>2 106</b>	<b>1 919</b>

#### Note 10 Reserve capital

<i>RESERVE CAPITAL</i>	<i>31-12-2019</i>	<i>31-12-2018</i>
Created for the purpose of issuance of shares	69	69
<b>Total Revaluation Capital</b>	<b>69</b>	<b>69</b>

#### Note 11 Revaluation Capital

<i>REVALUATION CAPITAL</i>	<i>31-12-2019</i>	<i>31-12-2018</i>
Deferred tax on revaluation of fixed assets	27	27
The effects of revaluation of fixed assets	252	395
<b>Total Revaluation Capital</b>	<b>279</b>	<b>422</b>

#### Note 12 Retained earnings

<i>RETAINED EARNINGS</i>	<i>31.12.2019</i>	<i>31.12.2018</i>
Profit (loss) from previous years	-1 945	-2 033
Net profit (loss) for the current year	35	88
<b>Total retained earnings</b>	<b>-1 910</b>	<b>-1 945</b>

#### Note 13 Book value per share

The book value per one share is the quotient of the equity value as at the balance sheet date by the number of shares as at the balance sheet date.

<b>BOOK VALUE PER ONE SHARE</b>	<b>31-12-2019</b>	<b>31-12-2018</b>
Number of shares at the balance sheet date	18 100 000	13 000 000
Equity value (thousand euros)	2 467	1 848
<b>Book value per share</b>	<b>0.14</b>	<b>0.14</b>

#### Note 14 Deferred tax liability

<b>CHANGE IN THE DEFERRED TAX LIABILITY</b>	<b>31-12-2019</b>	<b>31-12-2018</b>
Balance of deferred tax liability at the beginning of the period, recognized in profit or loss, valuation of loans	4	2
Increases referred to the financial result for the period due to positive temporary differences, valuation of loans	0	10
Decreases against profit or loss of the period in relation to positive temporary differences, valuation of loans	4	8
<b>Balance of deferred tax liability at the end of the period, recognized in profit or loss, valuation of loans</b>	<b>0</b>	<b>4</b>

#### Note 15 Borrowings

<b>NON-CURRENT BORROWINGS</b>	<b>31-12-2019</b>	<b>31-12-2018</b>
Bank loans	0	0
Other loans	200	0
<b>Total</b>	<b>200</b>	<b>0</b>

<b>CURRENT BORROWINGS</b>	<b>31-12-2019</b>	<b>31-12-2018</b>
Bank loans	0	0
Other loans	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

Name of entity	Type of liability (loan/credit)	Amount of credit/loan by agreement (thousand)		Amount of credit/loan to be repaid	Interest terms and conditions	Repayment deadline	Pledge
Energokomplekt OOO	LOAN	100	EUR	100	6% per year	31-12-2021	none
Energokomplekt OOO	LOAN	100	EUR	100	6% per year	31-12-2021	none

Interest is payable quarterly, up to the 15th day after the end of the quarter.

TERMS OF REPAYMENT OF NON-CURRENT DEBT	31-12-2019	31-12-2018
Within one year	0	0
From one to five years	200	0
<b>Total</b>	<b>200</b>	<b>0</b>

The following table presents financial liabilities movement during the financial year:

	1 January 2019	Cash flows from proceeds from loans	Cash flows to loans repaid	Foreign exchange effect	31 December 2019
Current interest-bearing loans and borrowing	0	0	0	0	0
Non-current interest-bearing loans and borrowings	0	200	0	0	200
<b>Total liabilities from financing activities</b>	<b>0</b>	<b>200</b>	<b>0</b>	<b>0</b>	<b>200</b>

#### Note 16 Other non-current liabilities

The other non-current liabilities is only one liability for the amount of 102 thousand EUR to linked company AP Energobau OÜ arising from the purchase of shares in Energokomplekt OOO. It is only the rest of the payment and the due date has been set to 31/12/2021. The interest 4% yearly are applicable and paid with principal amount.

## Note 17 Provisions

<b>CHANGE IN PROVISIONS</b>	<b>31-12-2019</b>	<b>31-12-2018</b>
<b>Balance at the beginning of the period</b>	<b>27</b>	<b>30</b>
Conversion differences	0	-2
Unused amounts reversed during the period	0	-2
<b>Balance at the end of the period</b>	<b>27</b>	<b>26</b>

At the end of 2019 only two very old construction contracts were considered for this provision for the warranty: one with Politechnika Rzeszowska from 11/8/2000 and second with TBS Rzeszów from 05/11/2002. As for the moment of the approval of this financial statement there were no significant claims regarding above contracts. The company has a written opinion regarding complex information about legal and actual situation from its legal counsel, that liability which could arise for both contracts just expired at 15 march 2020. It means the company release those specific provisions, but with the effect first on first half 2020, not in 2019. As at 31/12/2019 the position of the company is that provision is still valid.

## Note 18 Trade payables and other current liabilities

<b>TRADE PAYABLES AND OTHER CURRENT LIABILITIES</b>	<b>31-12-2019</b>	<b>31-12-2018</b>
Trade payables	0	20
Current liabilities from loans	3	0
Liabilities for employee benefits including:	3	1
- Salaries and social security	3	1
Other current liabilities	22	113
<b>Total trade payables and other current liabilities</b>	<b>28</b>	<b>134</b>

Trade payables are not interest bearing and usually are paid within 14 to 30 days.

Other current liabilities are non-interest bearing and have an average term of one month. There are few items of such liabilities which are mainly invoices or credit notes issued in December 2019 and payable in January 2020.

## Note 19 Revenue from contracts with customers

<b>REVENUES FROM CONTRACTS WITH CUSTOMERS</b>	<b>01.01.2019- 31.12.2019</b>	<b>01.01.2018- 31.12.2018</b>
Design Services	0	94
Lease	0	31
<b>Total revenues from contract with customers</b>	<b>0</b>	<b>125</b>
-Including from affiliates	0	0

There was no:

- assets recognized from the costs to obtain or fulfil a contract with a customer;
- contract assets and contract liabilities.

#### Note 20 Costs of sales

<i>COSTS OF SALES</i>	<i>01.01.2019- 31.12.2019</i>	<i>01.01.2018- 31.12.2018</i>
Depreciation	0	16
Materials and energy used	0	5
External services	0	92
Taxes and charges	0	4
Wages and salaries	0	25
Social security and other payments	0	4
Other costs by type	0	3
<b>Total costs of sales</b>	<b>0</b>	<b>149</b>
Change in inventories, products and accruals	0	2
General and administrative costs (negative value)	0	-123
<b>Manufacturing cost of products sold</b>	<b>0</b>	<b>28</b>

#### Note 21 Administrative expenses

<i>ADMINISTRATIVE EXPENSES</i>	<i>01.01.2019- 31.12.2019</i>	<i>01.01.2018- 31.12.2018</i>
Depreciation	0	2
Materials and energy used	0	1
External services	43	86
Taxes and charges	0	2
Wages, salaries and social security	45	29
Other costs	4	3
<b>Total administrative expenses</b>	<b>92</b>	<b>123</b>

#### Note 22 Other operating income

<i>OTHER OPERATING INCOME</i>	<i>01.01.2019- 31.12.2019</i>	<i>01.01.2018- 31.12.2018</i>
Acquisition of the appropriated property	0	809
<b>Net gain on disposal of property, plant and equipment</b>	<b>19</b>	<b>0</b>

Reinvoices	0	23
Other, including:	0	16
- release of reserves for employees fund	17	0
<b>Total other operating income</b>	<b>36</b>	<b>848</b>

**Note 23 Other operating expenses**

<i>OTHER OPERATING EXPENSES</i>	<i>01.01.2019- 31.12.2019</i>	<i>01.01.2018- 31.12.2018</i>
Value of the property acquired by transfer of ownership	0	403
Assignment of receivables	17	0
Loss allowance of receivables	20	0
Contractual penalties	0	94
Reinvoices	0	23
Other	0	4
<b>Total other operating expenses</b>	<b>37</b>	<b>524</b>

**Note 24 Finance income and costs**

<i>FINANCE INCOME</i>	<i>01.01.2019 - 31.12.2019</i>	<i>01.01.2018 - 31.12.2018</i>
Interest from loans granted, calculated using the effective interest rate method, including:	118	85
- from affiliates	56	85
Revenues from assignment of receivables	77	0
Exchange differences	11	2
<b>Total finance income</b>	<b>206</b>	<b>87</b>

<i>FINANCE COSTS</i>	<i>01.01.2019 - 31.12.2019</i>	<i>01.01.2018 - 31.12.2018</i>
Interest from loans granted, calculated using the effective interest rate method, including:	0	15
- for affiliates	0	15
Loss on disposal of receivables	3	279
Other	0	2
Costs of assignment of receivables	75	0
<b>Total finance costs</b>	<b>78</b>	<b>296</b>

## Note 25 Income tax

Corporate income tax currently in force in Estonia is a system, which shifts the moment of corporate taxation from the moment of earning the profits to the moment of their distribution. In 2019 profit was not distributed to shareholders and there were no corporate income tax duty.

<i>TOTAL AMOUNT OF DEFERRED TAX</i>	<i>01.01.2019- 31.12.2019</i>	<i>01.01.2018- 31.12.2018</i>
Included in equity	0	0
Included in goodwill or negative goodwill	0	0
Recognized in the profit and loss account	0	0

<i>TOTAL CURRENT TAX AMOUNT</i>	<i>01.01.2019- 31.12.2019</i>	<i>01.01.2018- 31.12.2018</i>
Included in equity	0	0
Included in goodwill or negative goodwill	0	0
Recognized in the profit and loss account	0	0

## Note 26 Earnings per share

<i>Earnings per share</i>	<i>01.01.2019- 31.12.2019</i>	<i>01.01.2018- 31.12.2018</i>
Weighted average number of shares in a year	18 100 000	13 000 000
Net profit/Loss for the year	35	88
Basic profit per share	0.00	0.01
Diluted earnings per share	0.00	0.01

## Note 27 Segments Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The management board of Resbud SE assesses the financial performance and position of the company, and makes strategic decisions. The board has been identified as being the chief operating decision maker.



The company operates in one business sector, has one operating and reporting segment. All assets and liabilities owned by the Company are assigned to one segment, i.e. there are no such assets and liabilities that are not assigned to segments at all.

The company did not generate revenues from core operations. Management does not make detailed measurements of operating results on the basis of any separate category, thus do not allocate resources to categories.

#### Note 28 Transaction with related parties

The following parties are considered to be related:

- Shareholders owning, directly or indirectly, a voting power in the company that gives them significant influence over the company;
- Associates - enterprises in which company have significant influence;
- Members of the Management Board and Supervisory Boards of the company and their immediate family members and companies under their control or significant influence.

<b>TRANSACTIONS WITH AFFILIATES FOR THE PERIOD ENDING 31.12. 2019</b>	<i>Sale of products, goods, materials and other to affiliates</i>	<i>Interest revenue from affiliates</i>	<i>Purchases From affiliates</i>	<i>Interest expense for affiliates</i>	<i>Trade receivables from affiliates at the end of the period</i>	<i>Other receivables at the end of the period from related parties</i>	<i>Receivables from loans and interest from affiliates</i>	<i>Trade and other payables at the end of the period to affiliates</i>	<i>Liabilities for loans to affiliates</i>
AP Energobau OÜ	0	56	2 077 703	0	0	0	0	102	0
Patro Invest OÜ	0	6	0	0	0	0	0	0	0
Patro Inwestycje sp. z o.o. (Poland)	77 115	0	0	0	0	0	0	0	0
Energokomplekt OOO (Russia)	0	0	0	0	0	0	0	0	201
Conpol sp. z o.o. (Poland)	0	1	0	0	0	0	80	0	0
<b>Total</b>	<b>77 115</b>	<b>63</b>	<b>2 077 703</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>80</b>	<b>102</b>	<b>201</b>

<b>TRANSACTION WITH AFFILIATES FOR THE PERIOD ENDING 31.12.2018</b>	<b>Sale of products, goods, materials and other to affiliates</b>	<b>Interest revenue from affiliates</b>	<b>Purchases From affiliates</b>	<b>Interest expenses for affiliates</b>	<b>Trade receivables from affiliates at the end of the period</b>	<b>Other receivables at the end of the period from affiliates</b>	<b>Receivables from loans and interest from affiliates</b>	<b>Trade and other payables at the end of the period to affiliates</b>	<b>Liabilities for loans to affiliates</b>
DAMF Invest S.A.	0	0	0	0	0	0	0	0	0
ELKOP S.A.	2	0	1	15	0	0	0	0	0
FON SE	0	0	2	0	0	0	0	0	0
ATLANTIS SE	0	3	0	0	5	1	0	2	0
Investment Friends SE	0	0	0	0	0	0	0	0	0
IFERIA S.A.	0	0	0	0	1	0	0	0	0
Patro Inwestycje sp. z o.o.	0	33	0	0	0	0	0	0	0
Damf Księgowość sp. z o.o.	0	23	0	0	0	0	0	0	0
Patro Invest OÜ	0	25	0	0	0	793	990	0	0
<b>Total</b>	<b>2</b>	<b>84</b>	<b>3</b>	<b>15</b>	<b>6</b>	<b>794</b>	<b>990</b>	<b>2</b>	<b>0</b>

#### Remuneration and other benefits of the Management Board and Supervisory board

<b>BENEFITS TO KEY MANAGEMENT</b>	<b>IN THOUSAND EUROS (EUR)</b>	
	<b>2019</b>	<b>2018</b>
Remunerations and benefits	32.25	6.50
Loans or guarantees granted	0	0
Other payments or property transfers	0	0
<b>Total</b>	<b>32.25</b>	<b>6.50</b>

There is no severance compensation for the Management Board members in case of termination or ending of the Board member contract.

<b>BENEFITS TO SUPERVISORY BOARD</b>	<b>IN THOUSAND EUROS (EUR)</b>	
	<b>2019</b>	<b>2018</b>
Remunerations and benefits	7.50	1.43

Loans or guarantees granted	0	0
Other payments or property transfers	0	0
<b>Total</b>	<b>7.50</b>	<b>1.43</b>

<b>REMUNERATION AND OTHER BENEFITS OF MANAGING AND SUPERVISING PERSONS</b>	<b>01.01.2019-31.12.2019</b>
<b>IN THOUSEND EUROS (EUR)</b>	
<b>Management Board</b>	<b>32.25</b>
- <i>Bartosz Stradomski</i>	32.25
<b>Supervisory Board</b>	<b>7.50</b>
- <i>Anna Jõemets</i>	2.50
- <i>Andrei Prakopchyk</i>	2.50
- <i>Alexey Petrov</i>	2.50

<b>REMUNERATION AND OTHER BENEFITS OF MANAGING AND SUPERVISING PERSONS</b>	<b>01.01.2018-31.12.2018</b>
<b>IN THOUSEND EUROS (EUR)</b>	
<b>Management Board</b>	<b>6.50</b>
- <i>Anna Kajkowska</i>	6.50
<b>Supervisory Board</b>	<b>1.42</b>
- <i>Wojciech Hetkowski</i>	0.30
- <i>Jacek Koralewski</i>	0.28
- <i>Damian Patrowicz</i>	0.37
- <i>Małgorzata Patrowicz</i>	0.23
- <i>Martyna Patrowicz</i>	0.23

Personal relations of Management Board members: do not exist.

Personal relations of Supervisory Board members:

1. Anna Jõemets is a member of the management board and minor shareholder of AP Energobau OÜ.
2. Alexey Petrov is a major shareholder in AP Energobau OÜ.

#### **Note 29 Important events after the balance sheet date**

A result of the spread of coronavirus in the territory of Estonia, Poland and Russia, the activities carried out by the company have not been significantly reduced. Due to the change in the company's strategy, the company does not carry out operational activities related to construction, therefore the outbreak does not have a significant direct impact on the company's current activities. All activities carried out by an company related to the administration

are performed on an ongoing basis. Some of the tasks are performed by co-workers on a home office basis, while contacts between them and business partners are performed through means of distance communication.

At the moment, the company only anticipates the obstacles related to auditing of company annual report by the auditor. These difficulties may consist in the need to provide original documents or to need a direct meeting with the auditor. The epidemiological threat associated with COVID19 may affect companies associated with the issuer whose have been brought as an contribution in-kind as part of the share issue process ended on 19 December 2019. In view of the above, the Management Board of Resbud SE asked Conpol Sp. z o. o. and Energokomplekt OOO in order to obtain information on the impact of the COVID19 virus epidemic on the operational activities of these companies.

According to the information provided by Conpol Sp. z o. o., the company is operating in its regular basis on Poland territory. Construction work related to current investments is carried out without any disruption. The company also announced, that all planned construction work for this year will be started in accordance with the concluded agreements. In its operational activities Conpol Sp. z o. o. encountered only two problems related to the current epidemic. The first was the outflow of foreign workers (mainly from Ukraine), while the second was a slight postponements of construction completion deadlines. The obstacles referred to above did not significantly affect the company's activities. After the first wave of returns to their home countries, foreign workers return to work in Poland. Given that the return coincided with the completion of the investments carried out, this factor did not significantly affect the company's activities. However, slight delays in the construction works carried out were taken into account by investors and, due to the prevailing epidemic situation, this did not affect the monetary settlement.

Energokomplekt OOO mainly carries out commercial activities as an intermediary of specialized construction products for energy in the territory of the Russian Federation. The industry in which the company operates is professional activities (B2B) and highly specialized. At the moment, it is apparent from the information provided by the company, that its activities have not been adversely affected by the current epidemic in any way.

### **Note 30 Going concern and description of uncertainties if any**

There are no uncertainties regarding going concern of the company. Additional description please see note "important events after balance sheet date" above.

### **Note 31 The legal basis for not preparing the consolidated financial statement**

As at 31 December 2019, the Company holds shares in two entities, Conpol sp. z .o. o. and Energokomplekt OOO. The shares in the capital of Conpol sp. z o. o. are 38.63 % and in Energokomplekt OOO 4.1 %. Due to the non-controlling share held, the issuer is not obliged to prepare consolidated statements in accordance with § 27 of the Estonian Accounting Act.

### Note 32 Remuneration of the statutory auditor

Remuneration of the statutory auditor or company authorized to audit financial statements, paid or due for the examined period.

<i>SPECIFICATION</i>	<b>2019 in EURO, net</b>
Audit of the financial statements for the period from 01.01.2019 to 31.12.2019	3 750
Review of the financial statements for the period from 01.01.2019 to 30.06.2019	0
Fees for other assurance services	0
Fees for related services	1 125
Fees for other business activities, including fees for tax advisory services	0

<i>SPECIFICATION</i>	<b>2018 in EURO, net</b>
Audit of the financial statements for the period from 01.01.2018 to 31.12.2018	2 326
Review of the financial statements for the period from 01.01.2018 to 30.06.2018	1 395
Fees for other assurance services	400
Fees for related services	0
Fees for other business activities, including fees for tax advisory services	0

### Note 33 Other disclosures

Total amount of remuneration calculated to employees during the accounting year and average number of employees by the types of employment specified in subsection 251 (4) of the Taxation Act: not applicable.

An overview of the funds allocated to the accounting entity directly or indirectly from the state budget or a local government budget during the accounting year not on arm's length basis, including the received state aid, and the use thereof: not applicable.

A list of beneficiaries of the accounting entity which is a foundation or reference to source in case this information is available from a public source: not applicable.

Number of members of the accounting entity which is a non-profit association broken down by natural and legal persons: not applicable.

Other important circumstances for the provision of relevant and truthfully submitted financial information regarding the accounting entity with respect to the financial position and performance and cash flows of the accounting entity: not applicable.

### Note 34 Profit allocation proposal

<b>RETAINED EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS AS OF 31 DECEMBER 2019:</b>	<b>IN THOUSANDS EUR</b>
Accumulated retained earnings	-1 945
Profit for the year ended 31 December 2019	35
Total retained earnings year ended 31 December 2019	-1 910

The Management Board makes the following proposal to the Annual General Meeting:

Payment of dividends to shareholders:	0
Transfer of profit to retained earnings:	35
Retained earnings after allocation:	-1 910

**Financial statements signatures (digitally signed):**

.....  
**Jolanta Gałuszka**

Chief Accountant

GALEX Kancelaria Biegłego Rewidenta

.....  
**Jarosław Gerard Podolski**

Member of the Management Board

RESBUD SE



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## VIII. DECLARATION OF THE MANAGEMENT BOARD

The Management Board has prepared the Financial Statements and the Profit Allocation Proposal for the year ended on 31 December 2019 in accordance with the accounting standards and the financial statements present a true and fair view of the company's assets, liabilities, financial position and profit.

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Jarosław Gerard Podolski - Member of the Management Board RESBUD SE

(digitally signed)