



REPORT OF THE MANAGEMENT BOARD ON THE OPERATIONS OF  
RESBUD SE

FOR 2017

Płock, 26 March 2018

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## **PRESIDENT OF THE MANAGEMENT BOARD LETTER**

### **Dear Shareholders, Customers and Business Partners,**

On behalf of the Management Board of RESBUD SE, I am presenting to you the Annual Statements of RESBUD SE Company covering the period from 01/01/2017 to 31/12/2017, which is a summary of that year.

Another year has passed, it was another year full of changes, taking into account the overall situation on the market, also for RESBUD SE. The steps taken have significantly reduced the fixed costs of the operations conducted. As a result of the Management Board's activities, in accordance with the merger procedure, with Resbud Polska Akciova spolecnost Company with its registered office in Ostrava, the Issuer adopted the legal form of the European Company and currently operates under the name RESBUD SE with its registered office in Plock.

The expected benefits that the Company intends to achieve in connection with obtaining the status of a European Company is to increase efficiency, improve the financial condition of the Company while maintaining the current direction of activity and development. Considering the Shareholder's request to transfer the company's registered office to the Republic of Estonia, it should be presumed that the transfer of the Company's registered office to Estonia shall allow for greater synergy of the Company's business operations and shall provide the Company with greater access to the markets of all European Union countries. In the Issuer's opinion, Estonia is a country that allows it to conduct business on a large scale in a flexible manner throughout the European Union using innovative solutions provided by Estonian law. Thanks to the transfer of the business location to Estonia, the Company shall be able, among others, to make full use of modern forms of concluding distance contracts, and efficient courts shall allow for their effective enforcement. The Management Board explains that the transfer of the Company's registered office shall entail a change in the Company's Articles of Association and, in addition, the Company shall be subject to the provisions of Estonia law to an extent not regulated in the European Companies Regulation. However, the Management Board indicates that the change in the Company's registered office shall not affect the total number of shares in the company and the total number of votes at the General Meeting. In addition, the Management Board informs that in accordance with applicable regulations, including in particular those of Estonia, it intends to enable shareholders to participate in General Meetings remotely using electronic means.

The scope of information to be provided by the Issuer shall be similar to the current scope, in particular due to the fact that the Issuer's shares participate in trading on the WSE

The actions taken by the Management Board In the past 2017 to reduce the negative effects of contracts performed in previous periods have the desired effect.

Analysis of the presented balance sheet structure leads to the following conclusions:

- an increase in the balance sheet total was observed,
- the Company's capitals were at a level materially higher than in 2016, which is the result of the issue of new shares and the increase of the share capital in the Company
- long-term liabilities have decreased

On behalf of the Management Board of Resbud SE, I would like to thank the Shareholders for trust, members of the Supervisory Board for support in the activities of the Management Board and all colleagues for support in the implementation of very difficult tasks.

**Yours sincerely, Anna Kajkowska - President of the Management Board**

**MANAGEMENT BOARD'S STATEMENT REGARDING THE ENTITY AUTHORIZED TO AUDIT THE SEPARATE FINANCIAL STATEMENTS OF RESBUD SPÓŁKA EUROPEJSKA FOR 2017.**

The Management Board of RESBUD SE declares that the entity authorized to audit the annual separate financial statements of RESBUD SE for 2017 was selected in accordance with legal regulations and that this entity and the certified auditor auditing this report met the conditions for expressing an impartial and independent audit opinion, in accordance with the relevant provisions of national law.

The Management Board of RESBUD SE:

Anna Kajkowska President of the Management Board

**MANAGEMENT BOARD'S STATEMENT REGARDING THE FINANCIAL STATEMENTS FOR 2017.**

The Management Board of Resbud European Company declares that, to the best of its knowledge, the annual financial statements and comparable data have been prepared in accordance with the applicable accounting principles and that they reflect in a true, reliable and clear way the financial and property situation of RESBUD SE and its financial result and that the Management Board's annual report provides a true picture of the development and achievements and situation of RESBUD SE. The Management Board of RESBUD SE would like to point out that all material events that occurred in 2017, and played a material role for the Company for various reasons, were published through Current and Periodic Reports submitted to the Polish Financial Supervision Authority, the Warsaw Stock Exchange and an information agency indicated by the Polish Financial Supervision Authority, i.e., Polska Agencja Prasowa S.A.

In the light of the above, the Management Board of RESBUD SE presents below with due diligence and accuracy the Management Board's report on the activities of SE for 2017.

The Management Board of RESBUD SE:

Anna Kajkowska President of the Management Board

This Report on the activities of RESBUD SE was prepared in accordance with the Regulation of the Minister of Finance on current and periodic information published by issuers of securities of 19/02/2009. (Journal of Laws of 2009 No. 33, item 259).



## 1. Principles for preparing the financial statements

The accounting principles adopted when preparing the financial statements were set out in detail in the introduction to the financial statements, which is an attachment to the 2017 statements.

## 2. Basic economic and financial figures disclosed in the annual financial statements.

SELECTED FINANCIAL DATA	in PLN k		in EUR k	
	for the period from 2017/01/01 to 31/12/2	for the period from 01/01/2016 to 31/12/2016	for the period from 2017-01-01 to 31/12/2017	for the period from 01/01/2016 to 31/12/2016
Net revenues from sale of products, goods and materials	203	198	48	45
Operating profit (loss)	-452	227	-106	52
Gross profit (loss)	-60	833	-14	190
Net profit (loss)	-108	201	-25	46
Net cash flows from operating activities	1 360	(251)	320	(57)
Net cash flows from investment activities	-3,268	(918)	-770	(210)
Net cash flows from financial activities	3,204	984	755	225
Total net cash flows	1,296	(185)	305	(42)
Assets in total	7,863	4,984	1,885	1,127
Liabilities and provisions for liabilities	279	1,056	67	239
Long-term liabilities	10	0	2	0
Short-term liabilities	269	1,056	64	239
Equity	7,584	3,928	1,818	888
Share capital	6,500	4,355	1,558	980
Number of shares (units)	13,000,000	8,710,000	13,000,000	8,710,000
Net profit (loss) per ordinary share (in PLN/EUR)	-0.01	0.21	-0.01	0.05
Net diluted profit (loss) per ordinary share (in PLN/EUR)	-0.01	0.20	-0.01	0.05
Book value per one share (in PLN/EUR)	0.58	0.45	0.14	0.10
Diluted book value per one share (in PLN/EUR)	0.58	0.44	0.14	0.10
Dividend per share declared or paid (in PLN/EUR)	0	0	0	0

Statement of financial position - in PLN k

ASSETS	(in PLN k)	note	balance at 31/12/2017	balance at 31/12/2016
<b>FIXED ASSETS</b>			<b>2,160</b>	<b>1,943</b>
Tangible fixed assets		1	8	3
Intangible assets		2	7	14
Investment real estate		4	1,779	1,859
Long-term receivables		5	19	19

Long-term financial assets	6	337	0
Income tax and other assets	7	10	48
<b>CURRENT ASSETS</b>		<b>5,703</b>	<b>3,041</b>
Trade and other receivables	10	105	1,822
Public receivables	10	84	37
Short-term financial assets	11	4,038	1,002
Cash and cash equivalents	12	1,443	147
Short-term prepayments and accruals	13	33	33
<b>TOTAL ASSETS</b>		<b>7,863</b>	<b>4,984</b>

<b>LIABILITIES</b>	<b>(in PLN k)</b>	<b>note</b>	<b>balance at 31/12/2017</b>	<b>as balance as at 31/12/2016</b>
<b>TOTAL EQUITY</b>			<b>7,584</b>	<b>3,928</b>
Share capital		16	6,500	4,355
Supplementary capital (fund)		17	7,715	6,096
Reserve capital		18	297	297
Revaluation reserve		19	1,815	1,815
Retained earnings from previous years		20	-8,635	-9,516
Net profit (loss)		20	-108	881
<b>LONG-TERM LIABILITIES</b>			<b>10</b>	<b>0</b>
Provision for deferred income tax		22	10	0
<b>SHORT-TERM LIABILITIES</b>			<b>269</b>	<b>1,056</b>
Other short-term provisions		26	123	203
Short-term liabilities from loans and borrowings		27	0	555
Liabilities from deliveries and services		28	37	43
Tax, social security and health insurance liabilities		28	8	8
Liabilities for employee benefits		28	10	9
Other short-term liabilities		28	91	238
<b>TOTAL LIABILITIES</b>			<b>7,863</b>	<b>4,984</b>
Book value		21	7,584	3,928
Number of shares		21	13,000,000	8,710,000
Book value per one share (in PLN)		21	0.58	0.45
Diluted number of shares		21	13,000,000	8,855,600
Diluted book value per one share		21	0.58	0.44

Analysis of the balance sheet structure leads to the following conclusions:

- an increase in the balance sheet total was observed,

- the Company's capitals were at a level materially higher than in 2016, which is the result of the issue of new shares and the increase of the share capital in the Company
- long-term liabilities have decreased

**3. Information on basic products and services, together with their value and quantity specification as well as the share of individual products, goods and services (if relevant) or their groups in the total sales of the issuer, as well as changes in this respect in a given financial year.**

This year, the RESBUD S.A. revenues were generated, among others from the lease of an office building. At the same time, some funds were allocated by granting loans to Patro Invest Sp. z o.o with an annual interest rate of 6%.

**4. Information on sales markets, taking into account the division into domestic and foreign markets, as well as information on sources of supply for materials for production, goods and services, with determination of dependence on one or more recipients and suppliers, and if the share of one recipient or supplier achieves at least 10% of total sales revenues - the name (business name) of the supplier or recipient, its share in sales or supply, and its formal links with the issuer.**

In 2017, the operations of RESBUD S.A. were focused on the domestic market.

**5. Information on concluded contracts material for the issuer's activity, including contracts concluded between shareholders, insurance, contracts or cooperation agreements.**

The Management Board presents below a summary of material contracts concluded in 2017 for RESBUD SE which were reported in current statements:

- On 10/04/2017, the company acting as the lender concluded a cash borrowing contract with PATRO INVEST Sp.z o.o. the subject of the borrowing contract is a cash borrowing in the amount of PLN 2,900,000.00. The parties agreed that the loan would be repaid until 31/12/2017. On 22/05/2017, the borrower repaid the borrowing principal amount and interest due in the total amount of PLN 2,920,021.92 in advance.
- On 22/05/2017, Damf Invest S.A. made an early repayment of the borrowing principal and interest due in the total amount of PLN 1,038,630.14 under the borrowing contract of 30/09/2016.
- On 29/03/2017, the company acting as the lender concluded a cash borrowing contract with Atlantis S.A. the subject of the borrowing contract is a cash borrowing in the amount of PLN 200,000.00. The parties agreed that the borrowing would be repaid until 31/12/2017.
- On 14/09/2017 The Issuer, as the Lender, concluded a cash borrowing contract with Patro Invest Sp. z o.o. in Płock KRS 0000657016, TIN: 7743232326, REGON [national business registry number]: 366271379 as the

Borrower. Under the Agreement of 14/09/2017 The Issuer granted the Borrower a loan in the amount of PLN 3,000,000.00 (three million zlotys) for the period to 31/03/2018. The borrowing shall be paid out in tranches at the Borrower's request. The borrowing bears interest at a fixed interest rate of 5.7% per annum. The parties agreed that interest on the borrowing granted shall be payable once together with the repayment of the principal of the loan granted until 31/03/2018. The parties to the borrowing contract agreed that the Borrower shall have the right to early repay all or part of the borrowing granted. The payment of the first tranche of the borrowing was made on 14/09/2017 in the amount of PLN 1,000,000 (one million zlotys). The Issuer indicates that the remaining funds in accordance with the concluded borrowing contract shall be disbursed in tranches at the Borrower's request, provided that the total amount of funds disbursed cannot exceed the amount of the borrowing granted, i.e. PLN 3,000,000.00 and the entire borrowing repayment deadline is 31/03/2018. The Borrower secured the repayment of the loan amount together with interest and other claims of the Issuer that may arise from the concluded contract by issuing a blank promissory note to the Issuer together with a promissory note declaration.

**6. Identification of the issuer's main domestic and foreign investments (securities, financial instruments, intangible assets and real estate), including capital investments made outside its group of affiliates and a description of the methods of their financing.**

- As at 31/12/2017, the Issuer holds 191,570 shares of IFERIA S.A. with a nominal value of PLN 3,831.40. The value of shares owned by the Issuer after making a write-down in the Issuer's books as at the balance sheet date is PLN 1,915.70. The acquisition was financed from the Company's own funds
- As at 31/12/2017 The Company owned 2 shares of RESBUD1 Polska a.s. with its registered office in Ostrava, constituting 100% of the total number of votes and 100% of the share capital of RESBUD1 Polska a.s. Shares RESBUD1 POLSKA A.S. were acquired to merge a subsidiary operating under Czech law with the Issuer in order to obtain the status of a European Company.

**7. Description of transactions with affiliates.**

A detailed list of transactions with affiliates is presented in the financial statements.

*I. I Personal relations Management Board:*

Anna Kajkowska acts as the President of the Management Board of Company the President of the Management Board of RESBUD SE., Member of the Supervisory Board of Investment Friends SE.

*II. I Personal relations Supervisory Board:*

1. Wojciech Hetkowski - Member of the Supervisory Board – Elkop S.A., Damf Inwestycje S.A., FON S.A., ATLANTIS S.A. RESBUD SE, Investment Friends SE, Investment Friends Capital SE.

2. Małgorzata Patrowicz - Member of the Supervisory Board: Atlantis S.A., Investment Friends Capital SE, Elkop S.A., Damf Inwestycje S.A., FON S.A., RESBUD SE., Investment Friends S.A., President of the Management Board of DAMF INVEST S.A, Member of the Management Board of IFERIA S.A., President of the Management Board of Patro Invest Sp. z o.o.
3. Marianna Patrowicz – Member of the Supervisory Board: Atlantis S.A, Elkop S.A, Damf Inwestycje S.A., FON S.A., RESBUD SE, Investment Friends SE, Member of the Supervisory Board IFERIA S.A, Damf Invest S.A.
4. Jacek Koralewski – Member of the Supervisory Board: Damf Inwestycje S.A., FON S.A., Atlantis S.A., RESBUD SE, Investment Friends Capital SE, Investment Friends SE., President of the Management Board of -Elkop S.A.
5. Damian Patrowicz - Member of the Supervisory Board: Atlantis S.A., Elkop S.A., Damf Inwestycje S.A., FON S.A., RESBUD SE, Investment Friends Capital SE, Investment Friends SE., Shareholder Damf Invest S.A., Acting President of the Management Board of FON S.A., Member of the Supervisory Board IFERIA S.A., Damf Invest S.A.
6. Martyna Patrowicz - Member of the Supervisory Board Atlantis S.A., Elkop S.A., Damf Inwestycje S.A., FON S.A., RESBUD SE, Investment Friends Capital SE., Damf Invest S.A. IFERIA S.A.

#### **8. Information on loans taken and borrowing contracts, taking into account their due dates, and about sureties and guarantees granted.**

As at 31/12/2017, the Issuer has fully repaid its liabilities under the above-mentioned loans together with accrued interest.

On 07/03/2018 The Issuer concluded a cash borrowing contract with ELKOP S.A. in Chorzów (KRS 0000176582) as a lender. The subject of the borrowing contract of 07/03/2018. is a cash borrowing in the amount of PLN 2,500,000.00. The parties agreed that the borrowing would be repaid until 30/06/2018. The interest rate on the borrowing was set at 3.5% per annum. The interest shall be calculated and paid on a monthly basis. The borrowing amount was disbursed in one tranche on the day of conclusion of the borrowing contract. The repayment of the loan was secured by the Issuer by issuing a blank promissory note with a declaration to the Lender and the Issuer undertook to establish a mortgage on its real estate built-up with an office building in Rzeszów up to PLN 2,800,000.00. The contract has not been concluded subject to a condition or time limit.

#### **9. Information on borrowings granted, including their due dates, as well as sureties and guarantees granted, with particular emphasis on borrowings, sureties and guarantees granted to affiliates of the issuer.**

On March 29/03/2017 the company concluded as a lender a cash borrowing contract with ATLANTIS S.A. acting as the borrower. The subject of the borrowing contract is a cash borrowing in the amount of PLN 200,000.00. in accordance with the addendum, the parties decided that the borrowing would be repaid until 31/12/2018. The interest rate on the borrowing was set at 6.0% per annum. The interest shall be payable together with the refund of the borrowing amount. The repayment of the borrowing was secured by the borrower by issuing a blank promissory note with a declaration to

the Issuer.

On March 10/04/2017 the company concluded as a lender a cash borrowing contract with PATRO INVEST Sp. z o.o acting as the borrower. The subject of the borrowing contract is a cash borrowing in the amount of PLN 2,900,000.00. The parties agreed that the borrowing would be repaid until 31/12/2017. The interest rate on the borrowing was set at 6.0% per annum. The interest shall be payable together with the refund of the borrowing amount. The borrowing amount was disbursed in one tranche on the day of conclusion of the borrowing contract. The repayment of the borrowing was secured by the borrower by issuing a blank promissory note with a declaration to the Issuer. On 22/05/2017 the borrowing and interest have been repaid.

On 14/09/2017 The Issuer, as the Lender, concluded a cash borrowing contract with Patro Invest Sp. z o.o. acting as the Borrower. Under the Agreement. The Issuer granted the Borrower a loan in the amount of PLN 3,000,000.00 for the period to 31/03/2018. The borrowing was paid out in tranches. The borrowing bears an interest rate of 5.7% per annum. The parties agreed that interest on the borrowing granted shall be payable once together with the repayment of the principal of the loan granted until 31/03/2018. The Borrower secured the repayment of the loan amount together with interest and other claims of the Issuer that may arise from the concluded contract by issuing a blank promissory note to the Issuer together with a promissory note declaration.

On 02/10/2017 the company concluded as a lender a cash borrowing contract with ATLANTIS S.A. acting as the borrower. The subject of the borrowing contract is a cash borrowing in the amount of PLN 32,000.00. in accordance with the addendum, the parties decided that the borrowing would be repaid until 08/02/2018. The interest rate on the borrowing was set at 6.0% per annum. The interest shall be payable together with the refund of the borrowing amount. The repayment of the borrowing was secured by the borrower by issuing a blank promissory note with a declaration to the Issuer.

On 30/09/2016, the Issuer granted a cash borrowing to Damf Invest S.A. with its registered office in Płock (KRS 00000392143) in the amount of PLN 1,000,000.00. The parties agreed on an interest rate of 10% per annum. The reimbursement of the borrowing amount together with the interest rate was set for 31/05/2017. On 22/05/2017 the borrower repaid the borrowing with interest due.

On 31/01/2018 The Issuer, as the Lender, concluded a cash borrowing contract with Damf Księgowość Sp. z o.o. in Płock KRS 0000653491, TIN: 7743232007, REGON [national business registry number]: 366133909) as the Borrower. Under the Agreement of 31/01/2018 The Issuer granted the Borrower a borrowing in the amount of PLN 1,190,000.00 (one million, one hundred and ninety thousand zlotys) for the period ending on 31/01/2019. The borrowing bears an interest rate of 5.7% per annum. The parties agreed that interest on the loan granted shall be payable together with the repayment to the Issuer of the principal of the loan granted until 31/01/2019. The parties to the borrowing contract agreed that the Borrower shall have the right to early repay all or part of principal of the borrowing granted. Pursuant to the terms of the concluded borrowing contract, the borrowing will be disbursed on the day of its conclusion, i.e. 31/01/2018 The Borrower secured the repayment of the loan amount together with interest and other claims of the Issuer that may arise from the concluded contract by issuing a blank promissory note to the Issuer together with a promissory note declaration. The Issuer informs that the Borrower's current liability under the borrowings granted in

total amounts to PLN 1,930,000.

On 08/03/2018 The Issuer concluded, as the Lender, a cash borrowing contract with PATRO INVEST OU in Tallinn (Estonia) acting as the Borrower. The subject of the borrowing contract of 08/03/2018 is a cash borrowing in the amount of PLN 2,400,000.00. The parties agreed that the borrowing would be repaid until 31/12/2018. The interest rate on the borrowing has been set at 4% per annum and will be payable on the date the borrowing is repaid in full. The borrowing amount was disbursed in one tranche on the day of conclusion of the borrowing contract. The repayment of the borrowing was secured by the Borrower by issuing a blank promissory note with a declaration to the Lender. The contract was not concluded subject to a condition or time limit.

#### **10. In the case of issues of securities during the period covered by the report - a description of the issuer's use of the proceeds from the issue.**

The Management Board of RESBUD S.A. issued securities in the presented period. Pursuant to the resolution of 30/03/2017 The Management Board of RESBUD S.A. decided to increase the Company's share capital from PLN 4,355,000.00 (in words: four million three hundred fifty-five thousand zlotys) to PLN 6,500,000.00 (in words: six million five hundred thousand zlotys), i.e. by PLN 2,145,000.00 (in words: two million one hundred forty five thousand zlotys), by way of issue of 4,290,000 (in words: four million two hundred and ninety thousand) ordinary series C bearer shares with a nominal value of PLN 0.50 (fifty groszy) each share.

The series C shares issued pursuant to the Resolution of the Management Board of 30/03/2017 shall be offered by private subscription to individual recipients, with the exclusion of pre-emptive rights of existing shareholders.

The issue price of B series shares was set by the Management Board with the consent of the Supervisory Board at PLN 0.88 (eighty-eight groszy) each share, i.e. the total issue value of 4,290,000 (in words: four million two hundred and ninety thousand) series B shares is PLN 3,775,200 (three million seven hundred seventy-five thousand two hundred zlotys).

The Supervisory Board of the Company by the resolution of 30/03/2017, pursuant to Article 9B paragraph 7 of the Company's Articles of Association, agreed to exclude the pre-emptive right to series B shares in the interest of the Company and the nominal price of series B shares.

After registration of the share capital increase in the National Court Register on 11/05/2017, in accordance with the resolution of 30/03/2017. the Company's share capital amounts to PLN 6,500,000.00 (in words: six million five hundred thousand) and is divided into 13,000,000 (thirteen million) shares with a nominal value of PLN 0.50. (in words: fifty groszy) each share.

The funds obtained from the issue will, in the long run, help the development of the company and improve its financial situation. In the short term, the funds were the subject of cash borrowings that were repaid together with interest, generating profit for the company.

**11. Explanation of differences between financial results recognized in the annual statements and previously published results forecasts for a given year.**

RESBUD S.A. did not publish forecasts for 2017.

**12. Assessment, together with its grounds, regarding the management of financial resources, with particular emphasis on the ability to meet the obligations incurred, and a description of material risk factors, threats and actions that the issuer has taken or intends to take to counter those threats, together with a specification to what extent the issuer is exposed thereto.**

RESBUD S.A. settles its current liabilities in a timely manner. The company, when providing cash borrowings, requires collateral and also verifies the borrower's ability to settle the liability. If the borrowings are not repaid, a possible risk is the reduction of the Issuer's financial liquidity and financial standing.

**13. Assessment of the feasibility of implementing investment plans, including capital investments, compared to the amount of resources held, taking into account possible changes in the financing structure of this activity.**

The Company is not planning any material investments in the next quarter.

**14. Assessment of factors and unusual events affecting the result of operations for the financial period, determining the degree of influence of those factors or unusual events on the achieved result.**

On 21/02/2018 The Registry Court registered the merger of the Issuer previously operating as a joint-stock company under Polish law under the name RESBUD SPÓŁKA AKCYJNA with its registered office in Płock at ul. Padlewskiego 18C, Poland, entered into the Register of Entrepreneurs of the National Court Register kept by the District Court for the capital city of Warsaw in Warsaw, 14th Commercial Division under the number KRS 0000090954, NIP 8130267303, REGON 690294174, with RESBUD1 Polska Akciova spolecnost with its registered office in Ostrava, address: Podebradova 2738/16, Moravska Ostrava, 702 00 Ostrava, Czech Republic entered in the commercial register kept by the District Court in Ostrava, section B under number 10978, identification number 06502440. (Hereinafter referred to as: Acquired Company). The Acquiring Company RESBUD S.A. (currently RESBUD SE) operates in the construction industry, while RESBUD 1 Polska Akciova spolecnost operates in the production, trade and other services sector in accordance with the scope of activity disclosed in the relevant register, with RESBUD1 Polska Akciova spolecnost being a special purpose entity registered on 10 October 2017

As a result of registration of the merger by the District Court for the Capital City of Warsaw in Warsaw, the Issuer obtained the legal form of a European Company and currently operates under the name RESBUD SE with its registered office in Płock at ul. Padlewskiego 18C, Poland, entered into the Register of Entrepreneurs of the National Court



Register kept by the District Court for the Capital City of Warsaw in Warsaw, 14th Commercial Division, under KRS number 0000719570. As at the date of publishing this report, the Court did not disclose NIP [tax identification number] and REGON [national business registry number] in the KRS extract, the Issuer will provide information about that data as soon as they are supplemented by a separate current report by the Court.

The merger occurred under the conditions set out in the Merger Plan of 30/11/2017. made available free of charge to the public on the websites of the merging companies respectively at the addresses of RESBUD S.A. - <http://www.resbud.pl/> and RESBUD1 Polska Akciova spolecnost - <http://resbudas.eu> as well as the current report of RESBUD S.A. ESPI No. 30/2017 of 30/11/2017

The merger was effected by acquisition by RESBUD S.A. the company RESBUD1 Polska Akciova spolecnost, in accordance with the provisions of Article 2 paragraph 1 in conjunction with Article 17 paragraph 2 letter a) and 18 of the Council Regulation (EC) No. 2157/2001 of October 8, 2001 on the articles of association of the European company (SE) of October 8, 2001. (OJ EU L No. 294, page 1) (hereinafter referred to as: the SE Regulation). The merger was approved by the Issuer's General Meeting on January 3, 2018 by the Resolution No. 9, disclosed to the public in ESPI Current Report No. 1/2018 on January 3, 2018.

The Issuer's Management Board informs that currently the Company's share capital is denominated in EURO and amounts to: EUR 1,430,000.00 (in words: one million four hundred and thirty thousand EURO 00/100) and is divided into 13,000,000 (thirteen million) shares with a nominal value of EUR 0.11 (in words: eleven euros cents) that is 8,710,000 A series bearer shares with a nominal value of EUR 0.11 (in words: eleven euro cent) and 4,290,000 (in words: four million two hundred and ninety thousand) B series bearer shares with a nominal value of EUR 0.11 (in words: eleven euro cent). The Issuer informs that along with the registration of the merger, amendments to the Company's Articles of Association resulting from the resolutions of the Extraordinary General Meeting of January 3, 2018 were registered, therefore the Issuer encloses the full text of the current Company's articles of association in the attachment to this report.

The Issuer also explains that in connection with the adoption of the legal form of the European Company, there were no changes in the composition of the Issuer's bodies, there were no changes in the rights of shareholders from the Company's shares held except for the change in the nominal value of shares (denomination in EURO) and the Company continues its legal existence and activities in the form of a European Company.

**15. Characteristics of external and internal factors material for the development of the issuer's enterprise and a description of the development prospects of the issuer's operations at least until the end of the financial year following the financial year for which the financial statements included in the annual report have been prepared, taking into account elements of the market strategy developed thereby.**

The changes that occurred in the Company were aimed at changing the main profile of the Company's operations, affected the results achieved and the economic and financial indicators of RESBUD S.A.

At the same time, as part of the Issuer's split procedure, the Issuer has separated assets and liabilities, ordered the internal structure of the Company and streamlined and focused its internal processes on the main profile of its

operations.

The Company possesses fixed assets necessary to continue its business activity in the current scope as well as funds obtained from the issue of shares, which by investing them in cash borrowings have an impact on the profit from interest. Changing the Issuer's legal form to a European Company, submitting a Shareholder's application regarding the transfer of the Company's registered office to the Republic of Estonia will affect the legal and economic situation of the Issuer. Legal and economic aspects. As at the date of publication of this report, the Management Board has recognized and disclosed to the Shareholders the following aspects:

**a. Legal Issues**

As a result of the Transfer procedure, the Company will maintain legal continuity and maintain the legal form of the European Company, which means that the Company will continue its activities in its current scope. The existing provisions of the SE Regulation in the scope not regulated in the SE Regulation shall continue to apply to the functioning of the Company, the provisions of Estonia law shall apply to the functioning of the Company.

Pursuant to the content of the Transfer Plan, the Company's Articles of Association shall also be amended, therefore the new Company's articles of association shall apply to its shareholders and its bodies.

As a result of the Transfer procedure, there shall be no changes to the listing of the Company's shares on the regulated market operated by the Warsaw Stock Exchange S.A. in Warsaw. Capital market legal regulations allow listing of shares in companies with registered office in other European Union countries.

**b. Economic issues**

Transfer of the Company's registered office to Estonia shall allow for greater synergy of the Company's business operations and shall provide the Company with greater access to the markets of all European Union countries.

In the Issuer's opinion, Estonia is a country that allows it to conduct business on a large scale in a flexible manner throughout the European Union using innovative solutions provided by Estonian law.

Thanks to the transfer of the business location to Estonia, the Company shall be able, among others, to make full use of modern forms of concluding distance contracts, and efficient courts shall allow for their effective enforcement.

**Consequences of the Transfer**

**a. for the Company's shareholders**

The Management Board of the Company indicates that the transfer of the Company's registered office to Estonia, in the opinion of the Management Board, shall not significantly affect the situation of the Company's shareholders.

The Management Board explains that the transfer of the Company's registered office shall entail a change in the Company's Articles of Association and, in addition, the Company shall be subject to the provisions of Estonia law to an extent not regulated in the European Companies Regulation. However, the Management Board indicates that the change in the Company's registered office shall not affect the total number of shares in the company and the total number of votes at the General Meeting.

In addition, the Management Board informs that in accordance with applicable regulations, including in particular those

of Estonia, it intends to enable shareholders to participate in General Meetings remotely using electronic means. The scope of information to be provided by the Issuer shall be similar to the current scope, in particular due to the fact that the Issuer's shares participate in trading on the WSE S.A. in Warsaw, it shall oblige the Company to fulfill its disclosure obligations in accordance with the provisions of the Regulations of GPW S.A. in Warsaw. The company shall continue to be subject to the MAR (Market Abuse Regulation) regulations.

In addition, the Issuer intends to fulfill the disclosure obligations in a minimum period of 5 years from the registered office transfer, either in Polish as the main language or in another language acceptable by Estonian law with a translation into Polish, the scope of information that the Issuer provides to Shareholders required by Estonian law is similar to the one required by Polish law. In addition, the Management Board in the above-mentioned period shall accept all declarations of will from shareholders, including notifications in Polish, without the need to translate them into Estonian. The company's shareholders have similar rights and obligations to those of the shareholders of Polish companies. The differences that exist in Polish and Estonian law regarding the rights of shareholders are not significant.

**b. for the Company's creditors**

The Management Board of the Company indicates that in its opinion the Transfer shall not affect the position of creditors. The Transfer procedure shall not affect the content of legal relations binding on the Company and the state of the Company's assets.

**c. for Company employees**

The transfer of the registered office of the Company shall not affect the participation of the Company's employees. As at the date of this Transfer Plan, the employees are not involved in the transfer procedure.

The Company does not anticipate any consequences for employees of the Company, as at the date of drawing up the Transfer Plan, the Company employs 3 employees. Within 14 days from the date of publication of this Transfer Plan, the Company shall implement organizational and human resources activities aimed at the lack of employee participation in the company's transfer procedure.

**16. Changes in the basic rules of managing the issuer's enterprise.**

In 2017, there were no changes in the basic management rules in RESBUD SE

**17. All contracts concluded between the issuer and managing persons, providing for compensation in the event of their resignation or dismissal from the position held without a valid reason or when their dismissal occurs due to the merger of the issuer by acquisition.**

In 2017, no such agreements were concluded.

18. The value of remuneration, rewards or benefits, including those resulting from incentive or bonus programs based on the issuer's capital, including programs based on pre-emptive or convertible bonds, subscription warrants (in money, in kind or in any other form), paid, due or potentially due, separately for each of the persons managing and supervising the issuer in the issuer's enterprise, regardless of whether they were appropriately included in costs or resulted from the distribution of profit. if the issuer is a parent or material investor - separately information on the value of remuneration and rewards received for performing functions in the authorities of subordinated entities. if the relevant information has been presented in the financial statements - the obligation shall be deemed fulfilled by indicating the place of their inclusion in the financial statements.

The management and supervisory personnel did not receive any benefits other than remuneration. Management Board's and Supervisory Board's members remuneration.

<b>Remuneration of managing and supervising persons</b>		<b>01/01/2017-31/12/2017</b>
Supervisors - members of Supervisory Boards		12,200
Managing persons		24,000
		<i>31/12/2017</i>
<b>Management Board</b>		<b>24,000.00</b>
- <i>Kajkowska Anna</i>		<i>24,000.00</i>
<b>Supervisory Board</b>		<b>12,200.00</b>
- <i>Hetkowski Wojciech</i>		<i>2,600.00</i>
- <i>Koralewski Jacek</i>		<i>2,400.00</i>
- <i>Patrowicz Damian</i>		<i>3,200.00</i>
- <i>Patrowicz Małgorzata</i>		<i>2,000.00</i>
- <i>Patrowicz Marianna</i>		<i>1445.65</i>
- <i>Patrowicz Martyna</i>		<i>554.35</i>

<b>Remuneration of managing and supervising persons</b>		<b>01/01/2016-31/12/2016</b>
Supervisors - members of Supervisory Boards		12,200
Managing persons		24,000
		<i>31/12/2016</i>
<b>Management Board</b>		<b>24,000.00</b>
- <i>Kajkowska Anna</i>		<i>24,000.00</i>
<b>Supervisory Board</b>		<b>12,200.00</b>
- <i>Hetkowski Wojciech</i>		<i>2,600.00</i>
- <i>Koralewski Jacek</i>		<i>2,400.00</i>
- <i>Patrowicz Damian</i>		<i>3,200.00</i>
- <i>Patrowicz Małgorzata</i>		<i>2,000.00</i>
- <i>Patrowicz Marianna</i>		<i>2,000.00</i>

**19. In the case of limited liability companies - determination of the total number and nominal value of all shares (stock) of the issuer and shares in the affiliates of the issuer held by managing and supervising persons (for each person separately).**

According to the knowledge possessed by RESBUD SE, as at the date of submitting this report, the following persons managing and supervising the Company have RESBUD SE shares:

Managing persons:

Anna Kajkowska-President of the Management Board, does not own the Issuer's shares.

Supervising persons:

1. Damian Patrowicz
2. Wojciech Hetkowski
3. Małgorzata Patrowicz
4. Jacek Koralewski
5. Marianna Patrowicz
6. Martyna Patrowicz

They do not own directly the Issuer's shares.

As at the date of publication of this report, Mr. Damian Patrowicz holds indirectly through Damf Invest S.A holding 100% shares in Patro Invest Sp. z o.o. 4,290,000 shares of the Issuer constituting 33% of the share capital and votes at the GSM. As at 12/06/2017, Mr. Damian Patrowicz indirectly through Damf Invest S.A held 3,499 shares constituting 0.03% in the share capital and votes at the General Meeting of Shareholders. As at 31/12/2016, he did not own any shares in Resbud.

**20. Information on contracts known to the issuer (including any agreements which may have been concluded after the balance sheet date) which may result in future changes to the proportions of shares held by the current shareholders and bondholders.**

As at the date of this report, the issuer is not aware of any agreements that would cause changes in the proportions of shares held by existing shareholders.

In the reporting period, the Company received notifications pursuant to Article 69 of the Act on Public Offering:

Patro Invest Sp.z o.o. as a shareholder of RESBUD S.A. with its registered office in Płock at ul. Padlewskiego 18C, entered into the National Court Register under the number KRS 0000090954 (hereinafter: RESBUD or the Company), hereby in the performance of the obligation specified in Article 69 of the Act on public offerings and conditions governing the introduction of financial instruments to organized trading, and on public companies of 29 July 2005. (Journal of Laws

No. 184, item 1539, as amended), (hereinafter: the Act on the offer) notified of:

DIRECT EXCEEDING THE 5%, 10%, 15%, 20%, 25%, 33% THRESHOLD OF THE TOTAL NUMBER OF VOTES IN RESBUD S.A with its registered office in Płock, entered to the National Court Register KRS [Company registration no.] 0000090954 (hereinafter referred to as: RESBUD or the Company)

The Notifier informed that in connection with the issue on 25/05/2017 by RESBUD S.A. of shares it acquired 4,290,000 shares of the Company, representing a 33% share in the Company's share capital and entitling to cast 4,290,000 votes, constituting 33% of the total number of votes at the General Meeting of the Company.

The Notifier informed that after the event described above, i.e., as at 25/05/2017, it directly holds 4,290,000 shares of the Company, representing a 33% share in the Company's share capital and entitling to cast 4,290,000 votes, constituting 33% of the total number of votes at the General Meeting of the Company.

The Notifier informed that before the event described above, i.e. as at 24/05/2017 it did not directly hold any shares in the Company.

In addition, the Notifier informs that its subsidiaries, do not own the Company's shares and that the Notifier did not conclude any contracts or agreements the subject of which would be the transfer of the right to exercise voting rights.

Damf Invest S.A as a shareholder of RESBUD S.A. with its registered office in Płock at ul. Padlewskiego 18C, entered into the National Court Register under the number KRS 0000090954 (hereinafter: RESBUD or the Company), hereby in the performance of the obligation specified in Article 69 of the Act on public offerings and conditions governing the introduction of financial instruments to organized trading, and on public companies of 29 July 2005. (Journal of Laws No. 184, item 1539, as amended), (hereinafter: the Act on the offer) notified of: Indirect increase of shares ownership of RESBUD S.A. with its registered office in Płock, entered into the National Court Register under KRS 0000090954 (hereinafter: RESBUD or the Company) The Notifier informed that in connection with the issue on 25/05/2017 by RESBUD S.A. of shares it made through the subsidiary Patro Invest Sp. z o.o. indirect acquisition 4,290,000 shares of the Company, representing a 33% share in the Company's share capital and entitling to cast 4,290,000 votes, constituting 33% of the total number of votes at the General Meeting of the Company. The Notifier informed that after the event described above, i.e., as at 25/05/2017, it directly and indirectly through its subsidiary Patro Invest holds 4,293,499 shares of the Company, representing a 33.03% share in the Company's share capital and entitling to cast 4,293,499 votes, constituting 33.03% of the total number of votes at the General Meeting of the Company. The Notifier informed that before the event described above, i.e. as at 24/05/2017, it directly held 3,499 shares of the Company, which constituted 0.03% of the share capital of the Company and entitled to cast 3,499 votes, constituting 0.03% of the total number of votes at the General Meeting of the Company. In addition, the Notifier informs that its subsidiaries, except Patro Invest Sp. z o.o., do not own the Company's shares and that the Notifier did not conclude any contracts or agreements the subject of which would be the transfer of the right to exercise voting rights.

Mr. Damian Patrowicz as a shareholder of DAMF INVEST S.A. with its registered office in Płock at ul. Padlewskiego 18c, entered into the National Court Register under the number KRS 0000392143 (hereinafter: DAMF INVEST), personally entitled to appoint, suspend and dismiss all members of the board of DAMF INVEST, pursuant to the provisions of the company's articles of association, being its parent entity within the meaning of Article

4 paragraph 14 of the Act on public offerings and conditions governing the introduction of financial instruments to organized trading, and on public companies of 29 July 2005. (Journal of Laws No. 184, item 1539, as amended), (hereinafter: the Act on Public Offering) in performance of the obligation arising from Article 69 of the Act on Public Offering, hereby notified of:

Indirect increase of shares ownership of RESBUD S.A. with its registered office in Płock, entered into the National Court Register under KRS 0000090954 (hereinafter: RESBUD or the Company) The Notifier informed that in connection with the issue on 25/05/2017 by RESBUD S.A. of shares it made through the subsidiary Patro Invest Sp. z o.o. indirect acquisition 4,290,000 shares of the Company, representing a 33% share in the Company's share capital and entitling to cast 4,290,000 votes, constituting 33% of the total number of votes at the General Meeting of the Company.

The Notifier informed that after the event described above, i.e., as at 25/05/2017, it directly and indirectly through its subsidiaries Patro Invest Sp. z o.o. and DAMF INVEST S.A. it holds 4,293,499 shares of the Company, representing a 33.03% share in the Company's share capital and entitling to cast

4.293.499 votes, constituting 33.03% of the total number of votes at the General Meeting of the Company.

The Notifier informed that before the event described above, i.e. as at 24/05/2017, it indirectly through its subsidiary DAMF INVEST S.A held 3,499 shares of the Company, which constituted 0.03% of the share capital of the Company and entitled to cast 3,499 votes, constituting 0.03% of the total number of votes at the General Meeting of the Company.

In addition, the Notifier informs that its subsidiaries, except Patro Invest Sp. z o.o. and DAMF INVEST S.A., do not own the Company's shares and that the Notifier did not conclude any contracts or agreements the subject of which would be the transfer of the right to exercise voting rights.

Damf Invest S.A as a shareholder of RESBUD S.A. with its registered office in Płock at ul. Padlewskiego 18C, entered into the National Court Register under the number KRS 0000090954 (hereinafter: RESBUD or the Company), hereby in the performance of the obligation specified in Article 69 of the Act on public offerings and conditions governing the introduction of financial instruments to organized trading, and on public companies of 29 July 2005. (Journal of Laws No. 184, item 1539, as amended), (hereinafter: the Act on the offer) notified of: Direct decrease of shares ownership of RESBUD S.A. with its registered office in Płock, entered into the National Court Register under KRS 0000090954 (hereinafter: RESBUD or the Company) The Notifier informed that on the basis of transactions of sale and acquisition of shares on the Main List concluded on 13/06/2017, it directly sold 3,499 shares of the Company, which constitutes 0.03% of the Company's share capital and entitles to cast 3,499 votes, representing 0.03% of the total number of votes at the General Meeting of the Company.

The Notifier informed that after the event described above, i.e., as at 13/06/2017, it directly and indirectly through its subsidiary Patro Invest holds 4,290,000 shares of the Company, representing a 33% share in the Company's share capital and entitling to cast 4,290,000 votes, constituting 33% of the total number of votes at the General Meeting of the Company. The Notifier informed that before the event described above, i.e., as at 12/06/2017, it directly and indirectly through its subsidiary Patro Invest holds 4,293,499 shares of the Company, representing a 33.03% share in the Company's share capital and entitling to cast 4,293,499 votes, constituting 33.03% of the total number of votes at the General Meeting of the Company. In addition, the Notifier informs that its subsidiaries, except Patro Invest Sp. z o.o., do not own the Company's shares and that the Notifier did not conclude any contracts or agreements the subject of

which would be the transfer of the right to exercise voting rights.

Mr. Damian Patrowicz as a shareholder of DAMF INVEST S.A. with its registered office in Płock at ul. Padlewskiego 18c, entered into the National Court Register under the number KRS 0000392143 (hereinafter: DAMF INVEST), personally entitled to appoint, suspend and dismiss all members of the board of DAMF INVEST, pursuant to the provisions of the company's articles of association, being the parent entity within the meaning of Article 4 paragraph 14 of the Act on public offerings and conditions governing the introduction of financial instruments to organized trading, and on public companies of 29 July 2005. (Journal of Laws No. 184, item 1539, as amended), (hereinafter: the Act on Public Offering) in performance of the obligation arising from Article 69 of the Act on Public Offering, hereby notified of: Indirect decrease of shares ownership of RESBUD S.A. with its registered office in Płock, entered into the National Court Register under KRS 0000090954 (hereinafter: RESBUD or the Company).

The Notifier informed that based on the sale and acquisition transactions of shares on the Main List concluded on 13/06/2017 indirectly by the subsidiary DAMF INVEST S.A., it sold 3,499 shares of the Company, which constitutes 0.03% of the share capital of the Company and entitles to cast votes, constituting 0.03% of the total number of votes at the Company's General Meeting. The Notifier informed that after the event described above, i.e. as at 13/06/2017. indirectly through the subsidiary Patro Invest Sp. z o.o. it holds 4,290,000 shares of the Company, which constitutes a 33% share in the Company's share capital and entitles to cast 4,290,000 votes, constituting a 33% share in the total number of votes at the General Meeting of the Company.

The Notifier informed that before the event described above, i.e., as at 12/06/2017, it directly and indirectly through its subsidiaries Patro Invest Sp. z o.o. and DAMF INVEST S.A. it holds 4,293,499 shares of the Company, representing a 33.03% share in the Company's share capital and entitling to cast 4.293.499 votes, constituting 33.03% of the total number of votes at the General Meeting of the Company.

In addition, the Notifier informs that its subsidiaries, except Patro Invest Sp. z o.o., do not own the Company's shares and that the Notifier did not conclude any contracts or agreements the subject of which would be the transfer of the right to exercise voting rights.

## **21. Information on the control system for employee share programs.**

In 2017, the company did not implement the employee share program and at the same time it did not introduce their control system.

## **22. Important achievements in the area of research and development.**

The Issuer does not conduct such activities.



### **23. Indication of proceedings pending before a court or an authority competent for arbitration or a public administration authority.**

The proceedings are still pending about which RESBUD SA informed in previous reporting periods:

RESBUD S.A informed in current report no. 14/2010 that on 08/06/2010 it received a trial letter from the defendant DRIMEX - BUD S.A. containing information about the issue on May 14, 2010 by the District Court for the Capital City of Warsaw - Commercial Court - 10th Commercial Division for bankruptcy and reorganization cases, a decision on declaration of bankruptcy in relation to the debtor of our Company, i.e. DRIMEX - BUD S.A. with registered office in Warsaw involving the liquidation of the assets of the bankrupt.

RESBUD S.A. informed about pending court proceedings brought by RESBUD S.A. v DRIMEX - BUD S.A. with its registered office in Warsaw and SM Przy Metrze with its registered office in Warsaw for payment of remuneration for completed construction works, awarding contractual penalties charged by the issuer for improper performance of the contract by the investor, as well as reimbursement of the guarantee deposits paid by the investor. Due to bankruptcy of the defendant DRIMEX - BUD S.A. the court discontinued the proceedings against the defendant DRIMEX - BUD S.A. and RESBUD S.A. shall seek to satisfy its claims against DRIMEX - BUD S.A. from the bankruptcy estate, while the court proceedings against the defendant SM Przy Metro for payment of PLN 2,275,801.25 as remuneration for construction works carried out have been completed. On 14/12/2016, the District Court in Rzeszów, as the court of first instance, issued a judgment awarding the Issuer an amount of PLN 1,515,000 in total, covering the Issuer's remuneration for completed construction works, together with statutory interest due to the Issuer, accrued from 25/03/2009 to the day of judgment. In this part, the judgment was executed by SM Przy Metrze and the funds were credited to the Resbud S.A account.

Due to the decrease in equity, the Issuer also provided information on the following proceedings pending in previous periods, which were not indicated in previous periodic reports due to the Company's higher equity,

On 27/07/2012 the bankruptcy of ABM SOLID S.A. in Tarnów has been declared. The Issuer filed claims in bankruptcy proceedings in the amount of PLN 2,301,237.71. The total number of claims was PLN 1,661,651.73. On 29/01/2014 the Issuer raised an objection to refusing to recognize the amount of PLN 639,585.98.

On 21/07/2015, Resbud SA as the plaintiff received - a decision providing security for the claim of RESBUD SA up to the amount of 312,704.51 on 4 potential Eko-Wamax receivables for the return of security deposits, with the sum of the security calculated as PLN 417,901,75. On 17/02/2016 - the Regional Court in Krakow requested EKO - WAMAX Sp. z o.o. to document the lack of management in the defendant company as a result of resignation from office by the sole member of the management board. The Regional Court in Krakow did not set a date for the next hearing.

### **24. Information on contracts concluded with a certified auditor.**

At the meeting on 16/11/2016 the Supervisory Board of the Company, as the entity authorized to select an expert to audit the Company's reports, has decided to select the certified auditor Marcin Grzywacz conducting business activity

under the name Marcin Grzywacz Audyt Doradztwo Szkolenia, ul. Domaniewska 35 lok. 89, 02-672 Warsaw (TIN: 7962397464, REGON [national business registry number]: 146897770) entered on the list of certified auditors under number 3872 as the entity authorized to audit the Company's separate financial statements for the financial year 2016 and audit the Company's interim separate statements for the period from 01/01/2017 to 30/06/2017.

The Issuer informs that Mr. Marcin Grzywacz, certified auditor No. 11769 as the key certified auditor conducting the audit on behalf of Ground Frost Euroin Audyt Sp. z o.o. of the entity authorized to audit financial statements No. 68, conducted an audit of the Issuer's financial statements for the financial year 2014 and the financial year 2015 as well as an audit of the condensed interim separate financial statements covering the period of the first half of 2014 and the period of the first half of 2015 and the period of the first half of 2016.

The parties agreed in the contract on the remuneration:

- for auditing the separate interim financial report for the half-year period ending on 30/06/2017 in the amount of PLN 4,000.00 net.

The contract was concluded on 29/11/2016.

On 14/12/2017 the Company's Supervisory Board selected an auditor to audit the company's financial statements for 2017, i.e., the certified auditor Marcin Grzywacz conducting a business activity under the name Marcin Grzywacz Audyt Doradztwo Szkolenia, ul. Domaniewska 35 lok. 89, 02-672 Warsaw (NIP [tax identification number] 7962397464, REGON [national business registry number]: 146897770) entered on the list of certified auditors under number 3872 as the entity authorized to audit the Company's separate financial statements. The contract was concluded on 28/12/2017. The remuneration was set at PLN 10,000 net.

## **25. Material events that occurred after the balance sheet date.**

- The Management Board of RESBUD S.A. in Płock on 31.01.2018 as the Lender, concluded a cash borrowing contract with Damf Księgowość Sp. z o.o. in Płock (KRS 0000653491, NIP [tax identification number]: 7743232007, REGON [national business registry number]: 366133909) as the Borrower. Under the Agreement of 31/01/2018 The Issuer granted the Borrower a borrowing in the amount of PLN 1,190,000.00 (one million, one hundred and ninety thousand zlotys) for the period ending on 31/01/2019. The borrowing bears an interest rate of 5.7% per annum. The parties agreed that interest on the loan granted shall be payable together with the repayment to the Issuer of the principal of the loan granted until 31/01/2019. The parties to the borrowing contract agreed that the Borrower has the right to early repayment of all or part of the principal of the borrowing granted. In accordance with the terms of the concluded borrowing contract, the borrowing shall be disbursed on the day of its conclusion, i.e. 31/01/2018 The Borrower secured the repayment of the loan amount together with interest and other claims of the Issuer that may arise from the concluded contract by issuing a blank promissory note to the Issuer together with a promissory note declaration. The Issuer informs that the Borrower's current liability under the borrowings granted in total amounts to PLN 1,930,000. The Issuer also informs that there are personal and capital connections between Resbud S.A. and Damf Księgowość Sp. z o.o. in Płock. The shareholder of Damf Księgowość Sp. z o.o. is the Issuer's indirect shareholder, and its President

of the Management Board is a Member of the Issuer's Supervisory Board.

- The Management Board of RESBUD SE (Issuer) with its registered office in Płock, hereby informs about the accomplishment on 21/02/2018, registration of a merger of the Issuer previously operating as a joint-stock company under Polish law under the name RESBUD SPÓŁKA AKCYJNA with its registered office in Płock at ul. Padlewskiego 18C, Poland, entered into the Register of Entrepreneurs of the National Court Register kept by the District Court for the Capital City of Warsaw in Warsaw, 14th Commercial Division under the number KRS 0000090954, NIP 8130267303, REGON 690294174, with the company RESBUD1 Polska Akciova spolecnost with its registered office in Ostrava, address: Podebradova 2738/16, Moravska Ostrava, 702 00 Ostrava, Czech Republic entered in the commercial register kept by the District Court in Ostrava, section B under number 10978, identification number 06502440. (Hereinafter referred to as: Acquired Company). The Acquiring Company RESBUD S.A. (currently RESBUD SE) operates in the construction industry, while RESBUD 1 Polska Akciova spolecnost operates in the production, trade and other services sector in accordance with the scope of activity disclosed in the relevant register, with RESBUD1 Polska Akciova spolecnost being a special purpose entity registered on 10 October 2017

As a result of registration of the merger by the District Court for the Capital City of Warsaw in Warsaw, the Issuer obtained the legal form of a European Company and currently operates under the name RESBUD SE with its registered office in Płock at ul. Padlewskiego 18C, Poland, entered into the Register of Entrepreneurs of the National Court Register kept by the District Court for the Capital City of Warsaw in Warsaw, 14th Commercial Division, under KRS number 0000719570. As at the date of publishing this report, the Court did not disclose NIP [tax identification number] and REGON [national business registry number] in the KRS extract, the Issuer will provide information about that data as soon as they are supplemented by a separate current report by the Court.

The merger occurred under the conditions set out in the Merger Plan of 30/11/2017. made available free of charge to the public on the websites of the merging companies respectively at the addresses of RESBUD S.A. - <http://www.resbud.pl/> and RESBUD1 Polska Akciova spolecnost - <http://resbudas.eu> as well as the current report of RESBUD S.A. ESPI No. 30/2017 of 30/11/2017

The merger was effected by acquisition by RESBUD S.A. the company RESBUD1 Polska Akciova spolecnost, in accordance with the provisions of Article 2 paragraph 1 in conjunction with Article 17 paragraph 2 letter a) and 18 of the Council Regulation (EC) No. 2157/2001 of October 8, 2001 on the articles of association of the European company (SE) of October 8, 2001. (OJ EU L No. 294, page 1) (hereinafter referred to as: the SE Regulation). The merger was approved by the Issuer's General Meeting on January 3, 2018 by the Resolution No. 9, disclosed to the public in ESPI Current Report No. 1/2018 on January 3, 2018. The Issuer's Management Board informs that currently the Company's share capital is denominated in EURO and amounts to: EUR 1,430,000.00 (in words: one million four hundred and thirty thousand EURO 00/100) and is divided into 13,000,000 (thirteen million) shares with a nominal value of EUR 0.11 (in words: eleven euros cents) that is 8,710,000 A series bearer shares with a nominal value of EUR 0.11 (in words: eleven euro cent) and 4,290,000 (in words: four million two hundred and ninety thousand) B series bearer shares with a nominal value of EUR 0.11 (in words: eleven euro cent). The Issuer informs that along with the registration of the merger, amendments to the Company's Articles of Association resulting from the resolutions of the Extraordinary

General Meeting of January 3, 2018 were registered, therefore the Issuer encloses the full text of the current Company's articles of association in the attachment to this report. The Issuer also explains that in connection with the adoption of the legal form of the European Company, there were no changes in the composition of the Issuer's bodies, there were no changes in the rights of shareholders from the Company's shares held except for the change in the nominal value of shares (denomination in EURO) and the Company continues its legal existence and activities in the form of a European Company.

- The Management Board of Resbud SE. in Płock informs that, in reference to current report No. 5/2018 of 21/02/2018 regarding the reassumption of the decision on the registration of the merger and the adoption of the legal form of the European Company by the District Court for the Capital City of Warsaw in Warsaw on its own initiative on 23/02/2018, the District Court for the Capital City of Warsaw in Warsaw entered the REGON number and NIP number of the Issuer. The Issuer's Management Board notes that REGON number 690294174 and NIP number 81302-67-303 are the same as the numbers previously identifying the Company previously operating under the name RESBUD S.A.
- The Management Board of RESBUD S.E. in Płock (KRS 0000719570) informs that on 07/03/2018 as the borrower it concluded a cash borrowing contract with ELKOP S.A. in Chorzów (KRS 0000176582) acting as the lender. The subject of the borrowing contract of 07/03/2018. is a cash borrowing in the amount of PLN 2,500,000.00. The parties agreed that the borrowing would be repaid until 30/06/2018. The interest rate on the borrowing was set at 3.5% per annum. The interest shall be calculated and paid on a monthly basis. The borrowing amount was disbursed in one tranche on the day of conclusion of the borrowing contract. The repayment of the loan was secured by the Issuer by issuing a blank promissory note with a declaration to the Lender and the Issuer undertook to establish a mortgage on its real estate built-up with an office building in Rzeszów up to PLN 2,800,000.00. The contract has not been concluded subject to a condition or time limit. The Issuer also informs that there are personal and capital relations between the Issuer and the Borrower. The President of the Borrower's Management Board performs the function of a Member of the Issuer's Supervisory Board, in addition, four members of the Issuer's Supervisory Board perform at the same time the function in the Borrower's Supervisory Board. The Issuer informs that the significant shareholder of the Issuer - Patro Invest Sp. z o.o. holding shares of the Issuer representing a 33% share in the share capital and the total number of votes at the General Meeting of the Issuer is also a significant shareholder of the Lender having a 33% share in the share capital and the total number of votes at the General Meeting of the Lender.
- The Management Board of RESBUD S.E. in Płock (KRS 0000719570) informs that on 08/03/2018 it concluded, as the Lender, a cash borrowing contract with PATRO INVEST OU in Tallinn (Estonia) acting as the Borrower. The subject of the borrowing contract of 08/03/2018 is a cash borrowing in the amount of PLN 2,400,000.00. The parties agreed that the borrowing would be repaid until 31/12/2018. The interest rate on the borrowing was set at 4% per annum, shall be payable on the date of total repayment of the borrowing. The borrowing amount was disbursed in one tranche on the day of conclusion of the borrowing contract. The repayment of the borrowing was secured by the Borrower by issuing a blank promissory note with a declaration to the Lender. The contract was not concluded subject to a condition or time limit.

The Issuer also informs that there are personal relations between the Issuer and the Borrower. The sole Member of the Management Board and the sole Shareholder of the Borrower acts as a Member of the Issuer's Supervisory Board.

- The Management Board of RESBUD SE in Plock informs that on 16/03/2018 the Company received a motion from a shareholder of PATRO INVEST Sp. z o.o. with its registered office in Plock submitted pursuant to Article 55 of the Council Regulation (EC) No 2157/2001 of 8 October 2001 on the articles of association of a European company (EC) (O.J. EU L No. 294, p. 1) in conjunction with Article 400 § 1 of the Commercial Companies Code containing a request to convene a General Meeting and to put the following items on the agenda for this General Meeting:
  - Adopting a resolution on the transfer of the Company's registered office to Estonia, adaptation to Estonian law, and authorization of the Company's Management Board,
  - Adopting a resolution to amend the Company's Articles of Association,

The Shareholder in the content of the application of 16 March 2018 concluded the justification of the request and submitted a proposal for a new wording of the Company's Articles of Association after the transfer of the Company's registered office to Estonia. Attached to this report, the Management Board of the Issuer presents the the Shareholder's application received on 16 March 2018, together with the grounds and the proposed content of the Company's Articles of Association, the wording of which is to be the subject of resolutions of the General Meeting convened in execution of the shareholder's application.

The Management Board of RESBUD SE informs that it will take measures to conduct the necessary actions prior to the adoption of a resolution on the transfer of the Company's registered office resulting from the content of Article 8 of the Council Regulation (EC) No. 2157/2001 of 8 October 2001 on the articles of association of a European company (SE) (O.J. EU L No. 294, p. 1) and other relevant legal provisions, and in addition, the Management Board informs that based on applicable legal regulations it intends to take steps to convene a General Meeting, whose agenda will include matters covered by the application of the Shareholder of 16 March 2018.

The Issuer's Management Board will provide all necessary information regarding the implementation of the procedure preceding the adoption of resolutions regarding the transfer of the Company's Registered Office by means of separate current reports and on the Issuer's website.

- The Management Board of RESBUD SE in Plock with reference to current report No. 10/2018 of 16/03/2018. hereby publishes the Plan for Transfer of the Company's registered office to the Republic of Estonia. Detailed information on the procedure of transferring the Company's registered office has been included in the Transfer Plan, which contains information about the consequences of changing the Company's registered office for the Company's shareholders and creditors, an indicative schedule and the proposed wording of the Company's Articles of Association adapted to the law of the Republic of Estonia.

In addition, the Company's Management Board presents the Management Board's Report explaining and justifying the legal and economic aspects of the transfer and explaining the consequences of the transfer for shareholders, creditors and employees referred to in Article 8 paragraph 3 of the Regulation

of Council (EC) No. 2157/2001 regarding the articles of association of the European Company (SE) of 8 October 2001 (OJ EU L No. 294, page 1).

The Issuer's Management Board informs that the procedure of changing the registered office of the Company will not affect the listing of the Issuer's shares on the Warsaw Stock Exchange in Warsaw.

**26. Information on any obligations arising from pensions and benefits of a similar nature for former managing, supervising persons or former members of the governing bodies and obligations incurred in connection with those pensions, with an indication of the total amount for each category of body; if the relevant information has been presented in the financial statements - the obligation is considered fulfilled by indicating the place of its inclusion in the financial statements.**

There are no such liabilities in the Company.

**27. Information about own shares.**

The Company did not own its own shares in the period covered by the report.

**28. Information about the Company's branches.**

The Company has no branches

**29. Information on financial instruments regarding.**

**a) the risk of: changes in prices, credit, material disruptions to cash flows and loss of financial liquidity to which the entity is exposed,**

**b) objectives and methods of financial risk management adopted by the entity, including methods of securing material planned transactions for which hedge accounting is used**

The Company does not have a formal financial risk management system. Decisions on the use of instruments hedging the planned transactions are made on the basis of an ongoing analysis of the situation of the Company and its environment.

**Goals and principles of managing the financial risk**

The main financial instruments used by the Company are trade receivables and liabilities that arise directly in the course of its business. 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 risk related to financial collaterals.

The Management Board is responsible for establishing risk management principles in the Company and supervising compliance with them.

The Company's risk management policies are aimed at identifying and analyzing the risks to which the Company is exposed, defining appropriate limits and controls, as well as monitoring risk and the extent to which the limits are matched to it.

#### **Credit risk.**

The credit risk is the risk of incurring a financial loss by the Company in a situation where a customer or a party to a contract does not fulfill its obligations under the agreement. The credit risk is primarily related to all receivables. The Company's exposure to credit risk is mainly due to the individual characteristics of each customer.

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 associated with 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, use also a trade credit.

#### **Liquidity risk.**

The liquidity risk management process consists in monitoring the forecast 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 borrowings, overdraft facilities, and financial lease agreements.

#### **Risk of exchange rate fluctuations and limited liquidity.**

Stock market fluctuations and short-term fluctuations in turnover are an inherent feature of stock exchange trading. This may result in the fact that the possible sale or acquisition of a larger block of the Issuer's shares will involve the acceptance of a much less favorable price than the reference price. Also, significant liquidity restrictions cannot be ruled out, which may prevent or significantly impede the sale or acquisition of the Issuer's shares.

#### **Risk of instability of the Polish legal system.**

Frequent amendments, inconsistency and lack of uniform interpretation of the law, in particular tax law, and legal regulations to which the Issuer is subject as a public company carry significant risk related to the legal environment, in which the Issuer operates, e.g. Risk related to recognition of the company as an Alternative Investment Company within the meaning of the Act on investment funds and management of alternative investment funds of 27 May 2004 (consolidated text, 19 October 2016; Journal of Laws of 2016 item 1896). The Company's analysis of applicable laws and business operations shows that the Company does not meet the statutory criteria necessary to qualify it as ASI

within the meaning of the Investment Funds Act. However, considering the position of the Polish Financial Supervision Authority, it cannot be ruled out that the Company will be recognized by the Polish Financial Supervision Authority as ASI. It should be noted that if it is considered that the Company has the status of ASI under the Investment Funds Act, failure to obtain the appropriate permit or registration raises the risk of incurring criminal and financial liability.

Amendments to the law may have a direct or indirect impact on the Issuer's operations and financial results.

**Risk of the Issuer being dependent on customers.**

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

**30. Position of the management body together with the opinion of the issuer's supervisory body regarding the reservations expressed by the entity authorized to audit financial statements in the audit report or refusal to issue a report on the audit of the interim financial statements, and in the event that the interim condensed financial statements were audited by the entity authorized to audit the financial statements - to an opinion issued by the entity authorized to audit financial statements, or an adverse opinion, or a refusal to express an opinion on the interim condensed financial statement, containing in particular:**

- a) indication of the impact, in quantitative and qualitative terms, of the subject of the reservation or refusal to issue an audit report, and in the event that the interim condensed financial statements were audited by the entity authorized to audit the financial statements - the subject of the reservation, negative opinion or refusal to express an opinion, on interim financial statements, including results and other financial data, presenting in each case a materiality assessment,**
- b) presentation of actions taken or planned by the issuer in relation to the existing situation**

This situation did not occur in the Company.

**31. Corporate Governance**

**MANAGEMENT BOARD'S STATEMENT ON THE APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES BY RESBUD S.A. MANAGEMENT BOARD'S STATEMENT ON THE APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES BY RESBUD S.A.**

This statement has been prepared to be attached to the Company's annual statements for 2017 in accordance with the provisions of §91 5, point 4 of the Regulation of the Minister of Finance dated 19 February 2009 on the current and



periodic disclosures to be made by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state (Journal of Laws 2009.33.259).

**Indication of the set of corporate governance rules applicable to RESBUD SE and the place where it is publicly available**

Since 01/01/2016, the Company has been subject to the recommendations and rules contained in the Code of Good Practice for WSE Listed Companies 2016, which was adopted by the Resolution No. 26/1413/2015 of the Warsaw Stock Exchange Council of 13 October 2015 and is publicly available on website of the Warsaw Stock Exchange 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 explains that it does not apply any principles of good corporate governance practices other than those listed below, including those which go beyond the requirements provided for by national law.

The Management Board of RESBUD S.A. hereby submits a statement on the application of the above-mentioned corporate governance principles."

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

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

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

According to the current state of application of the Good Practices, the Company does not apply the following 20 specific principles:

I. Z.1.6., I.Z.1.8., I.Z.1.16., I.Z.1.20., II.Z.3., II.Z.4., II.Z.8., III.Z.3., III.Z.4., IV.Z.2., VI.Z.1,

**Information policy and communication with investors**

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

**Recommendations**

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

The principle does not apply to the Company.

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

I. R.3. **The company should enable investors and analysts to ask questions and obtain - taking into account the prohibitions arising from applicable law - explanations on topics of interest to those people. This**

**recommendation may be implemented in the form of open meetings with investors and analysts, or in another form provided by the company.** The principle is applied.

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

**I. R.4. The company should make efforts, including taking all necessary steps in advance to prepare interim statements, to enable investors to become familiar with its financial results as soon as possible after the end of the reporting period.**

The principle is applied.

**Company comment:** The company makes efforts to make interim statements available as soon as possible after the end of the reporting period.

#### **Detailed rules**

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

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

The principle is applied.

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

**I. Z.1.6. calendar of corporate events resulting in the acquisition or limitation of rights by a shareholder, calendar of publication of financial statements and other events material from the investors' point of view - within a time limit enabling investors to make investment decisions,** the Principle is not applied.

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

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

The principle is not applied.

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

**I. I.Z.1.8. statements of selected financial data of the Company for the last 5 years of operation, in a format enabling processing of that data by its recipients,**

The principle is not applied.

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

**I.Z.1.9. information on the planned dividend and dividend paid by the company in the last 5 financial years,**

**including data on the dividend day, payment dates and the amount of dividends - in total and per share,**

*The principle is not applied.*

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

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

*The principle does not apply to the Company.*

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

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

*The principle is applied.*

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

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

*The principle is applied.*

**Company comment:** *The company publishes on an ongoing basis information on the application of the principles and recommendations contained in the Good Practices of GPW Listed Companies through the EIB system.*

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

*The principle is not applied.*

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

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

*The principle is not applied.*

**Company comment:** *The Company considers that the costs of broadcasting the General Meeting are too high. At the same time, the Management Board indicates that the Company's shareholder structure causes a lack of interest in the General Meeting.*

*At the same time, the Company's Articles of Association and the Regulations of the General Meeting do not provide*

for broadcasting of the meeting.

**I.Z.1.17. grounds for draft resolutions of the general meeting regarding matters and decisions that are material or that may raise doubts for the shareholders - within a time limit enabling the participants of the general meeting to become familiar with them and to adopt a resolution with due consideration, *The principle is not applied.***

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

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

*The principle is not applied.*

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

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

*The principle is not applied.*

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

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

*The principle is not applied.*

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

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

*The principle does not apply to the Company.*

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

## **II. Management Board and Supervisory Board**

**A listed company is managed by the management board, its members act in the interest of the company and are responsible for its activities. The management board includes, in particular, leadership in the company, commitment to setting its strategic goals and their implementation, as well as ensuring the company efficiency and security. The company is supervised by an effective and competent supervisory board. Members of the supervisory board act in the interest of the company and are guided by the independence of their own opinions and judgments. The supervisory board in particular issues opinions on the company's strategy and verifies the management board's work in achieving strategic goals and monitors the results achieved by the company**

**Recommendations**

**II. R.2. Persons making decisions on the selection of members of the company's management board or**

**supervisory board should strive to ensure the versatility and diversity of those bodies, including in terms of gender, education, age and professional experience.**

*The principle is applied.*

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

#### **Detailed rules**

**II. Z.1. The internal division of responsibility for individual areas of the company's operations between management board members should be formulated clearly and transparently, and the division scheme should be available on the company's website.**

*The principle is applied.*

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

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

*The principle is not applied.*

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

**II. Z.4. As regards the criteria of independence of the members of the supervisory board Appendix II to European Commission Recommendation 2005/162/EC of 15 February 2005 on the role of non-executive directors or directors being members of supervisory board of listed companies and members of (supervisory) board committees shall apply. Notwithstanding the provisions of point 1 item b) the document referred to in the previous sentence, a person who is an employee of a company, a subsidiary or an affiliate, as well as a person related with those entities with a contract of a similar nature procedure, cannot be considered as meeting the criteria of independence. A relation with a shareholder excluding the independence of a member of the supervisory board within the meaning of this rule is also understood as actual and significant relations with a shareholder holding at least 5% of the total number of votes in the company. *The principle is not applied.***

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

**II. Z.7. As regards the tasks and functioning of the committees operating on the supervisory board, the provisions of Appendix I to the Recommendation of the European Commission referred to in principle II.Z.4 apply.**

**If the supervisory board acts as the audit committee, the above principles shall apply accordingly.**

**The principle is applied.**

**Company comment:** *The company has an audit committee operated by the Supervisory Board.*

**II. Z.8.** The chairman of the audit committee meets the independence criteria indicated in principle II.Z.4.

**The principle is not applied.**

**Company comment:** *The company has an audit committee operated by the Supervisory Board. The decision on the election of the Members of the Supervisory Board falls within the competence of the General Meeting of Shareholders. The Shareholders, guided by the competences and trust in individual candidates, determine the composition of the Supervisory Board. Depending on the decision of the General Meeting, the Company may or may not meet this criterion from time to time depending on the composition of the Supervisory Board, and the assessment of the risks arising from this is within the competence of the General Meeting.*

**Note:** *On 20/10/2017 The Company's Supervisory Board has decided to change the composition of the Audit Committee, whose tasks have so far been performed by the entire composition of the Supervisory Board. By the resolution No. 01/20/10/2017, the Supervisory Board appointed from its composition an Audit Committee consisting of three members, i.e. Wojciech Hetkowski - Chairman, Jacek Koralewski - Member, Małgorzata Patrowicz - Member. In the opinion of the Supervisory Board, the Audit Committee in the selected composition meets the requirements specified in Article 128 paragraph 1 and Article 129 paragraph s 1,3,5 and 6 of the Act on Statutory Auditors.*

**II. Z.10.** In addition to the activities resulting from legal provisions, the supervisory board prepares and presents to the ordinary general meeting once a year:

**II. Z.10.3.** assessment of the manner in which the company complies with its disclosure obligations regarding the application of corporate governance principles set out in the Exchange Rules and regulations regarding current and periodic information provided by issuers of securities;

**The principle is not applied.**

**Company comment:** *The Supervisory Board supervises the Company's activities in all its spheres, including the fulfillment of disclosure obligations by the Company.*

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

**The principle is not applied.**

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

**II.Z.11.** The supervisory board reviews and issues opinions on matters to be the subject of resolutions of the general meeting.

**The principle is applied.**

**Company comment:** *The Supervisory Board of the Company expresses an opinion on its own initiative, at the request of the shareholders or the Management Board of the Company in important matters to be discussed or in matters provided for in the Company's Articles of Association. The company does not have an absolute rule to consider and give opinions on all matters to be the subject of resolutions of the General Meeting.*

**III. Internal systems and functions**

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

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

*The principle is not applied.*

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

Detailed rules

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

*The principle is applied.*

*Company comment: The company has implemented internal systems appropriate to the size of the company and the type and scale of its operations.*

III. Z.2. Subject to Rule III.Z.3, persons responsible for risk management, internal audit and compliance report directly to the president or other member of the management board, and have the option of reporting directly to the supervisory board or audit committee. *The principle is applied.*

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

III. Z.3. In relation to the person managing the internal audit function and other persons responsible for carrying out its tasks, the principles of independence laid down in generally recognized international standards of professional practice in internal audit apply. *The principle is not applied.*

*Company comment: The company has an Audit Committee operated by the Supervisory Board. The decision to elect Members of the Supervisory Board and thus the Chairman of the Audit Committee is the responsibility of the General Meeting of Shareholders. The Shareholders, guided by the competences and trust in individual candidates, determine the composition of the Supervisory Board. Depending on the decision of the General Meeting, the Company may or may not meet this criterion from time to time depending on the composition of the Supervisory Board, and the assessment of the risks arising from this is within the competence of the General Meeting.*

III. Z.4. At least once a year, the person responsible for internal audit (in the event of such a function being separated in the company) and the management board present to the supervisory board their own assessment of the effective functioning of the systems and functions referred to in rule III.Z.1, together with an appropriate report.

*The principle is not applied.*

*Company comment: In the Company, the function of the Audit Committee is performed by the Supervisory Board, its members are elected by the General Meeting.*

III. Z.5. The supervisory board monitors the effectiveness of the systems and functions referred to in principle

III. Z.1, based, inter alia, on reports periodically provided to it directly by persons responsible for these functions and the company's management board, as well as performs an annual assessment of effectiveness

of the functioning of those systems and functions in accordance with principle II.Z.10.1. If an audit committee operates in the company, it monitors the effectiveness of the systems and functions referred to in principle III.Z.1, however, this does not release the supervisory board from performing an annual assessment of the effectiveness of the functioning of those systems and functions.

*The principle is applied.*

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

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

*The principle is applied.*

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

#### IV. General meeting and relations with shareholders

The management board of a listed company and its supervisory board should encourage shareholders to engage in the affairs of the company, which is primarily expressed by active participation in the general meeting. The general meeting should meet with respect for the rights of shareholders and strive to ensure that the adopted resolutions do not violate the legitimate interests of individual groups of shareholders. Shareholders participating in the general meeting exercise their rights in a manner that does not violate decency.

#### Recommendations

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

- 1) transmission of the general meeting in a real time,
- 2) bilateral communication in a real time allowing for the shareholders to express their opinions in the course of the general meeting even though they are in a place other than the venue of the general meeting,
- 3) exercising in person or by proxy of the right to vote in the course of the general meeting. *The principle is not applied.*

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

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

*The rule does not apply to the Company.*

*Company comment: Securities issued by the Company are listed only on the regulated market of GPW S.A. in Warsaw.*

#### Detailed rules



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

*The principle is not applied.*

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

**IV. Z.3. Media representatives are allowed to attend general meetings.**

*The principle is not applied.*

*Company comment: The company indicates that there is no interest in media participation in the General Meetings of the Company. In addition, in the Company's opinion, the participation of unauthorized persons may interfere with the work of the General Meeting.*

**IV. Z.6. The company makes every effort to ensure that the cancellation of the general meeting, change of the date or ordering a break in the proceedings do not prevent or limit the exercise of the right to participate in the general meeting.**

*The principle is applied.*

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

**IV. Z.7. A break in the proceedings of the general meeting may occur only in special situations, each time indicated in the justification of the resolution on ordering a break, based on the reasons presented by the shareholder requesting the break.**

*The principle is applied.*

*Company comment: However, the Company indicates that decisions regarding the announcement of a break in the General Meeting are made only by the shareholders and The chairmen of the General Meeting who decide to indicate in the resolution the justifications for ordering a break in the meeting.*

**IV. Z.8. The resolution of the general meeting regarding a break clearly indicates the date of resuming the meeting, however this date cannot constitute a barrier to participation in the resumed meeting by the majority of shareholders, including minority shareholders. *The principle is applied.***

*Company comment: However, the Company indicates that decisions regarding the announcement of a break in the General Meeting are made only by the shareholders and Chairmen of the General Meeting who decide about the date of resuming the meeting.*

**IV. Z.9. The company makes every effort to ensure that the draft resolutions of the general meeting contain justification if it makes it easier for the shareholders to adopt the resolution with due consideration. In the event that a given matter is placed on the agenda of the general meeting at the request of a shareholder or shareholders, the management board or the chairman of the general meeting shall request the justification of the proposed resolution. In important matters or matters which may raise doubts of shareholders, the company shall provide justification, unless it provides shareholders with other information that ensures that the resolution is adopted with due consideration.**

*The principle is applied.*

**Company comment: The Management Board shall strive to publish grounds for draft resolutions of the General Meetings that are key to the Company's operations**

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

*The principle is applied.*

*Company comment: Members of the company's bodies make efforts to enable their participation in the General Meeting, however, due to the fact that the Company's General Meetings are held repeatedly at the request or within the time limits set by the shareholders, ensuring the participation of Members of the bodies in each General Meeting is difficult.*

**IV.Z.14. Resolutions of the general meeting should ensure that the necessary time interval is maintained between decisions resulting in specific corporate events and the dates on which the rights of shareholders arising from these corporate events are determined.**

*The principle is applied.*

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

**IV.Z.15. A resolution of the general meeting regarding the issue of shares with pre-emptive rights should specify the issue price or the mechanism for its determination, or require a body authorized to set them before the pre-emptive date, within a time-limit allowing an investment decision. *The principle is applied.***

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

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

*The principle is applied.*

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

**IV.Z.17. A resolution of the general meeting regarding conditional dividend payment may only contain such conditions that shall be fulfilled before the dividend day.**

*The principle is applied.*

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

**IV. Z.18. A resolution of the general meeting on the distribution of the nominal value of shares should not set a new nominal value of shares at a level lower than 0.50 PLN, which could result in a very low unit market value of those shares, which in consequence could threaten the accuracy and reliability of the valuation of a listed company.**

*The principle is applied.*

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

## **V. Conflict of interests and transactions with affiliates**

**For the purposes of this chapter, the definition of a related party specified in international accounting standards**

adopted in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards is adopted. The Accompany should have transparent procedures for preventing conflicts of interest and concluding transactions with affiliates in the conditions of the possibility of a conflict of interest. Procedures should provide for ways to identify, disclose and manage such situations.

#### Detailed rules

V. Z.1. No shareholder should be privileged over other shareholders in transactions concluded by the company with shareholders or their affiliates.

*The principle is applied.*

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

#### VI. Remunerations

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

#### Recommendations

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

*The principle is not applied.*

*Company comment: Due to the size of the company, organizational structure and scope of activity in the company, the document "remuneration policy" has not been developed. Remuneration for individual members of the company's bodies, including tasks assigned for performance and assessment of their implementation, is determined by the Supervisory Board for the Management Board and General Meeting of the Company.*

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

*The principle is applied.*

*Company comment: Due to the size of the company, organizational structure and scope of activity in the company, the document "remuneration policy" has not been developed. Remuneration for individual members of the company's bodies, including tasks assigned for performance and assessment of their implementation, is determined by the Supervisory Board for the Management Board and General Meeting of the Company.*

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

*The principle is applied.*

*Company comment: The Supervisory Board performs the role of the company's remuneration committee.*

#### Detailed rules

VI.Z.1. Incentive programs should be structured in such a way as to make the level of remuneration of members of the company's management board and its key managers dependent on the company's actual, long-term financial situation and long-term increase in shareholder value and stability of the enterprise.

*The rule does not apply to the Company.*

**Company comment: No incentive programs were accepted by the Company.**

**VI.Z.2.** In order to link the remuneration of management board members and key managers with the company's long-term business and financial goals, the period between granting options or other instruments related to the company's shares under the incentive program and the possibility of their implementation should be at least 2 years.

*The rule does not apply to the Company.*

**Company comment: No incentive programs were accepted by the Company.**

**VI.Z.4.** In the report on operations, the company presents a report on the remuneration policy, containing at least:

- 1) general information on the remuneration system adopted by the company,
- 2) information on the conditions and amount of remuneration of each member of the management board, broken down into fixed and variable components of remuneration, with an indication of key parameters for determining the variable components of remuneration and rules for the payment of severance pay and other payments for termination of employment, an order or other legal relationship of a similar nature - separately for the company and each entity included in the group,
- 3) information on non-financial components of remuneration due to individual members of the management board and key managers,
- 4) indication of significant changes that occurred in the remuneration policy during the last financial year, or information on their absence,
- 5) assessment of the functioning of the remuneration policy from the point of view of achieving its objectives, in particular the long-term increase in shareholder value and the stability of the company's functioning. *The principle is not applied.*

**Company comment: The company publishes information on the remuneration of members of the Company's governing bodies in accordance with the applicable international accounting standards.**

**Note: On 20/10/2017 The Company's Supervisory Board has decided to change the composition of the Audit Committee, whose tasks have so far been performed by the entire composition of the Supervisory Board. By the resolution No. 01/20/10/2017, the Supervisory Board appointed from its composition an Audit Committee consisting of three members, i.e. Wojciech Hetkowski - Chairman, Jacek Koralewski - Member, Małgorzata Patrowicz - Member. In the opinion of the Supervisory Board, the Audit Committee in the selected composition meets the requirements specified in Article 128 paragraph 1 and Article 129 paragraph s 1,3,5 and 6 of the Act on Statutory Auditors.**

### **III DESCRIPTION OF THE MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS USED IN THE ISSUER'S ENTERPRISE IN RELATION TO THE PROCESS OF PREPARING FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS**

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

The Company's Management Board is responsible for the internal control system in the Company and its effectiveness in the scope of correct preparation of financial statements and periodic reports. Financial

**statements and reports**

periodic reports are prepared on the basis of financial data coming from the financial and accounting system, where it is registered according to the principles of the adopted accounting policy in accordance with the Accounting Act.

The control of the correctness of the preparation of periodic financial statements is carried out due to annual financial audits carried out by independent auditors and interim reviews of financial statements carried out every six months.

Due to the composition of the Supervisory Board not exceeding 5 people, the functions of the Audit Committee until 10/20/2017. was entrusted to the entire composition of the Supervisory Board. On 20/10/2017 The Company's Supervisory Board decided to appoint an Audit Committee from its composition including three members, i.e. *Wojciech Hetkowski* - Chairman, *Jacek Koralewski* - Member, *Małgorzata*

*Patrowicz* - Member. In the opinion of the Supervisory Board, the Audit Committee in the selected composition meets the requirements specified in Article 128 paragraph 1 and Article 129 paragraph s 1,3,5 and 6 of the Act on Statutory Auditors. The Audit Committee monitors the audit of the financial statements performed by the certified auditor and covers with the audit the method of preparation of the Management Board's Report on the Company's operations and the preparation of relevant resolutions presented to the Ordinary General Meeting of Shareholders.

The financial statements are prepared by a professional entity - 'Galex' auditor's office providing accounting services on the basis of an outsourcing agreement for the Issuer. Using the services of a specialized office, the Management Board is provided with ongoing external advice including consulting regarding all problems related to the correctness of preparation of mandatory financial statements, including quarterly, interim and annual financial statements and tax issues.

**IV INDICATION OF SHAREHOLDERS HOLDING DIRECTLY OR INDIRECTLY SIGNIFICANT BLOCKS OF SHARES TOGETHER WITH AN INDICATION OF THE NUMBER OF SHARES HELD BY THESE ENTITIES, THEIR PERCENTAGE SHARE IN THE SHARE CAPITAL, THE NUMBER OF VOTES RESULTING FROM THEM AND THEIR PERCENTAGE SHARE IN THE TOTAL NUMBER OF VOTES AT THE GENERAL MEETING**

To the knowledge of the Management Board, as at 31/12/2017 and 26/03/2018 i.e. the date of publication of the periodic report for 2017. the structure of direct and indirect shareholding and the list of shareholders holding at least 5% of the total number of votes at the Issuer's General Meeting was as follows

***Direct possession as at 31/12/2017, 26/03/2018***

<i>Item</i>	<i>First name and last name</i>	<i>Number of shares</i>	<i>Number of votes</i>	<i>% share of votes in the total number of votes</i>
<i>1.</i>	<i>Patro Invest Sp. z o.o.</i>	<i>4.290.000</i>	<i>4.290.000</i>	<i>33%</i>

**Indirect possession as at as at 31/12/2017, 26/03/2018**

<b>Item</b>	<b>First name and last name</b>	<b>Number of shares</b>	<b>Number of votes</b>	<b>% share of votes in the total number of votes</b>
1.	<i>Damf Invest S.A.</i>	<i>4.290.000</i>	<i>4.290.000</i>	<i>33%</i>
2.	<i>Damian Patrowicz</i>	<i>4.290.000</i>	<i>4.290.000</i>	<i>33%</i>

**V Indication of the owners of any securities that give special control rights, along with a description of those rights**

As at the balance sheet date, there are no shares in the Issuer's share structure giving special control rights.

**Structure of the Issuer's shares.**

As at 31/12/2017 - the structure of the Issuer's shares was as follows: As at 31/12/2017, the Issuer's share capital is PLN 6,500,000.00 and shall be divided into 13,000,000 shares with a nominal value of PLN 0.50. each share.

On 21/02/2018, the Company's share capital was denominated in EURO and amounted to: EUR 1,430,000.00 and was divided into 13,000,000 shares with a nominal value of EUR 0.11, i.e. 8,710,000 series A bearer shares with a nominal value of EUR 0.11 and 4,290,000 series B bearer shares with a nominal value of nominal EUR 0.11.

**VI INDICATION OF ANY RESTRICTIONS ON THE EXERCISE OF VOTING RIGHTS, SUCH AS RESTRICTIONS ON THE EXERCISE OF VOTING RIGHTS BY HOLDERS OF A SPECIFIC PART OR NUMBER OF VOTES, TIME RESTRICTIONS ON EXERCISING VOTING RIGHTS OR SUBSCRIPTIONS ACCORDING TO WHICH, IN COOPERATION WITH THE COMPANY, CAPITAL RIGHTS RELATED TO SECURITIES ARE SEPARATED FROM OWNERSHIP SECURITIES**

There are no such restrictions in relation to the Company's shares.

**VII INDICATION OF ANY RESTRICTIONS ON THE TRANSFER OF OWNERSHIP OF THE ISSUER'S SECURITIES**

The Issuer's Articles of Association provide that bearer shares may not be converted into registered shares. There are no other restrictions on the transfer of ownership of securities issued by the Company.

**VIII DESCRIPTION OF RULES REGARDING THE APPOINTMENT AND DISMISSAL OF MANAGING PERSONS AND THEIR RIGHTS, IN PARTICULAR THE RIGHT TO DECIDE ON THE ISSUE OR ACQUISITION OF SHARES**

The Management Board of the Company in 2017 was one-man Management Board. According to the Company's Articles of Association, which were in force in 2017, the President of the Management Board is appointed and dismissed by the Issuer's Supervisory Board. The term of office of the Management Board lasts 3 years, and its powers are specified in the Company's Articles of Association.

#### **The Management Board Article 14**

**14.1 The Management Board exercises all powers in the scope of managing the Company, with the exception of rights reserved by law or these articles of association for the other bodies of the Company.**

**14.2 The Management Board may adopt its Regulations. The Regulations of the Management Board specify in particular, the organization of the Management Board and the way it handles the Company's affairs**

#### **Article 15**

**In the case of a one-man Management Board, the President of the Management Board makes a declaration of will on behalf of the Company. If the Company's Management Board is composed of several persons, to make a declaration of will regarding the Company's property rights and obligations and to sign documents on behalf of the Company, cooperation of two members of the Management Board or a member of the Management Board together with a proxy is required.**

#### **Article 16**

**16.1 The Supervisory Board concludes contracts on behalf of the Company with members of the Management Board and represents the Company in disputes with members of the Management Board. The Supervisory Board may authorize, by resolution, one or more members to perform such legal actions.**

**16.2 The Company's employees are subject to the Management Board. The Management Board concludes and terminates employment contracts with them and sets their remuneration according to the principles set out in applicable regulations.**

#### **IX Description of rules for changing the issuer's articles of association or contract**

**According to the Company's Articles of Association, which were in force in 2017, amendments to the Company's Articles of Association may only be made by resolution of the General Meeting of Shareholders. Pursuant to § 29 paragraph 1 item (d) of the Company's Articles of Association, "The General Meeting of Shareholders adopts resolutions on matters set out in the Commercial Companies Code and the articles of association, including in particular matters related to: amendments to the Company's Articles of Association, including changes to the company's enterprise,"**

**X OPERATION OF THE GENERAL MEETING AND ITS BASIC POWERS, AND DESCRIPTION OF SHAREHOLDERS' RIGHTS AND HOW TO EXERCISE THEM, IN PARTICULAR THE PRINCIPLES ARISING FROM THE REGULATIONS OF THE GENERAL MEETING, IF SUCH REGULATIONS HAVE BEEN ADOPTED, UNLESS THE INFORMATION IN THIS REGARD RESULTS DIRECTLY FROM LEGAL PROVISIONS**

The General Meeting operates based on the provisions of the Commercial Companies Code, the Company's Articles of Association, which were in force in 2017, and the Regulations of the General Meeting.

The General Meeting is the Company's decision-making body, it is composed of shareholders who came to the meeting and took part in the proceedings.

Draft resolutions proposed for adoption by the General Meeting and other relevant materials should be presented to the Shareholders together with the justification and opinion of the Supervisory Board before the General Meeting, in time enabling them to become familiar with and assess them. A shareholder may participate in the General Meeting and exercise voting rights in person or through Representatives. Participation of a Shareholder Representative in the General Meeting requires proper documentation of the right to act on behalf of the Shareholder. Members of the Supervisory Board and the Management Board are entitled to participate in the General Meeting.

Persons entitled to participate in the General Meeting have the right to speak on their own. Other persons present at the General Meeting may speak only with the consent of the General Meeting. The General Meeting is opened, as indicated in the Articles of Association, by the Chairman of the Supervisory Board or a person appointed thereby at the time and place specified in the announcement.

In the absence of the above authorized persons, the General Meeting is opened by any member of the Supervisory Board, and in their absence by the president of the Management Board or a person appointed by the Management Board. The proceedings of the General Meeting shall be recorded by a notary.

The General Meeting of Shareholders adopts resolutions on matters specified in the Commercial Companies Code and the articles of association. "

#### **Article 24**

**24.1** The Annual General Meeting is convened by the Management Board in June each year at the latest after the end of the financial year.

**24.2** The Supervisory Board may convene an Ordinary General Meeting if the Management Board fails to convene it within the time limit specified in the Commercial Companies Code.

**24.3** The Supervisory Board or shareholders representing at least half of the share capital or at least half of the total votes in the Company may convene an Extraordinary General Meeting. Shareholders appoint the chairman of the Meeting.

#### **Article 25**

**25.1** The agenda of the General Meeting is determined by the Management Board in consultation with the Supervisory Board.

**25.2** The Supervisory Board and shareholders representing at least 1/20 of the share capital may request that specific matters be placed on the agenda of the next General Meeting.

**25.3** The request to place issues on the agenda of the General Meeting should be submitted at least 21 days before the scheduled date of the Meeting and should contain a justification or a draft resolution regarding the proposed item on the agenda. Changes to the agenda introduced at the request of Shareholders, the Management Board announces 18 days before the date of the Meeting in a manner appropriate for convening the General Meeting.



#### **Article 26**

The General Meetings may be held at the company's registered office, in Warsaw, or at another place indicated by the Company's Management Board when convening the General Meeting.

#### **Article 27**

A General Meeting may pass resolutions regardless of the number of shareholders present or shares represented.

#### **Article 28**

**28.1** Resolutions of the General Meeting are adopted by an absolute majority of votes, unless these Articles of Association or the Act provide otherwise. This majority is required in particular in the following matters:

- 1) reviewing and approving the Management Board's report on the Company's operations, the financial statements for the previous financial year
- 2) and adopting the resolution on distributing profit or covering loss,
- 3) acknowledgement of the fulfillment of duties by the members of the Company's bodies.

**28.2** Resolutions of the General Meeting are adopted by a majority of % votes on:

- 1) amendment of the Articles of Association,
- 2) issue of convertible bonds and bonds with pre-emptive rights to subscribe for shares,
- 3) shares redemption
- 4) reduction of the share capital,
- 5) disposal of the enterprise or an organized part thereof,
- 6) Company dissolution.

**28.3** If the balance sheet prepared by the Management Board shows a loss exceeding the sum of supplementary and reserve capitals and one third of the share capital, an absolute majority of votes is enough to pass a resolution on dissolving the Company.

**28.4** A two-thirds majority of votes is required to adopt a resolution regarding a material change in the Company's business.

**28.5** The consent of the General Meeting is not required to acquire, sell or encumber property with limited property rights

**28.6** The scope of the Company's operations may be changed without the obligation to buy back shares of the shareholders who do not agree to the change if the resolution on the change of the scope of activity is taken by a two-thirds majority vote in the presence of persons representing at least half of the share capital.

#### **Article 29**

**29.1** Voting at the General Meeting is open. Secret ballot voting is held in appointing and recalling of the members of the governing bodies of the Company or receivers, or in reference to bringing the same to justice or in staff-related affairs.

**29.2** Resolutions regarding changes to the subject of the Company's enterprise are adopted in an open roll-call vote.

## **Article 30**

**30.1** The General Meeting is opened by the Chairman of the Supervisory Board Deputy thereto, and then a chairman is elected from among the persons authorized to participate in the General Meeting.

**30.2** The General Meeting may adopt its regulations.

**30.3** The competences of the General Meeting include in particular the following matters:

- 1) reviewing and approving the annual financial statements of the Company, the annual report on the activities of the Company, as well as the consolidated financial statements of the capital group and the report on the activities of the capital group for the previous financial year,
- 2) approving operations of members of the Supervisory Board and members of the Company's Management Board in terms of the performance of their duties,
- 3) deciding on the distribution of profit and covering losses, as well as the use of funds created from profit, subject to special provisions regulating in a different manner the use of such funds,
- 4) appointing members of the Supervisory Board, as well as setting principles of remuneration of the members of the Supervisory Board,
- 5) increase and decrease of the share capital, unless the provisions of the Commercial Companies Code and the Articles of Association provide otherwise,
- 6) any decisions regarding claims for redressing any damage caused by the formation of the company or its supervisory and management operations,
- 7) granting consent for sale or lease of an enterprise or organized part thereof and establishment of a limited property right,
- 8) amendment of the Articles of Association,
- 9) creating and releasing reserve capitals and other capitals and funds of the Company,
- 10) deciding on the redemption of shares and the acquisition of shares for their redemption and determining the conditions for their redemption,
- 11) issue of convertible bonds or bonds with priority rights,
- 12) dissolution, liquidation and transformation of the Company and its merger with another company."

## **XI COMPOSITION OF THE COMPANY'S GOVERNING BODIES AND CHANGES THAT HAVE OCCURRED IN THE LAST FINANCIAL YEAR, AND DESCRIPTION OF THE MANAGEMENT, SUPERVISORY OR ADMINISTRATIVE BODIES OF THE ISSUER AND THEIR COMMITTEES**

### **• *Composition of the Supervisory Board***

The description of the activities of the Issuer's management and supervisory bodies results directly from the Company's Articles of Association, legal provisions - the Commercial Companies Code and the Regulations of the Supervisory Board and the Management Board.

On 22/02/2017 Mrs. Marianna Patrowicz resigned from the position of Member of the Supervisory Board of RESBUD S.A. with effect from 20/09/2017 Therefore, the General Meeting of Shareholders on 27/04/2017 by an appropriate Resolution with effect from 21/09/2017 elected Mrs. Martyna Patrowicz to supplement the composition of the Supervisory Board. The composition of the Supervisory Board in 2017 was as follows;

<b>First name and last name</b>	<b>Function</b>	<b>Date of appointment</b>	<b>Date of</b>
<b>Damian Patrowicz</b>	Chairperson	29/09/2015	-
<b>Wojciech Hetkowski</b>	Chairman Deputy	29/09/2015	-
<b>Małgorzata Patrowicz</b>	Secretary	29/09/2015	-
<b>Jacek Koralewski</b>	Member	29/09/2015	-
<b>Marianna Patrowicz</b>	Member	29/09/2015	20/09/2017
		21/09/2017	
<b>Martyna Patrowicz</b>	<b>Member</b>		

In accordance with the provisions of the articles of association in force in 2017, the Supervisory Board:

”

#### **Article 17**

**17.1** The Supervisory Board consists of five to nine Members appointed in the manner specified in further provisions of these Articles of Association. The General Meeting before the appointment of the Supervisory Board for the next term of office determines the number of its members within the above-mentioned limits. The term of office of the Supervisory Board lasts three years, except for the term of office of the first Supervisory Board, which lasts one year.

**17.2** Members of the Supervisory Board are elected by the General Meeting.

#### **Article 18**

**18.1** The Supervisory Board elects a Chairman and one or two Deputy Chairman and Secretary from among its members.

**18.2.** The Chairman of the Supervisory Board convenes a meeting of the Board and chairs it. The Chairman of the outgoing Supervisory Board convenes and opens the first meeting of the newly elected Supervisory Board and chairs it until a new Chairman is elected.

#### **Article 19**

**19.1** *The Supervisory Board shall hold meetings* at least once every quarter.

**19.2** The Chairman of the Supervisory Board or the Deputy Chairman of the Supervisory Board, upon a written request of the Management Board or a member of the Supervisory Board, convenes a meeting of the Supervisory Board within a week of submitting the request, on a day falling not later than two weeks from the date of convening.

#### **Article 20**

**20.1** For the validity of resolutions of the Supervisory Board, a written invitation of all members is required, delivered at least seven days before the scheduled date of the meeting.

**20.2.** Members of the Supervisory Board can participate in enacting decisions of the supervisory Board by voting in writing through another member of the Supervisory Board. Voting in writing cannot refer to matters introduced to the agenda during the meeting of the Supervisory Board. The Supervisory Board may adopt resolutions in writing or by means of direct communication at a distance. A resolution adopted in this way shall be valid when all members of the Supervisory Board have been notified of the content of the draft resolution. Adopting resolutions by voting in writing or by using means of direct remote communication does not apply

to the election of the Chairman and Deputy Chairman of the Supervisory Board.

**20.2** Members of the Supervisory Board on adopting a resolution may cast their vote in writing through another member of the Supervisory Board.

**20.3** *(Deleted)*

**20.4** The Supervisory Board adopts its regulations specifying the detailed operations of the Supervisory Board.

#### **Article 21**

**21.1** The Supervisory Board may delegate its members to individually perform specific supervisory activities.

**21.2** *(deleted).*

#### **Article 22**

**22.1** The Supervisory Board oversees the Company's operations

**22.2** In addition to the matters specified in the Act, in other provisions of these Articles of Association or in the resolutions of the General Meeting, the competences of the Supervisory Board include:

- 1) auditing the annual balance sheet as well as profits and losses and ensuring their verification by the auditors selected by them,
- 2) examining and giving opinions on the Management Board's report,
- 3) reviewing and approving the Company's business, financial and marketing plans every year, and requesting detailed reports from the Management Board on the implementation of those plans,
- 4) submission to the General Meeting of a written report on the results of the activities referred to in Sections 1-3,
- 5) examining and giving opinions on the Management Board's conclusions as to the principles of distribution of profit and presenting them to the General Meeting, including determining the amount allocated for dividends and dividend payment dates or rules for covering losses,
- 6) expressing consent to transactions involving the sale or acquisition of shares or other property or incurring financial obligations such as:
  - a) loans and borrowings;
  - b) liabilities under debt securities;
  - c) derivatives of financial instruments (futures, derivatives, options, swaps, etc.);

if the value of a given transaction exceeds 15% of the Company's net asset value, according to the last balance sheet approved by the Company's Annual General Meeting. The consent of the Supervisory Board does not apply to transactions included in the Company's business plan approved by the Supervisory Board for a given financial year,

- 7) appointing, suspending and dismissing members of the Management Board,
- 8) delegating members of the Supervisory Board to perform the activities of the Management Board in the event of suspension or dismissal of the entire Management Board or when the Management Board cannot act for other reasons,
- 9) entrusting a Member of the Management Board with the duties of the President of the Management Board.

- 10) **The consent of the Supervisory Board is required for the acquisition, sale and encumbrance of limited property rights. "**

**• Composition of the Management Board**

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

<b><i>First name and last name</i></b>	<b><i>Function</i></b>
<b><i>Anna Kajkowska</i></b>	<b><i>President Of The Management Board</i></b>

***In accordance with the provisions of the articles of association in force in 2017, the Company's Management Board:***

***Article 13***

- 21) 13.1 The Management Board consists of one to seven persons appointed for a joint term of office. The term shall last for 3 years.***
- 22) 13.2 The Supervisory Board appoints the President of the Management Board and other members of the Management Board.***
- 23) 13.3 The Supervisory Board shall determine the number of members of the Management Board.***
- 24) 13.4 The Supervisory Board may dismiss the President of the Management Board, a member of the management board or the entire Management Board before the end of the term of office of the Management Board.***

***Article 14***

- 25) 14.1 The Management Board exercises all powers in the scope of managing the Company, with the exception of rights reserved by law or these Articles of Association for the other bodies of the Company.***

**14.2 The Management Board may adopt its Regulations. The Regulations of the Management Board specify in detail the organization of the Management Board and the manner in which it manages the Company's affairs**

***Article 15***

**In the case of a one-man Management Board, the President of the Management Board makes a declaration of will on behalf of the Company. If the Company's Management Board is composed of several persons, to make a declaration of will regarding the Company's property rights and obligations and to sign documents on behalf of the Company, cooperation of two members of the Management Board or a member of the Management Board together with a proxy is required.**

***Article 16***

**16.1 The Supervisory Board concludes contracts on behalf of the Company with members of the Management Board and represents the Company in disputes with members of the Management Board. The Supervisory Board may authorize, by resolution, one or more members to perform such legal actions.**

**16.3** The Company's employees are subject to the Management Board. The Management Board concludes and terminates employment contracts with them and sets their remuneration according to the principles set out in applicable regulations.

The Management Board of RESBUDS.A. operates on the basis of the provisions of the Commercial Companies Code (Journal of Laws 2000 No. 94, item 1037, as amended), the Company's Articles of Association and in accordance with the adopted principles of Good Practice in Public Companies. In 2017, the Management Board of RESBUD S.A. acted as a single member through the appointed President of the Management Board

• *Audit Committee*

The Company's Supervisory Board is composed of five members and pursuant to Article 86 paragraph 3 of the Act on certified auditors and their self-government, entities authorized to audit financial statements and public supervision of 07/05/2009. (Journal of Laws No. 77, item 649, as amended) (hereinafter: Act on Certified Auditors) in connection with the above until 20/10/2017 the tasks of the Audit Committee were entrusted to the entire composition of the Company's Supervisory Board.

On 20/10/2017 The Supervisory Board of the Company, by Resolution No. 01/20/10/2017, decided to appoint from its composition an Audit Committee consisting of three members:

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

In the opinion of the Supervisory Board, the Audit Committee in the above composition meets the requirements specified in Article 128 paragraph 1 and Article 129 paragraphs 1, 3, 5, and 6 of the Act on Statutory Auditors.

## **XII Other relevant information about the issuer**

- *Change in the Issuer's legal form in 2018 and change in the Company's Articles of Association.*

*Shareholder's request to convene the General Meeting, change the seat of the Company and amend the articles of association.*

*On 16/03/2018 the Company received a motion from a shareholder of PATRO INVEST Sp. z o.o. with its registered office in Płock submitted pursuant to Article 55 of the Council Regulation (EC) No 2157/2001 of 8 October 2001 on the articles of association of a European company (EC) (Dz.Urz.U.E.L No.294, p. 1) in conjunction with Article 400 § 1 of the Commercial Companies Code containing a request to convene a General Meeting and to put the following items on the agenda for this General Meeting:*

- *Adopting a resolution on the transfer of the Company's registered office to Estonia, adaptation to Estonian law, and authorization of the Company's Management Board,*
- *Adopting a resolution to amend the Company's Articles of Association,*

*The Shareholder in the content of the application of 16 March 2018 concluded the justification of the request and submitted a proposal for a new wording of the Company's Articles of Association after the transfer of the*

**Company's registered office to Estonia. The Issuer's Management Board publicly announced, in the appendix to this report, about the shareholder's request received on March 16, 2018, together with the justification and the proposed content of the Company's Articles of Association, the wording of which is to be the subject of resolutions of the General Meeting convened in execution of the shareholder's request.**

**The Issuer's Management Board indicated that, having regard to the shareholder's request and based on applicable legal regulations, it intends to take the necessary actions to conduct the necessary pre-existing activities, which shall enable shareholders to possibly adopt a resolution regarding the transfer of the Company's registered office resulting from the content of Article 8 of Council Regulation (EC) No. 2157/2001 of October 8, 2001 on the articles of association of a European company (SE) (Journal of Laws EU No. 294, p. 1) and other relevant legal provisions, and in addition, the Management Board informed that on the basis of applicable legal regulations it intends to take actions aimed at convening the General Meeting whose agenda shall include matters covered by the Shareholder's request of March 16, 2018.**

**The Issuer's Management Board indicated that it will provide all necessary information regarding the implementation of the procedure preceding the adoption of resolutions regarding the transfer of the Company's Registered Office by means of separate current reports and on the Issuer's website.**

The Management Board of RESBUD SE: