



ANNUAL REPORT

FON SE

INCLUDING

FINANCIAL STATEMENTS

for 12 months ended on December 31, 2018

PREPARED IN COMPLIANCE WITH

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Tallinn, October 10, 2019



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1. Financial Statements

These statements of FON SE for the year 2018, along with comparable data, were prepared in compliance with International Accounting Standards and International Financial Reporting Standards (IAS/IFRS) in EUR thousands.

1.1 Statement of Financial Position (in thousand EUR)

STATEMENT OF FINANCIAL POSITION	Note	31 December 2018	31 December 2017
Assets			
Fixed assets		8,735	10,021
Intangible assets	8	523	1,131
Tangible fixed assets	13	234	331
Long-term financial assets	29	7,978	8,548
Long-term accruals and prepayments	14	0	11
Current assets		603	5,587
Inventories	11	105	309
Short-term receivables	12	13	22
Short-term financial assets	30	442	5,167
Cash and cash equivalents	31	40	87
Short-term accruals and prepayments	14	3	2
Long-term assets held for sale		0	0
Total assets		9,338	15,608

Liabilities			
Equity		9,324	15,561
Share capital	16	7,700	8,379
Own shares (shares) (negative value)		0	0
Supplementary capital from the sale of shares above the nominal value and from the reduction of the share capital	5	22,422	22,422
Revaluation reserve	34	-11,664	-7,951
Capital from merger of entities	5	3,865	3,984
Other provisions	34	3,805	3,135
Exchange differences	3	-333	-23
Retained earnings / Unallocated financial result		-16,471	-14,385
Long-term liabilities		0	11
Deferred income tax provision		0	11
Short-term liabilities		14	36
Financial liabilities due to issuance of securities			
Trade liabilities	19	6	26
Other liabilities	19	8	5
Other provisions	19	0	5
Total liabilities		9,338	15,608



1.2 Income Statement and Statement of Comprehensive Income (in thousand EUR)

INCOME STATEMENT	Note	The period ended 31/12/2018	The period ended 31/12/2017
I. Revenue from sales of products, goods and materials	6	452	574
II. Cost of products, goods and materials sold	35	-54	-140
III. Gross profit on sales		398	434
IV. Selling costs	35	0	-4
V. General and administrative expenses	35	-157	-199
VI. Other operating revenues	36	14	8
VII. Other operating costs	35	-832	-1,606
VIII. Profit on operating activities		-577	-1,367
IX. Financial revenues	36	7	0
X. Financial costs	35	-1,516	-201
XI. Pre-tax profit		-2,086	-1,568
XII. Income tax	7	0	142
XIII. Net profit		-2,086	-1,426

Net profit (loss) (in 12 months)		-2,086	-1,426
The weighted average number of ordinary shares		70,000,000	49,226,027
Profit (loss) per one ordinary share (in EUR)		-0.03	-0.03
The weighted diluted average number of ordinary shares		70,000,000	49,226,027
Diluted profit (loss) per one ordinary share (in EUR)		-0.03	-0.03



1.3 Statement of Changes in Equity (in thousand EUR)

STATEMENT OF CHANGES IN EQUITY	The period ended 31/12/2018	The period ended 31/12/2017
Opening balance of equity	15,561	15,728
change of currency	-450	0
Opening balance of equity after reconciliation to comparable data	15,111	15,728
Opening balance of share capital	8,379	18,195
Changes in the share capital	-679	-9,816
increase (due to)	0	2,693
- issuance of shares	0	2,693
decrease (due to)	-679	-12,509
- reduction of the capital	-670	-12,509
- exchange differences	-9	0
Closing balance of share capital	7,700	8,379
Opening balance of own shares	0	0
Closing balance of own shares	0	0
Opening balance of supplementary capital	22,422	9,913
Changes in supplementary capital	0	12,509
a) increase (due to)	0	12,509
reduction of the nominal value of shares	0	12,509
Closing balance of supplementary capital	22,422	22,422
Opening balance of revaluation capital	-7,951	-6,544
Changes in revaluation capital	-3,713	-1,407
b) decrease (due to)	-3,713	-1,407
- valuation of financial assets	-3,713	-1,407
Closing balance of capital from revaluation	-11,664	-7,951
Opening balance of capital from merger of entities	3,869	3,984
Changes in other reserve capitals	-4	0
b) decrease (due to)	-4	0
- reduction due to merger	-4	0
Closing balance of capital from merger of entities	3,865	3,984
Opening balance of other reserve capital	3,135	3,135
Changes in reserve capitals	670	0
a) increase (due to)	670	0
- increase due to reduction of share capital	670	0
Closing balance of other reserve capital	3,805	3,135
Opening balance of retained profit/not settled loss of previous years	-14,385	-12,955
b) decrease (due to)	-2,086	-1,430



loss for the period	-2,086	-1,430
Closing balance of retained profit/not settled loss of previous years	-16,471	-14,385
Exchange differences from converting gained income/loss into EUR	410	-23
Exchange differences from reserve capital	230	0
Exchange differences from supplementary capital	-648	0
Exchange differences from converting share capital into EUR	-234	0
Exchange differences from other provisions	-91	0
Closing balance of equity	9,324	15,561
Equity after considering the proposed distribution of profit (loss coverage)	9,324	15,561

1.4 Statement of Cash Flow (in thousand EUR)

CASH FLOWS STATEMENT	The period ended 31/12/2018	The period ended 31/12/2017
OPERATING ACTIVITIES		
Gross profit (loss)	-2,086	-1,568
Adjustments total	2,122	1,504
Amortization	48	50
(Profits) losses from exchange differences	2	2
Interests and dividends	-405	-612
(Profit) loss due to investment activities	2,121	1,768
Change in the balance of other provisions	0	-136
Change in the balance of other inventories	204	121
Change in the balance of receivables	9	10
Change in the balance of liabilities	-34	14
Change in the balance of accruals	10	136
Other adjustments	176	150
Exchange differences	-9	-2
Gross cash flows from operating activity	36	-67
Investment activity		
Inflows from investment activities	4,534	1,612
Disposal of financial assets	70	157
Received repayments of the loans	4,256	376
Received interest	208	1,079
Expenses due to investment activity	4,525	4,141



Acquisition of elements of intangible fixed assets and tangible fixed assets	0	2,682
Loans granted	4,525	1,116
Expenses for acquisition of financial assets		343
Investments in properties and intangible assets		0
Expenses on acquisition of tangible fixed assets		0
Net cash flows from investment activity	9	-2,529
Financial activity	0	0
Inflows	0	2,650
Expenses due to financial activity	0	0
Net cash flows from financial activity	0	2,650
Exchange differences	2	1
Net cash flows, total	47	55
Balance sheet change in cash	-47	55
Opening balance of cash	87	32
Closing balance of cash	40	87

2. General Information

2.1 Basic information about the Company

Name of the Company: FON SE

- On 19/04/2018 there was registered merger of the Issuer, previously operating as a public limited company under Polish law under the name of FON Spółka Akcyjna with its registered office in Płock at Padlewskiego Street 18C, Poland, entered in the Register of Entrepreneurs of the National Court Register kept by the District Court for the Capital City of Warsaw in Warsaw, 14th Commercial Division, under the number 0000028913, NIP 5480075844, REGON 070009914 with FON1 Polska Akciová společnost headquartered in Ostrava, address: Poděbradova 2738/16, Moravská Ostrava, 702 00 Ostrava, the Czech Republic entered to the commercial register kept by the District Court in Ostrava, section B under the number 10981, identification number 06503390 (the Acquired Company).
- As a result of registration of merger by the District Court for the Capital City of Warsaw in Warsaw, the Issuer has changed its legal form to the European Company and has already started operating as FON SE headquartered in Płock at Padlewskiego Street 18C, Poland, entered in the Register of Entrepreneurs of the National Court Register kept by the District Court for the Capital City of Warsaw in Warsaw, 14th Commercial Division, under the number 0000728655, REGON 070009914 and NIP 5480075844.
- On 30/11/2018 the commercial register appropriate for the Estonian law (Ariregister) registered the transfer of the Issuer's registered office to Estonia. Since 30/11/2018 the Company is being entered in Tartu County Court Registration Department, registry code: 14617916.



Address:

- to 30/11/2018 - Płock 09-402, ul. Padlewskiego18C
- since 01/12/2018 - Narva mnt 5, 10117 Tallinn, Estonia
- since 05/06/2019 - Harju maakond, Tallinn, Kesklinna linnaosa, Tornimäe tn 5, 10145 Estonia.

VAT identification number:

- 5480075844 (applicable till 30/11/2018)

Business activity according to 'Polish Business Classification (PKD)':

- Other financial service activities, except insurance and pension funding not elsewhere classified (PKD 64.99.Z),
- Production of electricity (PKD 35.11. Z)
- Trade of electricity (PKD 35.14.Z)
- Other monetary intermediation (PKD 64.19.Z),
- Activities of holding companies (PKD 64.20.Z),
- Other credit granting (PKD 64.92.Z)

Business activity according to Estonian Business Classification:

- Activities of holding companies (EMTAK 64201)

Duration of the Company:

- Duration of the Company is indefinite.

Registry court of the Company:

- Till 30/11/2018 the Company had been entered to the Register of Entrepreneurs of the National Court Register kept by the District Court for the Capital City of Warsaw in Warsaw, 14th Commercial Division, under the number 0000728655.
- Since 01/12/2018 the Company has been entered in Tartu County Court Registration Department, registry code: 14617916.

Share capital of the Company:

- Till 19/04/2018 the share capital of the Company was: PLN 35.000.000,00 and it was divided into 70.000.000 shares of the nominal value PLN 0,50 per share, including: 47.500.000 ordinary bearer shares of A series and 22.500 ordinary bearer shares B series.
- Since 19/04/2018 the share capital is 7.700.000,00 EURO and it is divided into 70.000.000 shares of the nominal value 0,11 EURO per share, including: 47.500.000 ordinary bearer shares of A series and 22.500 ordinary bearer shares B series.



Financial year:

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

2.2 Governing bodies

Composition of the Management Board

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

- Damian Patrowicz – Member of the Supervisory Board appointed to perform the duties of the Chairman of the Management Board until 29/06/2018, and since 05/07/2018 he was appointed to the function of the Management Board.

In the form of appropriate Resolutions of the Supervisory Board of FON SE, the Vice-Chairman of the Supervisory Board - Mr Damian Patrowicz was appointed to temporarily perform duties of the Chairman of the Management Board, last time for the period since 04/04/2018 to 29/06/2018.

On 04/07/2018, Mr Damian Patrowicz was dismissed from the function of the Supervisory Board Member of the Issuer and appointed by the Supervisory Board to the function of the Chairman of the Management Board.

Composition of the Supervisory Board

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

- Wojciech Hetkowski - Chairman of the Supervisory Board
- Damian Patrowicz - held function of the Vice-President of the Supervisory Board since 04/07/2018 (in the meantime he was appointed to temporarily perform the duties of the Chairman of the Management Board till 29/06/2018)
- Małgorzata Patrowicz - Secretary of the Supervisory Board
- Jacek Koralewski - Member of the Supervisory Board
- Martyna Patrowicz - Member of the Supervisory Board
- Mariusz Patrowicz - Member of the Supervisory Board since 04/07/2018.

On 04/07/2018 the Ordinary General Meeting of Shareholders amendment the composition of the Supervisory Board of the Issuer by dismissing Mr Damian Patrowicz and appointment of Mr Mariusz Patrowicz.

2.3 Basis for preparation of the financial statements

This financial statements were prepared in accordance with International Accounting Standards approved by the European Union and with assumption that the Company will be going concern in the foreseeable by the Company future.

This financial statements as at December 31, 2018, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity for 12 months ended on December 31,



2018 are audited by the certified auditor. The financial statements as at December 31, 2017 and for twelve months ended on December 31, 2017 were subjected into audit by the certified auditor who issued a qualified opinion.

The Management Board while preparing the financial statement, has decided to use data as at 31/12/2017 as comparable data for statement of changes in equity and statement of cash flow.

Making such a decision, the Management Board took into consideration the materiality in relation to financial data for December 2017, and also the fact that in the opinion of the Management Board, data as at 31/12/2017 are more comprehensive, reflect the fair view of the entity, and these data are comparable with data as at 31/12/2017 in a significant level.

Reporting currency

Financial statements are presented in EUR thousand.

Financial statements are prepared with assumption that the Company will be going concern in the foreseeable future.

2.4 Accounting principles applied for preparation of the condensed financial statements

Pursuant to the Resolution of the General Meeting of FON SE of June 30, 2005, starting from financial statements for reporting periods which have began since January 1, 2005, the financial statements of the Company have been prepared in accordance with International Financial Reporting Standards and related interpretations published in the form of regulations of the European Commission.

The currency in which these financial statements are prepared is EUR since the year 2018. Polish zloty (PLN) is the functional currency of the Company.

All data presented in the report are expressed in EUR thousand, unless stated otherwise.

In presented financial statements the same accounting principles were followed as the one described in the latest annual financial statements as at December 31, 2017, excluding accounting principles resulting from application of IFRS 9 and IFRS 15 presented below.

Influence of the new and changed standards and interpretations.

The International Accounting Standards Board approved the new standards to be used since January 1, 2018:

- IFRS 9 „Financial instruments” which has replaced IAS 39 ‘Financial Instruments: Recognition and Measurement’,
- IFRS 15 ‘Revenues from Contracts with Customers’ and amendments to IFRS 15 explaining some requirements of the standard which has replaced standards of IAS 11 and 18 and interpretations: IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31.



Influence of application of aforementioned standards on accounting policy of the Company and on the financial statements.

IFRS 9 Financial Statements.

The Company has not implemented earlier introduction of IFRS 9 and has applied the requirements of IFRS 9 retrospectively for the periods starting after January 1, 2018. Pursuant to allowed by this standard possibility, the Company has not adjusted the comparative data. Implementation of IFRS 9 influenced the accounting policy in the field of recognition, classification and valuation of financial assets, assessment of liabilities.

Published and approved by EU standards, which have not entered into force yet.

In this report, the Company has not implemented standards, amendments of standards and interpretations which were published and approved by the EU but have not entered into force yet. The Company does not envisage any significant influence of such standards on the Company's financial statements.

Selected elements of the accounting policy.

Valuation of assets and financial liabilities.

Since January 1, 2018 the Company has qualified financial assets into the following categories:

- measured at amortised cost,
- measured at fair value through comprehensive income,
- measured at fair value through financial result.

Classification is made upon initial recognition of assets. Classification of debt financial assets depends on the business model of financial assets management as well as on contractual cash flow characteristics (test SPPI-Solely Payment of Principal and Interest) for each element of financial assets.

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

Financial assets measured at amortised cost are valued in the amount of amortised cost using effective interest rate, taking into account write-offs due to impairment loss. Trade receivables with maturity period up to 12 months from its origination date are not discounted and are measured at nominal value.

In case of financial assets purchased or emerged, impaired at the moment of initial recognition, these assets are measured at amortised cost using effective interest rate adjusted for credit risk.

Into the category of assets measured at **fair value through other comprehensive income** are classified:

1. element of debt financial assets if there are fulfilled the following conditions:

- it is kept in business model which aim is to receive contractual cash flows due to owned financial assets as well as due to sales of financial assets, and
- contractual conditions give the right to receive, in specified dates, cash flows constituting only on capital and interest on capital (it means it passed the SPPI test on).



2. Equity instrument for which there was made an irreversible classification to this category at the moment of initial recognition. The option of the fair value through comprehensive income is not possible for instruments dedicated to trading.

Profits and losses, either from valuation or realization, emerged from these assets are recognized in other comprehensive income, excluding income from received dividends.

To the category of **assets measured at fair value through financial result** the Company classifies loans granted which did not pass the contractual cash flows test.

Profits and losses on **financial assets measured at fair value through financial result are recognized in the financial result from the period in which they emerged (including income due to interest and dividends)**.

Since January 1, 2018 the Company classifies financial liabilities to the following categories:

- measured at amortised cost,
- measured at fair value through financial result,
- securing financial instruments.

To the group of liabilities measured at amortised cost are classified liabilities other than those measured at fair value through financial result (i.a. liabilities due to deliveries and services, credits and loans), except for:

- financial liabilities arising in case of transfer of financial assets which are not classified to derecognition,
- agreements on financial guarantees which are measured at higher amount from the following:
 - value of the write-off for excepted credit losses settled according to IFRS 9
 - value initially recognized (i.e. at fair value increased by costs of transaction that may be directly assigned to the financial liabilities component), reduced by accumulated amount of income recognized according to provisions of IFRS 15 Revenue from contracts with customers.

To liabilities measured at fair value through financial result are classified liabilities due to derivatives which are not assigned for hedge accounting purposes.

Impairment of financial assets

IFRS 9 introduces a new approach to estimation of losses with regard to financial assets measured at amortised cost. This approach is based on designation of expected losses, independently on the fact whether there were any premises to do it or not.

The Company applies the following models of determining impairment write-offs:

- general model (basic),
- simplified model.

In the general model, the Company monitors changes of credit risk's level related to the particular component of the financial assets.

In the simplified model the Company does not monitors changes of credit risk's level during the instrument's lifetime, estimates expected credit loss within the maturity date of the instrument.

To estimate expected credit loss the Company uses:

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

As insolvency event, the Company recognizes lack of obligation's fulfilment by a contractor after 90 days since maturity date of a receivable.

The Company takes into account informations regarding future in applied parameters of model for estimating expected loss, by adjustment of basic indexes of insolvency probability (for receivables) or by calculation of parameters of insolvency probability on the basis of current market quotes (for other financial assets).



The Company applies the simplified model of calculation of impairment write-offs for trade receivables.

The general model is applied for other types of financial assets, including debt financial assets measured at fair value through other comprehensive income.

Impairment losses for debt financial instruments measured at amortised cost (at the moment of initial recognition and calculated for every next day ending financial period) are recognized in other operating costs. Profits (reversal of the write-off) due to reduction of value of expected impairment loss are recognized in other operating revenues.

For purchased and emerged financial assets impaired due to credit risk at the moment of initial recognition, favourable changes of expected credit losses are recognized as impairment profit in other operating revenues.

Losses due to impairment of debt financial instruments measured at fair value through other comprehensive income are recognized in other operating costs in correspondence with other comprehensive income. Profits (reversal of a write-off) due to reduction of value of expected credit loss are recognized in other operating revenues.

Below chart summarizes influence of IFRS 9 on change of classification and measurement of financial instruments of the Company as at January 1, 2018. Numbers are in in thousand EUR.

	Classification acc. to IAS 39	Classification acc. to IFRS 9	Balance sheet value acc. to IAS 39	Balance sheet value acc. to IFRS 9
Financial assets			December 31, 2017	January 1, 2018
Financial assets	Available for sale	Fair value through comprehensive income	7,487	7,487
Financial assets	Financial assets measured at fair value through financial result	Fair value through financial result	279	279
Loans granted	Loans and receivables	Amortised cost	5,800	5,800
Trade and other receivables	Loans and receivables	Amortised cost	22	22
Cash and cash equivalents	Loans and receivables	Amortised cost	87	87

2.5 Rules for conversion of items of the financial statements into EURO

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

- Balance-sheet items are converted at the exchange rate quoted by the European Central Bank as at the balance sheet date:
 - on December 31, 2018 1 EUR = 4,3014
 - on December 31, 2017 1 EUR = 4,1770
- Income statement items and statement of cash flow are converted at the rate based on the arithmetic mean of average rates determined by the European Central Bank on the last day of each month in the reporting period:
 - in the period since January 1, 2018 to December 31, 2018 1 EUR = 4,2335
 - in the period since January 1, 2017 to December 31, 2017 1 EUR = 4,2937



3. Additional Information

Note 1 Selected financial data including basic items of the financial statement (in thousand EUR)

Selected financial data	in EUR thousand	
	Twelve months ended on 31/12/2018	Twelve months ended on 31/12/2017
Revenue from sales of products, goods and materials	452	574
Profit (loss) from operating activity	-577	-1,368
Pre-tax profit (loss)	-2,086	-1,568
Net profit (loss)	-2,086	-1,426
Net cash flow on operating activity	36	-67
Net cash flow on investment activity	9	-2,529
Net cash flow on financial activity	0	2,650
Changes in cash and cash flow	-47	55
Assets total	9,338	15,608
Long-term liabilities	0	11
Short-term liabilities	14	36
Equity	9,324	15,561
Share capital	7,700	8,379
Weighted average diluted number of shares	70 000 000	49 226 027
Profit (loss) per share (EUR)	-0,03	-0,03
Book value per share (EUR)	0,62	0,32



Note 2 Information regarding adjustments due to provisions, provisions and assets due to deferred income tax and revaluation write-offs done (in thousand EUR)

Within twelve months of 2018 there have been made the following amendments of provisions and revaluation write-offs:

Title	balance as at 01/01/2018	Increase of provision	Dissolution of provision	balance as at 31/12/2018
Provision due to deferred income tax	10	42	-52	0
Assets due to deferred income tax	10	42	-52	0
Other short-term provision	5	3	-5	3
Revaluation write-off of receivables	216	0	-2	214
Revaluation write-off of intangible fixed assets	1,529	575	0	2,104
Revaluation write-off of loans granted	0	1,233	0	1,233
Revaluation write-off of inventory	0	841	0	841
Revaluation write-off of loans granted	0	0	0	0

Note 3 Overview and explanation of differences between data disclosed in the financial statement along with comparable data and the previously prepared and published financial statements

There were not made any corrections of mistakes regarding the previous periods. Exchange differences from converting data in PLN into EUR are presented in the chart below.

Exchange differences from supplementary capital	-648
Exchange differences from retained earnings	410
Exchange differences from share capital	-234
Exchange differences from reserve capital	230
Exchange differences from other provisions	-91

Note 4 Description of the significant achievements or failures of the Issuer in the reporting period, along with a list of the most important events

The Issuer within twelve months of 2018 recorded:

- revenue from sale of products in the amount of PLN 1,930 thousand = 452 EUR thousand,
- gross profit on sale in the amount of PLN 1,700 thousand = 398 EUR thousand,
- loss on operating activity in the amount of – PLN 2,461 thousand = 577 EUR thousand,



- net loss on business activity in the amount of PLN 8,901 thousand = 2,086 EUR thousand,
- financial cost in the amount of PLN 6,470 thousand = 1,516 EUR thousand,
- general administrative cost in the reporting period amounted to PLN 672 thousand = 157 EUR thousand.

In the reporting period, the Issuer has obtained revenues mainly from owned wind farm, lending activity, i.e. interest on loans granted, as well as lease of real estates.

As at the date of publication of the report on activity, the Company owns 12 899 shares of non-public limited liability company IFEA Sp. z o. o., of purchase value PLN 64.495 thousand. The Management Board decided to make a revaluation write-off of financial assets of the Issuer due to decrease of value of IFEA's shares amounted to PLN 3 961 thousand, as at the balance sheet date 31/12/2018.

As a consequence of aforementioned revaluation of financial assets, the revaluation capital in the annual report of the Issuer for 12 months of 2018 was charged with the total amount of write-off - PLN 15 970 thousand.

The Issuer's Management Board in the reporting period made a decision to assess, for reporting balance-sheet dates, the value of owned non-financial asset, i.e. 27.000.000 Tokens based on blockchain Ethereum. The Issuer made periodical valuation of owned Tokens on the basis of mathematical formula of redemption indicated in the agreement of purchase of Tokens.

Using this method of estimation, the Issuer made a revaluation decreasing valuation of this assets in the Company's accounting book in the period of 12 months of 2018 by the amount of PLN 2.475 thousand. Therefore, the total cumulative value of the write-off of this asset since the purchase date is PLN 9.050 thousand. The Issuer points out, that the purchase value of Tokens was PLN 11.300 thousand, while after making the revaluation as at the balance-sheet date 31/12/2018 the value of this asset in the accounting books of the Issuer is PLN 2.250 thousand.

The Management Board indicates that allocation of funds in securities gives an opportunity of benefiting in various scope, but it is not free from risk that the expected profits would not be gained, but also there could occur partial or even total loss of the capital invested in these instruments. This risk occurs in different form and with varying intensity. For a particular instrument there could be recognized the following kind of risks: market, i.e. systematic, financial, bankruptcy of the issuer, partial or full reduction of revenues, inflation, currency, liquidity.

Financial ratios (in thousand EUR)

Ratios	31/12/2018	31/12/2017
Total assets (thousand EUR)	9 338	15 608
Return on assets (ROA)	-22,34%	-9,16%
Equity (thousand EUR)	9 324	15 561
Return on equity (ROE)	-22,37%	-9,18%
Net profitability	-462%	-248%
Debt ratio	0,15%	0,30%
Net profit (thousand EUR)	-2 086	-1 429



Shares (31/12/2018)	31/12/2018	31/12/2017
Closing price of the share (EUR)	0,02	0,05
Earnings per share (EUR)	-0,029	-0,029
Price-to-earnings (PE) ratio	-0,69	-1,72
Book value of the share (EUR)	0,13	0,32
Price-to-book ratio (P/BV)	0,15	0,16
Current liquidity ratio	43	155
Market capitalization (thousand EUR)	1 400	3 184

Return on assets = net profit / assets total

Return on equity = net profit / equity

Debt ratio = liabilities / assets total

Earning per share = net profit / number of shares

Price-to-earning (PE) = price per share / earning per share

Book value of shares = Equity total / number of shares

Price-to-book ratio = price per share / Book value per share

Market capitalization = price per share X number of shares

Current liquidity ratio = current assets / short-term liabilities

Note 5 List of the most important events in the reporting period

➤ Delegating a Member of the Supervisory Board to perform the duties of the Chairman of the Management Board

The Management Board of FON S.A. announced via the current report No. 1/2018 that the Supervisory Board of the Company at its meeting on 2/01/2018 decided to delegate Vice-Chairman of the Supervisory Board of the Company Mr. Damian Patrowicz pursuant to art. 383 § 1 of the Code of Commercial Companies to perform the function of the Chairman of the Management Board for the period since 3/01/2018 until 30/03/2018.

The Issuer informed on 03/04/2018 that the Supervisory Board of the Company at its meeting on 03/04/2018 decided to re-delegate Mr. Damian Patrowicz, Vice-President of the Supervisory Board of the Company under the Article 383 § 1 of the Code of Commercial Companies to perform the function of the Chairman of the Management Board for the period since 04/04/2018 until 29/06/2018(inclusive).

➤ Revaluation of the assets of the Issuer

The Issuer informed via report no. 7/2018 on 28/03/2018 that as a result of the work on the annual report for 2017, the Issuer's Management Board made a decision to make on 31/12/2017 revaluation of the value of the Company's assets at the balance sheet date.

Tokens acquired by the Issuer from Patro Invest OU with its registered office in Tallinn were subject to an update in the amount of PLN 6.575 thousand. The Issuer informed that as at 31/12/2017 and as at the date of publication of this report it has 27.000.000 tokens PATRO-ICO1 based on the blockchain Ethereum with a purchase value of PLN 11.300 thousand about which the Issuer informed in the current report No. 63/2017 of 04/12/2017.



The Issuer has decided to update the value of the aforementioned Tokens in the Issuer's assets due to changes in their value by making a write-down of PLN 6.575 thousand which will be charged to the Company's financial result for the reporting period of 2017.

The Issuer points out that as a result of the valuation and adjustment of the value, the presented value of 27.000.000 tokens PATRO-ICO1 based on the blockchain Ethereum in the Issuer's financial statements as at 31/12/2017 amounts to PLN 4.725 thousand.

The basis for the valuation was the application of the mathematical formula indicated in the Token Purchase Agreement according to which the Tokens buy-back value was determined as at the balance sheet date.

➤ **Full settlement of claims under the loan agreement**

The Issuer's Management Board settled on 18/04/2018 the entire loan granted to the company TOP MARKA S.A. (KRS 0000292265) of 30/12/2013 amended by the Annex of 18/04/2015.

As a result of the implementation by FON Zarządzanie Nieruchomościami Sp. z o.o. based in Płock the obligations imposed on that company under the Trust Agreement described in Current Report No. 38/2015 and 39/2015, the Issuer indicated that the public sale procedure for the Real Estate located in Poznań at Kopanina Street 54/56 described in detail in Current Report No. 67/2013 has been exhausted.

Due to the exhaustion of the above procedure, the course of which the Issuer reported in the form of current reports, the Issuer became entitled to settle the value of the property taken over in Poznań at Kopanina Street 54/56 in the amount of the last public sale announcement, ie in the amount of PLN 25.000.000,00 (twenty five million zlotys). The Issuer informs that on 18/04/2018 the Issuer exercised his right and submitted a relevant declaration (posting at the post office), the statement of account is effective on 18/04/2018.

The aforementioned amount of PLN 25.000.000,00 has been included in the Agreement of transfer of ownership in the first place for the costs of the public sale procedure incurred by the Issuer, in the second place the Issuer has credited the amount of PLN 18.295.394,34 for liabilities of TOP MARKA S.A. towards FON S.A. under the Loan Agreement of 30/12/2013 which was the sum of the liabilities of TOP MARKA S.A. towards FON S.A. on 18/04/2018.

The Issuer informed that on 18/04/2018 the loan agreement of 30/12/2013 was fully settled.

The amount of Top Marka's liabilities in the amount of PLN 18.295.394,34 consisted of:

- PLN 17.850.941,93 return on loan principal as at 30/12/2013,
- PLN 444.452,41 refund of interest for delay until 18/04/2018.

The remaining part of the funds for the settlement of the property value in the amount of PLN 6.699.234,28 according to the Agreement of Transfer of Ownership the Issuer was obliged to transfer for a mortgage creditor secured on real estate in Poznań. This entity is Investment Friends SE based in Płock.

The Issuer also pointed out that the property in Poznań remains in the possession of FON Zarządzanie Nieruchomościami Sp. z o.o. by way of the trusteeship agreement, the Issuer has the right to request a real property retransfer to the Issuer. (current report No. 10/2018)



➤ **Information on granting a guarantee by the Issuer**

The Issuer informed on 18/04/2018 that it has concluded an agreement with INVESTMENT FRIENDS SE with its registered office in Płock regarding the transfer of funds for the repayment of INVESTMENT FRIENDS SE with its registered office in Płock vested with this company against TOP MARKA S.A. (KRS 0000292265) and secured by a mortgage up to PLN 15.000.000,00 on a property in Poznań at Kopanina Street 54/56 described in the Issuer's current report No. 67/2013 and report No. 10/2018 referred to above.

The Issuer explained that as a result of obtaining satisfaction of all claims of the Issuer against TOP MARKA S.A. under the Loan Agreement of 30/12/2013 the Issuer was obliged to transfer the surplus value of the collateral realized over the value of claims vested in the Issuer to INVESTMENT FRIENDS SE as a mortgage creditor secured on real estate in Poznań at Kopanina Street 54/56.

As a result of the above pursuant to the Agreement of 18/04/2018 the Issuer undertook to transfer to INVESTMENT FRIENDS SE the amount of PLN 6.699.234,28 by 30/04/2018. In addition, pursuant to the Agreement of 18/04/2018 the parties agreed that after making the payment of PLN 6.699.234,28 and provided that the Issuer granted additional collateral to the remaining part of INVESTMENT FRIENDS SE's claims against TOP MARK S.A. in the form of the Issuer's surety up to the amount of PLN 590.000,00 INVESTMENT FRIENDS SE in Płock will submit a statement of consent for the removal of the mortgage due to this entity from the property in Poznań at Kopanina Street 54/56 up to PLN 15.000.000,00.

The Issuer informed that the Issuer concluded on 18/04/2018 in the implementation of the above-mentioned Agreement with INVESTMENT FRIENDS SE the Issuer's surety agreement on the remaining part of the claims of INVESTMENT FRIENDS SE against TOP MARK S.A. due to the loan agreement of 7/11/2014 granted by INVESTMENT FRIENDS SE up to PLN 590.000,00 in the event that INVESTMENT FRIENDS SE does not obtain all of its claims against TOP MARKA S.A. under the Loan Agreement of 7/11/2014 until 30/06/2019.

In the view of the above the Issuer indicated that in exchange for the surety granted and transferring PLN 6.699.234,28 on the terms described above from the collateral realized by the Issuer, it will obtain the consent of INVESTMENT FRIENDS SE to delete the mortgage up to PLN 15.000.000,00 entered in the land and mortgage register in Poznań at Kopanina Street 54/56.

The Issuer informed that due to the guarantee stipulated in the Agreement the term and scope of collateral still available to INVESTMENT FRIENDS SE assesses that the risk of the necessity to execute the contracted liability under the guarantee agreement of 18/04/2018 is difficult to assess as at the date of publication of this report.

In addition, the Issuer indicated that there are capital ties and personal relationships between the Issuer and INVESTMENT FRIENDS SE (current report No. 11/2018).

➤ **Merger of the Issuer and change of the Articles of Association of the Company**

The Issuer informed via the current report No. 12/2018 about its completion of registration of the merger of the Issuer on 19/04/2018 previously operating as a joint-stock company under Polish law under the name FON SPÓŁKA AKCYJNA with its registered office in Płock at Padlewskiego Street 18C, Poland, entered in the Register of Entrepreneurs of the National Court Register maintained by the District Court for the Capital City of Warsaw in Warsaw, 14th Commercial Division under KRS number 0000028913, NIP 5480075844, REGON 070009914 with FON1 Polska Akciová společnost with its registered office in Ostrava address: Poděbradova 2738/16, Moravská Ostrava, 702 00 Ostrava, Czech Republic entered in the commercial register kept by the District Court in Ostrava, section B



under number 10981, identification number 06503390. (hereinafter: Acquired Company). FON1 Polska Akciová společnost was a special purpose entity, registered on 10/10/2017.

As a result of registration of the merger by the District Court for the Capital City of Warsaw in Warsaw the Issuer took the legal form of the European Company and currently operates under the name FON SE with its registered office in Płock at Padlewskiego Street 18C, Poland, entered in the Register of Entrepreneurs of the National Court Register maintained by the District Court for the Capital City of Warsaw in Warsaw, 14th Commercial Division under KRS number 0000728655, REGON 070009914 and NIP 5480075844.

The merger took place through the takeover by FON S.A. FON1 Polska Akciová společnost, in accordance with the provisions of Article 2 para. 1 in connection with article 17 par. 2 letter a) and 18 of the Council Regulation (EC) No 2157/2001 of 8/10/2001 on the Statute for a European Company (SE) of 8/10/2001 (Official Journal No. 294, p. 1) (Next: Regulation SE).

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

The Issuer's Management Board indicated that currently the share capital of the Company is expressed in EURO currency and amounts to: 7.700.000,00 EURO (in words: seven million seven hundred thousand EURO 00/100) and is divided into 70.000.000 (seventy million) bearer shares with nominal value of EUR 0,11 (say: eleven euro cents), including 47.500.000 ordinary bearer shares series A with a nominal value of EUR 0,11 each and 22.500.000 ordinary bearer shares series B with a nominal value of EUR 0,11 each.

The Issuer informed that along with the registration of the merger, amendments to the Company Articles of Association were registered, resulting from the resolutions of the Extraordinary General Meeting of Shareholders of 3/01/2018. The Issuer also explained that due to 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 except for the change in the nominal value of shares (expression in EURO) and the Company continues its legal existence and activity in the form of a European Company.

➤ ***Conclusion of an agreement regarding the real estate in Poznań and conclusion of a Loan Agreement***

The Issuer informed on 24/04/2018 that it has concluded with FON Zarządzanie Nieruchomościami Sp. z o.o. in Płock (KRS 0000594728) an agreement under which the Issuer in exchange for a cash benefit of PLN 25.000.000,00 (twenty five million zlotys) will release FON Zarządzanie Nieruchomościami Sp. z o.o. from the obligation to retransfer the property in Poznań at Kopanina Street 54/56 described in more detail by the Issuer in the current report no. 67/2013 dated 31/12/2013.

The Issuer informed that when the amount of PLN 25.000.000,00 on the Issuer's account is posted, the parties will consider the release of FON Zarządzanie Nieruchomościami Sp. z o.o. from the obligation to return the ownership of the Real Estate to the Issuer and will recognize the Trusteeship Agreement of 12/01/2016 (described in current report No. 3/2016 of 12/01/2016) duly completed.

In addition, the Issuer indicated that as a result of the conclusion of the agreement referred to above, the Issuer will agree to the removal of his claims under the Trusteeship Agreement in the form of a contractual mortgage and a claim for the retransfer of real estate from the mortgage register in Poznań at Kopanina Street 54/56.



At the same time the Issuer announced that on 24/04/2018 it granted the company FON Zarządzanie Nieruchomościami Sp. z o.o. in Płock (KRS 0000594728) a cash loan in the amount of PLN 19.044.400,00.

Loan agreement of 24/04/2018 was concluded for the period up to 24/04/2021. The loan granted by the Issuer is subject to variable interest rate equal to the variable WIBOR rate for 1-month deposits from quotations dated 24/04/2018 and before each subsequent interest period from quotation from two business days before the date of interest payment increased by 4.5%. Interest on the loan amount will be calculated and payable in 1-month periods. The Issuer granted the Borrower a 4-month grace period in repayment of interest on the loan.

The Issuer is entitled to a commission in the amount of PLN 732.400,00 for granting the loan which the Issuer will deduct on the day the loan is disbursed from the loan amount.

FON Zarządzanie Nieruchomościami Sp. z o.o. secured the return of the loan amount together with interest and other claims of the Lender that may arise under the agreement by issuing the Issuer a blank promissory note along with a promissory note declaration. In addition, the loan was secured by establishing a mortgage up to PLN 27.600.000,00 on the property described above in Poznań at Kopanina Street 54/56.

The Issuer also indicated that there are personal ties between the Issuer and FON Zarządzanie Nieruchomościami. (current report No. 15/2018)

➤ ***Publication of an announcement in the Court and Economic Monitor related to the plan of transfer of the registered office of the Company***

The Issuer's Management Board on 08/05/2018 in reference to current report No. 14/2018 of 23/04/2018 and 16/2018 of 24/04/2018 he informed that he had knowledge that on 30/04/2018 in the Court and Economic Monitor 84 (5472) under the item 18419, the Issuer's announcement appeared as part of the procedure of the plan to transfer the registered office of the Company, pursuant to art. 8 paragraph 2 et seq. Council Regulation (EC) No. 2157/2001 on the Articles of Association for a European company (Regulation SE). (current report No. 18/2018).

➤ ***Resolution of the National Depository for Securities regarding the change of the nominal value of the Issuer's shares***

The Issuer informed via the current report No. 19/2018 on 11/05/2018 that the company received the Resolution of the Management Board of the National Depository for Securities No. 295/2018 of 11/05/2018 regarding the change in the nominal value of the Issuer's shares.

Based on §2 par. 1 and 4 and §88 para. 1 of the Regulations of the National Depository for Securities after the transformation of FON S.A. into a European company and the associated conversion of the share capital and the nominal value of the company's shares into euro without changing the number of its shares, the Management Board of the National Depository for Securities after considering the company's application, decided to make on 15/05/2018 changes in the depository system of the nominal value of FON SE shares marked with the PLCASPL00019 code from PLN 0,50 (fifty groszy) for the amount of EUR 0,11 (eleven cents) each.

➤ ***Revaluation of the assets of the Issuer***

The Issuer informed via report no. 21/2018 on 28/05/2018 that as a result of the work on the periodic report for I quarter of 2018, the Issuer's Management Board made a decision to make on 31/03/2018 revaluation of the value of the Company's assets at the balance sheet date.



Tokens acquired by the Issuer from Patro Invest OU with its registered office in Tallinn were subject to an update in the amount of PLN 675 thousand. The Issuer informed that as at 31/03/2018 and as at the date of publication of this report it has 27.000.000 tokens PATRO-ICO1 based on the blockchain Ethereum with a purchase value of PLN 11.300 thousand about which the Issuer informed in the current report No. 63/2017 of 04/12/2017.

The Issuer has decided to update the value of the aforementioned Tokens in the Issuer's assets due to changes in their value by making a write-down of PLN 675 thousand which will be charged to the Company's financial result for the reporting period of I quarter of 2018.

The Issuer points out that as a result of the valuation and adjustment of the value, the presented value of 27.000.000 tokens PATRO-ICO1 based on the blockchain Ethereum in the Issuer's financial statements as at 31/03/2018 amounts to PLN 4.050 thousand and the total accumulating value of the write-downs made for this asset since the acquisition date is PLN 7.250 thousand.

The basis for the valuation was the application of the mathematical formula indicated in the Token Purchase Agreement according to which the Tokens buy-back value was determined as at the balance sheet date.

➤ ***Changes in the Supervisory Board of the Company***

FON SE based in Płock provided information via current report No. 30/2018 dated 4/07/2018 that on 4/07/2018 the General Meeting of Shareholders with Resolutions No. 23 and 24 made changes to the composition of the Company's Supervisory Board. The General Meeting of Shareholders decided on 4/07/2018 to dismiss Mr. Damian Patrowicz from the function of the Member of the Supervisory Board of the Issuer and decided to appoint Mr. Mariusz Patrowicz to the Supervisory Board on 4/07/2018.

As a result of the above, the Supervisory Board of FON SE operates in the following composition:

Mr. Wojciech Hetkowski - Chairman of the Supervisory Board
Mr. Mariusz Patrowicz - Deputy Chairman of the Supervisory Board
Mrs. Małgorzata Patrowicz - Secretary of the Supervisory Board
Mrs. Martyna Patrowicz - Member of the Supervisory Board
Mr. Jacek Koralewski - Member of the Supervisory Board

➤ ***Appointment of the Chairman of the Management Board***

FON SE with its registered office in Płock informed via the current report No. 31/2018 on 4/07/2018 that the Supervisory Board of the Company adopted a resolution at its meeting on 4/07/2018 to appoint Mr. Damian Patrowicz for the position of the Chairman of the Management Board on 05/07/2018 for the three-year term office.

➤ ***Selection of the auditor***

FON SE with its registered office in Płock provided information via the current report No. 32/2018 dated 4/07/2018 that the Company's Supervisory Board at the meeting on 04/07/2018 based on the recommendation of the Audit Committee as the entity authorized to elect the chartered auditor to audit the Company's financial statements from offers received, decided to select the entity: Grupa Gumułka - Audit Spółka z ograniczoną odpowiedzialnością Sp. k. with headquarters in Katowice 40-077 at Matejki Jana Street 4 branch in Warsaw 01-031 at Jana Pawła II Street No. 61/122, KRS 0000525731; NIP 634-28-31-612; REGON 243686035 entered into the list of entities authorized to audit financial statements of the National Chamber of Statutory Auditors under number 3975 to audit the Company's financial statements for the financial year 2018 and 2019 and review the interim



company's report for the first half of 2018 and the first half of 2019. The Issuer informed that an agreement for the above services will be concluded with the selected entity.

The Issuer indicated that how far the Issuer has not used the services of the Grupa Gumułka - Audyt Spółka z ograniczoną odpowiedzialnością Sp. k.

➤ ***Change in the Audit Committee***

FON SE with its registered office in Płock provided information via the Current Report No. 33/2018 on 4/07/2018 that on 4/07/2018 the Supervisory Board of the Company decided to make changes to the composition of the Company's Audit Committee.

The Supervisory Board decided to dismiss Mrs. Martyna Patrowicz from the Audit Committee and Mrs. Małgorzata Patrowicz to be appointed to the Audit Committee. The above change was made at the request of Mrs. Martyna Patrowicz due to personal reasons

➤ ***Publication of an announcement in the Court and Economic Monitor related to the resolution adopted by the General Meeting of Shareholders regarding the transfer of the registered office of the Company***

The Management Board of FON SE based in Płock announced via report No. 34/2018 of 16/07/2018 that on 16/07/2018 in the Court and Economic Monitor no. 136 (5524) under item 31378, the Issuer's announcement was published as part of the plan of transfer of the registered office of the Company, pursuant to art. 8 paragraph 2 et seq. Council Regulation (EC) No. 2157/2001 regarding the European Company Articles of Association (Regulation SE) related to the resolution adopted by the Ordinary General Meeting of Shareholders regarding the subject transfer of the Issuer's registered office.

➤ ***Revaluation of the assets of the Issuer***

The Management Board of FON SE with its registered office in Płock informed via current report number 35/2018 dated 26/08/2018 that as a result of the work carried out by the Company's Management Board on the interim report for the first half of 2018, the publication of which was scheduled for 27/08/2018 the Issuer's Management Board made the decision on 26/08/2018 to make on 30/06/2018 as at the balance sheet date revaluation of the value of the Company's assets.

The Issuer's Management Board on 26/08/2018 made a decision to estimate the value as at the balance sheet date 30/06/2018 of a non-financial asset, i.e. 27.000.000 tokens based on Ethereum blockchain. The Issuer has valued held Tokens on the basis of the mathematical buyout formula indicated in the Tokens Purchase Agreement. Using the above method of estimation the Issuer updated the value reducing the valuation of this asset in the Company's books in the second quarter of 2018 by PLN 225 thousand. As a result of the above the total value of the impairment allowance for this asset in the first half of 2018 amounts to PLN 900.000,00 charging the item of other operating expenses in the Profit and Loss Account. The Issuer indicates that the value of acquiring Tokens amounted to PLN 11.300.000,00 and after the valuation of the Tokens as at the balance sheet date on 30/06/2018 the value of this asset in the Issuer's accounting books amount to PLN 3.825.000,00.

The Issuer also took decision on 26/08/2018 to make as at the balance sheet date 30/06/2019 the write-off of the value of held assets charging the company's financial result in the total value of PLN 2.087 thousand including: shares of Refus in liquidation in the amount of PLN 1.166 thousand, a loan granted to the company Fly.pl Sp. z o.o. in the amount of 906.000 PLN and overdue low-value loan granted in the amount of PLN 15.000.



➤ **Information on the procedure of transferring the registered office of the Company to Estonia**

The Management Board of FON SE provided information via the current report No. 36/2018 of 27/09/2018 that the Management Board of the Company received on 27/09/2018 the Order of the District Court for the Capital City of Warsaw in Warsaw of 13/09/2018 issued on the Issuer's request, constituting a certificate pursuant to art. 8 sec. 8 Council Regulation (EC) 2157/2001 of 8/10/2001 on the Articles of Association of the European Company (SE) (Official Journal No. 294, page 1) confirming the completion of acts and legal acts to be completed before the transfer the registered office to another country of the European Union.

The Issuer informed that issuing a certificate by the Polish Court allows the Company to take registration procedures in Estonia in order to enter the company into the Estonian register of commercial companies (Ariregister). Along with the registration of the Company by the Estonian equivalent of the National Court Register (Ariregister), the Company's registered office will be transferred to Estonia.

In view of the above the Issuer informed that in the near future it will submit an application for registration of the Company in Estonia.

The Issuer also informed that according to the schedule of transfer of the registered office of the Company constituting an attachment to the Transfer Plan, submitting the application for registration of the Company in the Estonian Commercial Companies Register is the last step necessary to transfer the registered office of the Company to Estonia.

➤ **Information on the procedure of transferring the registered office of the Company to Estonia**

The Management Board of FON SE announced via the current report No. 37/2018 on 09/10/2018 that NASDAQ CSD the institution keeping the securities deposit proper to Estonia, registered the Company's shares in the depository system on 09/10/2018 and allocated the ISIN number EE3100143108 for the Company's shares.

The Issuer informed that the effectiveness of registration of the Issuer's shares in the securities depository maintained by NASDAQ CSD depends on the registration of the transfer of the registered office of the company in the relevant register of Estonian entrepreneurs (Ariregister).

➤ **Conclusion of a Trusteeship Agreement**

The Management Board of FON SE based in Płock announced via the current report No. 38/2018 that the Issuer has concluded with the company PATRO INWESTYCJE Sp. z o.o. with registered office in Płock (KRS 0000712318) a trusteeship agreement on 11/10/2018.

The subject of the Trusteeship Agreement of 11/10/2018 is the day-to-day management and administration of the Issuer's real estate as well as the procedure of searching for buyers and selling the Company's real estate.

As part of the trusteeship agreement concluded on 11/10/2018 the Issuer transferred to PATRO INWESTYCJE Sp. z o.o. in Płock the Company's rights to real estate which comprise two undeveloped land properties located in Wisła (Śląskie Voivodeship), two land properties located in Zielona (Masovian Voivodeship) and the Company's share in the perpetual usufruct right to land and share in on this land of building real estate located in Płock. Total estimated market value of the real estate subject to the Trust Agreement of 11/10/2018 PLN amounts to PLN 682.000,00.



The trustee in accordance with the construction of the Trusteeship Agreement of 11/10/2018 is obliged to act on its own behalf but for the benefit of the Issuer. According to the contract, all the benefits that generate real estate will be transferred to the Issuer.

Trustee in accordance with the content of the Agreement of 11/10/2018 is also obliged to carry out the procedure of selling the real estate in accordance with the provisions of the Trusteeship Agreement for amounts not lower than the estimated contractual market value of the real properties in question.

The Trusteeship Agreement provides for a remuneration of PLN 3.000,00 per month for a Trustee, which may be deducted by the Trustee from the revenues generated by the Real Estate.

The Issuer is entitled to any unconditional request to retransfer to the Issuer the perpetual usufruct right to the real estate that are the subject of the Trusteeship Agreement which right has been secured by granting an irrevocable power of attorney to the Issuer to carry out the reverse transfer of the property.

The collaterals have been established for the Issuer on the basis of the Agreement of 11/10/2018. The Agreement provides that the potential sale price of the property will be paid by the buyer directly to the Issuer's bank account. The agreement provides for the obligation to pay contractual penalty in the amount corresponding to the estimated market values of the real estate covered by the Agreement of 11/10/2018 in the event that the Trustee has sold the real estate contrary to the conditions specified in the Agreement or without the prior written consent of the Issuer.

The agreement was concluded for a definite period of time until 31/12/2020. At the conclusion of the Trusteeship Agreement, the Issuer's Management Board obtained the consent of the Supervisory Board. The Issuer informed that between the Issuer and PATRO INWESTYCJE Sp. z o.o. there are capital ties.

➤ ***Revaluation of the assets of the Issuer***

The Management Board of FON SE with its registered office in Płock informed via current report No. 41/2018 of 07/11/2018 that as a result of the work carried out by the Company's Management Board on the interim report for the third quarter of 2018 the publication of which was scheduled for 19/11/2018, the Issuer's Management Board on 07/11/2018 made the decision to make on 30/09/2018 as at the balance sheet date the revaluation of the value of the Company's financial assets.

As at the balance sheet date 30/09/2018 and as at the date of publication of this report, the Issuer holds 12.899 shares of IFEA Sp. z o.o., which is 44,58% of the share in the share capital and entitles to 12.899 votes constituting 44,58% of the total number of votes of IFEA Sp. z o.o.

On 7/11/2018 the Issuer made the decision to make in the third quarter of 2018 the revaluation in the Issuer's financial assets due to the decrease in the value of shares of IFEA Sp. z o.o. by PLN 12.010 thousand.

As a consequence of the revaluation of financial assets described above, the revaluation capital in the Issuer's interim report for the third quarter of 2018 was charged PLN 12.010 thousand.

The previously presented value of 12.899 shares of IFEA Sp. z o.o. in the semi-annual financial statements of the Issuer as at 30/06/2018 amounted to PLN 31.247 thousand and the value of shares of IFEA Sp. z o.o. after adjusting the write-down as at 30/09/2018 amounts to PLN 19.237 thousand.



The Issuer's Management Board decided to write down the value of the above asset based on the received financial data of IFEA Sp. z o.o.

➤ ***Revaluation of the assets of the Issuer***

On 16/11/2018 the Issuer's Management Board made the decision to make on 30/09/2012 as at the balance sheet date the revaluation of the value of the Company's assets, i.e. 27.000.000 tokens based on the Ethereum blockchain named PATRO-ICO1 with a purchase value of PLN 11.300.000, about which the Issuer informed in the current report No. 63/2017 of 04/12/2017.

The Issuer's Management Board made a decision to estimate the value as at the balance sheet date on 30/09/2018 of a non-financial asset, i.e. 27.000.000 Ethereum blockchain-based tokens based on the mathematical buyout formula indicated in the Token Purchase Agreement. Using the above method of estimation, the Issuer updated the value, reducing the valuation of this asset in the Company's books in the third quarter of 2018 by PLN 450 thousand. As a result of the above, the total value of the impairment allowance for this asset during the nine months of 2018 amounts to PLN 1.350 thousand charging the position of other operating expenses in the Profit and Loss Account. The Issuer indicates that after the valuation of Tokens as at the balance sheet date 30/09/2018, the value of this asset in the Issuer's accounting books amounts to PLN 3.375 thousand. (current report No. 42/2018).

➤ ***Registration of the statutory transfer of the registered office of the Company to Estonia. Registration of changes in the Articles of Association of the Company. Submission of an application for suspension of trading in Issuer's shares***

The Management Board of FON SE with its registered office in Tallinn (Estonia) announced that a register of commercial companies (Ariregister) relevant to the law of Estonia registered the transfer of the registered office of the Issuer to Estonia on 30/11/2018. In view of the above, the Issuer indicated that the current headquarter of the Company is Tallinn, Estonia. The registered office address of the Company is: Narva mnt 5, 10117, Tallinn, Estonia. The website address and e-mail address remain unchanged e-mail: biuro@fon-sa.pl, <http://www.fon-sa.pl/>

At the same time, along with the registration of the change in the registered office of the Company, the relevant register of the law of Estonia registered changes to the Articles of Association of the Company.

The list of major events after the balance sheet date 31/12/2018

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

The Management Board of FON S.E. with headquarters in Tallinn announced that the Company received on 11/01/2019 a written resignation of Mr. Mariusz Patrowicz from performing the function on the Company's Supervisory Board with effect on 11/01/2019. (current report No. 1/2019)

➤ ***Information regarding the choice of the Home State***

FON SE announced on 24/01/2019 that being obliged under (i) art. 2 of Directive 2004/109/EC of the European Parliament and of the Council of 15/12/2004 (in accordance with the amendments to Directive 2013/50/EU of the European Parliament and of the Council of 22/10/2013) and (ii) § 1844 para. 1 of the Estonian Securities Market Act that selects a Contracting State as the Home State of the Republic of Estonia. Accordingly, the Republic of Poland is a host Contracting State. (current report No. 2/2019)



➤ **Obtaining a license to trade cryptocurrencies**

The Management Board of FON SE with headquarters in Tallinn announced that the Company obtained licenses on 18/03/2019 for carrying on financial activities, including providing services related to trading of virtual currency which are considered to be legal tenders. The licences were issued by Estonian Financial Intelligence Unit and are registered under the following numbers: FRK000676 and FVR000775. As a result of the above, the Company's Management Board is considering launching operations in the scope of licenses. (current report No. 5/2019)

➤ **Settlement of the Guarantee Agreement**

The Management Board of Fon SE based in Tallinn announced that the Issuer has paid PLN 590.000,00 on 1/04/2019 to Investment Friends SE for the fulfillment of obligations under the Guarantee Agreement of 18/04/2018.

The Management Board indicated that after the payment of the abovementioned amount all claims of Investment Friends SE against the Issuer due to the concluded Guarantee Agreement were satisfied. (current report No. 8/2019)

➤ **Dissolution of the Audit Committee**

FON SE informed that the Company's Supervisory Board adopted resolutions on the dissolution of the Company's Audit Committee on 11/04/2019 and dismissal of its members with effect on 11/04/2019. (current report No. 12/2019)

➤ **Conclusion of an agreement regarding the repurchase of Tokens**

The Management Board of FON SE concluded an agreement with the company PATRO INVEST OÜ based in Tallinn on 12/04/2019 regarding the repurchase of 27.000.000 Tokens owned by the Company based on the Ethereum blockchain called PATRO-ICO1 (<https://www.ethereum.org>).

On the basis of the concluded agreement, the parties agreed that PATRO INVEST OÜ with its registered office in Tallinn is carrying out the repurchase of 27.000.000 Tokens based on Ethereum blockchain on 12/04/2019 for a total price of PLN 2.467.800,00 with a payment deadline of 31/12/2019. The Issuer also indicated that the total purchase value of the Tokens in question was PLN 11.300.000,00. (current report No. 13/2019)

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

The Management Board of FON terminated on 30/04/2019 the Agreement for auditing the Company's statements for 2018 and 2019 and a review of the financial statements as at 30/06/2019 concluded by the Issuer with the company Grupa Gumułka - Audyt Spółka z ograniczoną odpowiedzialnością Sp. K. with its registered office in Katowice at Matejki Jana Street 4 branch in Warsaw (01-031) at Route Street 65 entered on the list of entities authorized to audit financial statements under No. 3975. The Management Board informed about the conclusion of the agreement in current report number 32/2018 of 04/07/2018.

The reason for terminating the Agreement is the inability of the auditor to provide services due to the change of the Issuer's country of residence during the term of the Agreement. Pursuant to applicable provisions, the Issuer's audit and review must be carried out by entities authorized to provide this type of service in accordance with Estonian law. (current report No. 17/2019)



➤ **Registration of a change in the financial year of the Company. Registration of changes of the Company's article of association**

The register of commercial companies (Ariregister) competent for the law of Estonia registered on 06/05/2019 the change in the financial year pursuant to Resolution No. 3 of the Extraordinary General Meeting of Shareholders of 29/04/2019. As a result of this, the Company's financial year begins on July 1 and ends on June 30. (current report No. 20/2019)

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

The Management Board of FON SE informed on 07/05/2019 that the company had received a resolution of the Management Board of the Warsaw Stock Exchange in which pursuant to § 30 par. 1 point 2) and par. 1a of the WSE Rules, the Management Board decided to suspend trading in FON SE shares, code "EE3100143108", until the end of the trading day following the day on which the company publishes the annual report for the financial year 2018 (current report No. 22/2019)

➤ **Registration of reverse split of the Company's shares**

The register of commercial companies (Ariregister) competent for the law of Estonia registered changes on 23/05/2019 to the Company's Articles of Association pursuant to Resolution No. 1 of the Extraordinary General Meeting of Shareholders of 29/04/2019. As a result of this, the current wording of § 2.4 of the Company's Articles of Association is as follows:

"The minimum number of shares of the company without nominal value is 8.750.000 (eight million seven hundred and fifty thousand) shares and the maximum number of shares of the company without nominal value is 35.000.000 (thirty five million) shares." (current report No. 24/2019)

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

The Management Board of FON SE with headquarters in Tallinn informed that the register of commercial companies (Ariregister) in Estonia registered on 05/06/2019 a change in the Issuer's address.

In the view of the above, the Issuer informs that the address of the Company's registered office is: Harju maakond, Tallinn, Kesklinna linnaosa, Tornimäe tn 5, 10145. (current report No. 27/2019)

➤ **Conclusion of an agreement regarding the Trusteeship Agreement**

In reference to the Trusteeship Agreement of 11.2018, FON SE has entered into an agreement "Datio in Solutum" on 19/06/2019 with the company Patro Inwestycje Sp. z o.o. in the scope of exempting this company from the obligation to retransfer the ownership of the following real estate to FON SE:

- with an area of 0,6376 ha constituting a plot of land located in Wisła, Śląskie Voivodship for a remuneration of PLN 300.000,
- with an area of 0,4314 ha consisting of 4 plots of land, located in Wisła, Śląskie Voivodship for a remuneration of PLN 150.000.
- with an area of 0,8776 ha constituting a plot of land, located in Zielona, Masovian Voivodship for a remuneration of PLN 10 thousand.

The parties agreed that the total remuneration of PLN 460.000 in exchange for an exemption from the obligation to retransfer the above properties will be paid by Patro Inwestycje Sp. z o.o. to FON SE until 31/12/2020.

➤ **Receiving by the Company the notification on the conclusion of the Debt Takeover Agreement**

The Company received a notification on 27/06/2019 from Elkop SE based in Płock informing that on 27/06/2019 Elkop SE has concluded with the company FON Zarządzanie Nieruchomościami Sp. z o.o.



with its registered office in Płock a Debt Takeover Agreement of FON Zarządzanie nieruchomościami Sp. z o.o. towards FON SE with its registered office in Tallinn, Estonia arising from the cash loan granted on 24/04/2018 in the amount of PLN 19.042.400,00 whose debt as at 27/06/2019 amounts total to: PLN 19.994.231,10.

At the same time the Issuer has informed that it has not yet consented to the above-mentioned assumption of debt and therefore liability to the Issuer under the loan agreement of 24/04/2018 charges FON Zarządzanie Nieruchomościami Sp. z o.o. jointly and severally with headquarters in Płock and Elkop SE with headquarters in Płock. The Issuer indicates that all collateral granted to the Company under the loan agreement of 24/04/2018 remain valid. (current report No. 30/2019)

Note 6 Information on revenues and results for individual industry segments is provided below (in thousand EUR)

Below is an analysis of the Company's revenues and results for individual segments covered by reporting.

During the year 2018 the Company has identified the following operating segments:

- sale of plots
- financial activities (loans granted)
- energy sales
- other, including unallocated revenues and expenses

SEGMENTS DATA		Sale of plots	Sale of energy	Financial activities	Other unallocated revenues and expenses	Total
for the period 01/01/2018 to 31/12/2018						
I.	Segment revenues	0	35	408	9	452
II.	Segment costs	0	-51	0	-3	-54
III	Segment's gross result on business activities	0	-16	408	6	398
I	Sales costs	0	0	0	0	0
II	Management costs				-157	-157
III	Other operating revenues				14	14
IV	Other operating cost				-832	-832
V	Financial revenues				7	7
VI	Financial costs				-1 516	-1 516
	PROFIT BEFORE TAXATION				-2 086	-2 086

The above revenues are revenues from external customers. There were no sales transactions between segments this year.

Segments profit is the profit generated by individual segments without the allocation of administrative costs and remuneration of Management Board as well as financial revenues and financial costs.



Segment assets and liabilities (in thousand EUR)

Segments assets as at 31/12/2018	
Sale of plots	105
Sale of energy	274
Financial activities	523
Other, including unallocated revenues and expenses	12
Unallocated assets	8,424
Total assets	9,338

Segments liabilities as at 31/12/2018	
Sale of plots	0
Sale of energy	0
Financial activities	6
Other, including unallocated revenues and expenses	0
Unallocated liabilities	7
Total liabilities	13

- All assets, except current and deferred tax assets, other financial assets, and short-term financial assets are allocated to reporting segments. Assets used jointly by reporting segments have been assigned to a given segment based on rational premises.
- All liabilities, except for other financial liabilities, current and deferred tax liabilities are allocated to reporting segments. Liabilities assigned to various reporting segments were allocated in proportion to the value of segment assets.

Geographical information as at 31/12/2018

Below are revenues from external clients broken down into operational areas and information on non-current assets broken down by location of these assets:

GEOGRAPHICAL AREA FOR SALE OF HOUSES	REVENUES FROM EXTERNAL CUSTOMERS (in thousand EUR)	FIXED ASSETS (in thousand EUR)
Total for the sale of plots	0	0
GEOGRAPHICAL AREA FOR ENERGY SALES	REVENUES FROM EXTERNAL CUSTOMERS	FIXED ASSETS
KUCZBORK	35	222
Together for the sale of energy	35	222
GEOGRAPHICAL AREA FOR FINANCIAL ACTIVITIES	REVENUES FROM EXTERNAL CUSTOMERS	FIXED ASSETS
PŁOCK	408	12
Together for financial activities	408	12
GEOGRAPHICAL AREA FOR OTHER SALES	REVENUES FROM EXTERNAL CUSTOMERS	FIXED ASSETS
PŁOCK	9	0
Total for other sales	9	0



Information about leading customers

The company's revenues regarding the financial activity segment include revenues from three clients exceeding 10% of the value of revenues.

Revenues from 1 client amounted to PLN 851 thousand representing 44,29% of revenues, revenues from the other client amounted to PLN 529 thousand, this value constitutes 27,56% of all revenues. Revenues from a third customer amounted to PLN 288 thousand, this value constitutes 14,97% of all revenues.

In 2017, the Company identified the following operating segments:

- sale of plots,
- financial activities (loans granted)
- sale of energy
- other including unallocated revenues and expenses

All numbers below are in (in thousand EUR).

SEGMENTS DATA						
for the period			Sale of		Other	Total
01/01/2017 to		Sale of	energy	Financial	unallocated	
31/12/2017		plots		activities	revenues	
					and	
					expenses	
I.	Segment revenues	75	40	450	10	576
II.	Segment costs	-84	-56	0	0	-140
III	Segment's gross result on business activities	-9	-16	450	10	436
I	Sales costs	-2	-2	0	0	-4
II	Management costs				-199	-199
III	Other operating revenues				8	8
IV	Other operating cost				-1611	-1 611
V	Financial revenues				0	0
VI	Financial costs				-201	-201
	PROFIT BEFORE TAXATION				0	-1 571

The above revenues are revenues from external customers. There were no sales transactions between segments that year.

Segments profit is the profit generated by individual segments without the allocation of administrative costs and remuneration of Management Board as well as financial revenues and financial costs.



Geographical information as at 31/12/2017

The following is the revenue from external customers broken down by operational areas and information on non-current assets broken down by location of these assets:

GEOGRAPHICAL AREA FOR SALE OF PLOTS	REVENUE FROM EXTERNAL CUSTOMERS (in thousand EUR)	FIXED ASSETS (in thousand EUR)
CHORZÓW	75	8
Total for the sale of plots	75	8
GEOGRAPHICAL AREA FOR ENERGY SALES	REVENUE FROM EXTERNAL CUSTOMERS	FIXED ASSETS
KUCZBORK	40	273
Together for the sale of energy	40	273
GEOGRAPHICAL AREA FOR FINANCIAL ACTIVITIES	REVENUE FROM EXTERNAL CUSTOMERS	FIXED ASSETS
PŁOCK	450	49
Together for financial activities	450	49
GEOGRAPHICAL AREA FOR OTHER SALES	REVENUE FROM EXTERNAL CUSTOMERS	FIXED ASSETS
Other	10	1
Total for other sales	10	1

Information about leading customers

The company's revenues from sales from financial activities included revenues in the amount of PLN 1.791 thousand from sales to the largest customer of the Company - Top Marka S.A. This value represents 73,28% of all revenues. No other individual customer accounted for more than 10% of sales revenue in 2017.

Note 7 Income tax (in thousand EUR)

The main components of the tax burden are as follows

Income tax structure disclosed in the profit and loss account	since 01/01.2018 to 31/12/2018	since 01/01.2017 to 31/12/2017
Current tax	0	0
Deferred tax	0	142
Income tax recognized in profit and loss account	0	142

Note 8 Intangible assets (in thousand EUR)

The company has got intangible assets: the "Urlopy.pl" trademark, which has been fully depreciated and 27.000.000 tokens based on the Ethereum blockchain called PATRO-ICO1 with the company Patro Invest OU based in Tallinn.



INTANGIBLE ASSETS	31/12/2018	31/12/2017
Intangible assets:	523	1,131
- Research and development costs		0
- Goodwill		0
- Concessions, patents, licenses		0
- Other intangible assets	523	1,131
- Advances for intangible assets	0	0

In the reporting period a write-down of PLN 2.475 thousand was made. The total write-down is PLN 9.050 thousand.

Note 9 Property, plant and equipment

In the period since January 1 to December 31, 2018 the Company did not acquire property, plant and equipment. The company liquidated tangible fixed assets with an initial value of PLN 59 thousand and sold cars with an initial value of PLN 231 thousand.

Impairment losses did not occur in the financial year. Depreciation of tangible fixed assets was included in the costs of products, goods and materials sold and in general administrative expenses.

Note 10 Investment properties

No investment properties have been identified.

Note 11 Inventory (in thousand EUR)

INVENTORY	31/12/2018	31/12/2017
- Materials	0	0
- Semi-finished products and work in progress	0	0
- Finished products	0	0
- Goods	105	309
- Advance for delivery	0	0
Total inventory	105	309

INVENTORY WRITE-OFFS	31/12/2018	31/12/2017
Revaluation write-offs at the beginning of the period	0	0
- increases	-189	-54
Value update of goods	-189	-54
- decreases		54
Sale of goods covered by a write-off		54
Revaluation write-offs at the end of the period	-189	0
Total write-offs	-189	0

The company as at 31/12/2018 covered an allowance for inventories up to the amounts obtained from their sale.



Note 12 Receivables (in thousand EUR)

SHORT-TERM RECEIVABLES	31/12/2018	31/12/2017
- for deliveries and services, about the repayment period	0	8
- up to 12 months	1	8
- over 12 months		0
- from taxes, subsidies, customs, social and health insurance and other benefits	0	7
- other	12	7
- claimed at court	0	0
Total net short-term receivables	13	22
Write-downs on receivables	214	222
Total gross short-term receivables	227	244
CHANGE IN THE STATE OF IMPAIRMENT LOSSES OF THE VALUE OF SHORT-TERM RECEIVABLES	31/12/2018	31/12/2017
As at the beginning of the period	222	226
- exchange differences	-6	0
a) increases (due to)	2	0
b) decreases (due to)	-4	-4
- release of write-downs as a result of payment	-4	-4
State of write-downs on short-term receivables at the end of the period	214	222

3.13 Note 13 Tangible assets (in thousand EUR)

PROPERTY, PLANT AND EQUIPMENT	31/12/2018	31/12/2017
a) fixed assets, including:	234	331
- land (including right of perpetual usufruct of land)	11	11
- buildings, premises and civil engineering works	9	10
- technical devices and machines	214	258
- means of transport	0	46
- other fixed assets	0	6
b) fixed assets under construction	0	0
c) advances for fixed assets under construction	0	0
Tangible fixed assets, together	234	331



Note 14 Accruals (in thousand EUR)

SHORT-TERM ACCRUALS	31/12/2018	31/12/2017
a) active accruals including:	3	2
- costs of subsequent periods	3	2
Total short-term accruals	3	2

Note 15 Assets held for sale (in thousand EUR)

ASSETS HELD FOR SALE	31/12/2018	31/12/2017
Assets held for sale - fixed assets (electricity distribution)	0	0
Assets intended to be spent - Shares of IFERIA S.A.	0	0
Total	0	0

After the reporting period, the company sold its shares of IFEA S.A. and dismissed the company Patro Inwestycje Sp. z o.o. for an agreed remuneration of the retransfer of real estate located in Wisła and Zielona to FON SE.

The company did not reclassify these assets as held for sale due to the fact that both the decisions to sell shares and exemption from the obligation to retransfer property back were taken by the Management Board after the balance sheet date in 2019 and the above events actually occurred after the balance sheet date in the year 2019.

Information as at 31/12/2018 on segments in which fixed assets (or a group for sale) are presented in accordance with IFRS 8 Operating segments:

Real estate located in Wisła	
Assets related to the sale of plots	105
Liabilities related to the sale of plots	0

Real estate located in Zielona	
Assets related to the sale of energy	2
Liabilities related to the sale of energy	0

Shares of IFEA S.A.	
Unallocated assets	0

Note 16 Equity

Share capital as at the balance sheet date 30/11/2018 was expressed in EURO and amounts to: EUR 7.700.000,00 and is divided into 70.000.000 bearer shares with a nominal value of 0,11 including 47.500.000 series A ordinary bearer shares with a nominal value of EUR 0,11 each and 22.500.000 series B ordinary bearer shares with a nominal value of EUR 0,11 each.

In the reporting period, the following changes occurred in the Company's share capital.

- Until 19/04/2018 the Company's share capital was PLN 35.000.000,00 and was divided into 70.000.000 shares with a nominal value of PLN 0,50 each including 47.500.000 series A ordinary bearer shares and 22.500.000 series B ordinary bearer shares.



- On 19/04/2018 the merger of the Issuer previously operating as a joint-stock company under Polish law under the name FON SPÓŁKA AKCYJNA with its registered office in Płock at Padlewskiego Street 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 0000028913, NIP 5480075844, REGON 070009914 with the company FON1 Polska Akciová společnost based in Ostrava, address: Poděbradova 2738/16, Moravská Ostrava, 702 00 Ostrava, Czech Republic entered in the commercial register kept by the District Court in Ostrava, section B under number 10981, identification number 06503390 (hereinafter: acquired company) was registered. As a result of registration of the merger by the District Court for the Capital City of Warsaw in Warsaw the Issuer took the legal form of a European Company and currently operates under the company FON SE with its registered office in Płock at Padlewskiego Street 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 0000728655.

The merger was effected by acquisition by FON S.A. of the company FON1 Polska Akciová společnost, in accordance with the provisions of Article 2 para. 1 in connection with Article 17 para. 2 letter a) and 18 of Council Regulation (EC) No. 2157/2001 of 8/10/2001 on the articles of association of the European company (SE) of 8/10/2001 (Official Journal of the EU. L No. 294, p. 1) (Next: Regulation SE). The merger was approved by the Issuer's General Meeting on 3/01/2018 Resolution No. 9 disclosed to the public in ESPI current report No. 3/2018 on 3/01/2018.

The Issuer's Management Board indicated that currently the Company's share capital was expressed in EURO and amounts to: EUR 7.700.000,00 (in words: seven million seven hundred thousand EURO 00/100) and is divided into 70.000.000 (seventy million) bearer shares by nominal value of EUR 0,11 (say: eleven euro cent) including 47.500.000 series A ordinary bearer shares with a nominal value of EUR 0,11 each and 22.500.000 series B ordinary bearer shares with a nominal value of EUR 0,11 each.

Note 17 Shareholding structure

Direct shareholders holding over 5% of votes at the General Meeting as at 31/12/2018.

Shareholder	Number of shares held	Share in the share capital (%)	Number of votes from shares held	Share in the total number of votes at the GMoS (%)
Patro Invest OÜ	23.123.763	33,03	23.123.763	33,03
Others	46.876.237	66,97	46.876.237	66,97
Together:	70.000.000	100,00	70.000.000	100,00

Note 18 Own shares (in thousand EUR)

Own shares (negative value)	31/12/2018	31/12/2017
State at the beginning of the year	0	0
Increases	0	0
Decreases	0	0
Together own shares (negative value)	0	0



Note 19 Liabilities (in thousand EUR)

Long-term liabilities	31/12/2018	31/12/2017
a) liabilities to related parties	0	11
b) liabilities to other parties	0	11

SHORT-TERM LIABILITIES	31/12/2018	31/12/2017
a) liabilities to related parties	0	18
- trade payables	0	18
- loans received	0	0
b) liabilities to other entities	14	18
- trade payables	6	8
- for taxes, duties, insurance and other benefits	0	5
- other	8	5
Total short-term liabilities	14	36

Note 20 Liabilities for received loans

As at 31/12/2018 the Company has not any liabilities for received loans.

Note 21 Mergers of business entities and acquisition of minority shares

On 19/04/2018 the merger of the Issuer previously operations as a joint-stock company under the Polish law under the name FON SPÓŁKA AKCYJNA with registered office in Płock at Padlewskiego Street 18C, Poland, entered into the Register of Entrepreneurs of National Court Register kept by District Court for the Capital City of Warsaw in Warsaw, 14th Commercial Division under KRS number 0000028913,

NIP 5480075844, REGON 070009914 with the Company FON1 Polska Akciová společnost with its registered office in Ostrava address: Poděbradova 2738/16, Moravská Ostrava, 702 00 Ostrava, the Czech Republic entered in the commercial register kept by the District Court in Ostrava, section B under number 10981, identification number 06503390. (Acquired company). FON1 Polska Akciová společnost was a Special Purpose Company, which was registered on 10/10/2017 date.

As a result of registration by the District Court for the Capital City of Warsaw in Warsaw of the merger, the Issuer adopted the legal form of the European Company and under the current name FON SE with registered office in Płock at Padlewskiego 18C, Poland, entered in the Register of Entrepreneurs of the National Court Register maintained by the District Court for the Capital city of Warsaw in Warsaw, 14th Commercial Division under KRS number 0000728655, REGON and NIP numbers has not changed.

The merger took place on the terms specified in the Merger Plan of 30/11/2017 made available to the public on the websites of the merging companies on the following sites: FON S.A. – <http://www.fon-sa.pl> and FON1 Polska Akciová společnost – <http://fonse.eu> and the current report FON S.A. ESPI no. 59/2017 on 30/11/2017

The merger took place through the acquisition of FON S.A. by FON1 Polska Akciová společnost, in accordance with the provisions of Article 2 para. 1 in connection with article 17 par. 2 letter a) 18 of the Council Regulation (EC) No 2157/2001 of 08/10/2001 r. on the Statute for a European Company (SE) of 8/11/2001 (Official Journal No. 294, p. 1) (SE Regulation)

The merger was accepted by Issuer's General Meeting on 03/01/2018 with resolution number 9.



Issuer's Management informed that after the merging and obtaining a European Articles of association Share Capital was expressed in EURO currency and it is EUR 7.700.000,00 and is divided into 70.000.000 bearer share with a nominal value of 0,11 EURO each.

Settlement of the merger in the Company's financial statements

Pursuant to the above-described merger, the shareholders of the parent company FON SE had control over the company that was merged and did not lose control as a result of executed operations. As a result of the above, it was possible to settle the merger using the method of a uniting of interests in the books of FON SE.

The general principle of applying the method of uniting of interests is to sum up items of respective assets and liabilities as well as revenues and costs of the merged companies as at the merger date, after adjusting their values to uniform valuation methods and making mutual exclusions.

The Company carried out the settlement of merger by the uniting of interests' method in the following way:

- Included in the books of FON SE assets and liabilities according to the value resulting from the books of the acquired company FON1 Polska AS, after having been brought to comparability.
- Intercompany receivables and liabilities, revenues and costs of business transactions effected in a given financial year were excluded, including shares held in the acquired company.
- The share capital of the acquired company was excluded. The difference between the total of acquired assets and liabilities was shown as a separate capital of the company.
- The costs incurred in connection with the merger have been included in the financial costs. Transformation of the comparative period.

Due to that FON1 Polska AS was established on October 2, 2017, the balance sheet and profit and loss account for the previous reporting period as a result of a merger FON SE and FON1 Polska AS is not presented.

Note 22 Loss of control of subsidiaries and long-term investments

In the period covered by the report, above event did not occur.

Note 23 Operations during discontinuation

In the period covered by the report, the Issuer focused mainly on financial services (granting loans) and making and selling Energy from Renewable Energy.

The company made an initial decision in 2019 i.e. after the balance sheet date on potential sale of owned windmills and infrastructure connected with production of electricity from Renewable Energy. Potential sale depends on getting a concession for production electricity from renewable energy by potential purchaser. Because FON SE does not have influence on the process of getting the concession, and the procedure of getting a concession is complicated, long-term and its end result is not sure, the Management Board on the date of approving the financial report, is not able to declare with an enough certainty that the operation of sale electricity from Renewable Energy is during discontinuation.



Note 24 Description of the factors and event, those atypical ones, which have significant influence on achieved financial results

In the reporting period atypical factors or events, which have significant influence on achieved financial results, did not occur.

Note 25 Clarification of seasonality or periodicity of the company's activity in presented period

In the profiles of the Company's activity the seasonality or periodicity does not occur.

Note 26 Indication an important judicial proceeding applying to liabilities or Issuer's its subsidiary liability, with indication subject of the proceeding, amount in controversy, date of initiation of the proceedings, parties to the proceedings and positions of Issuer

As at. 31/12/2018 the Company was not the party of any new, important proceedings. The important pending procedures:

➤ Administrative procedure conducted by Polish Financial Supervision Authority against FON SE regarding imposition the financial fine on FON SE based on article 97(1) point 2 of 29/07/2005 on Public Offering and terms of introduction to organized trading venue and on public companies, towards breaching article no. 69 (1) point 1, with relation to the article no. 87 (5) point 1 of an act of Offer in relation to purchase of 01/01/2012, shares of public Company Zakłady mięsne Herman S.A. (current Investment Friends Capital SE with registered office in Płock). After getting above-mentioned decision on 14/06/2017, the Issuer applied for reconsideration and repealing the decision in its entirety. As at 29/05/2018 Polish Financial Supervision Authority took a decision of repealing in its entirety and again imposed a lower fine in amount PLN 90 thousand. In relation to again imposition a fine, the Issuer on 03/07/2018 filed the complaint for the Polish Financial Supervision Authority's decision to the Provincial Administrative Court. On 08/01/2019 Provincial Administrative Court passed a judgement, which dismiss the Company's complaint and as a result on 29/03/2019 the Company appealed against sentence to Supreme Administrative Court. The case is during the judicial proceeding.

➤ The case of FON SE complaint on 25/05/2016 directed to Provincial Administrative Court in Warsaw on 25/05/2016 for the Tax Chamber Director' statement of 21/04/2016 signature 1401-SW-5.5010.33.2016.3.HD, upholding the statement of Head of tax office in Płock of 25/01/2016 signature 1419-RP.5010.607.2016, determining the method of credit the payment of PLN 44.962,00 towards Corporate tax arrears from 2012. On 14/07/2017 Provincial Administrative Court delivered unprofitable for the Issuer judgement. Therefore, the Company appealed against sentence to the Supreme Administrative Court in Warsaw and is waiting for setting the date and place of the trial. To the knowledge of the Management Board, the result of the proceeding is difficult to assess.

➤ The case of appealing against decision of the Poznań President of 22/08/2016 regarding determining property tax liability for the period since September of 2015 to December 2015 amounting to PLN 198.091,00 directed on 26/09/2016 to Local Government Board of Appeals in Poznań with mediation of City of Poznań President. Decision of Local Government Board of Appeals was not advantageous, so the Issuer decided about directing the case to the judicial proceeding, submitting an application to Provincial Administrative Court in Poznań. On 27/10/2017 Provincial



Administrative Court dismissed the complaint. After getting the explanation, Issuer appealed against above-mentioned sentence to the Supreme Administrative Court in Warsaw. The case is during course of proceeding, and its conclusion and result are difficult to assess.

Note 27 Information about changes in economic situation and in conditions of conducting a business, which have significant influence on fair value of financial assets and financial liabilities of the Company

In the period covered by the report, the event did not occur.

Note 28 Information on non-payment credits or loan, or breaching important decisions of credit or loan agreement, in reference to which any remedial actions were not taken until the end of the reporting period

In the period covered by the report, the Company did not breach any important decisions of credit or loan agreement, in reference to which any remedial actions were not taken.

Note 29 Information on long-term granted credits, loans agreement, warranties and guarantees

In the reporting period the Issuer did not provide guarantees.

Loans granted by FON SE as at 31/12/2018 are presented by the following tables in adjusted purchase prices:

LONG-TERM INVESTMENTS FOR CREDITS AND LOANS OTHER RELATED ENTITIES								
Name of the entity (the Company)	Headquarter	The value of loan/credit according to agreement		The value of credit/loan to repay		Interest	Repayment date	Collateral
		PLN	Currency	PLN	Currency			
Nowy Wiatr Sp. z o.o.*	Płock	4,700,000.00	PLN	4,379,413,04	PLN	6,50%	31.12.2019	Bill of exchange
Fon Zarządzanie Nieruchomościami Sp. z o.o.	Płock	19,042,000.00	PLN	19,151,964.48	PLN	WIBOR 1M+4,5 %	24.04.2021	Bill of exchange, mortgage

*The Company made a revaluation write-off for the loan Nowy Wiatr Sp. z o.o. amounting to PLN 4 379 413,04 = 1 018 136.66 EUR.



LONG-TERM INVESTMENTS FOR CREDITS AND LOANS OF OTHER RELATED ENTITIES								
Name of the entity (the Company)	Headquarter	The value of loan/credit according to agreement		The value of credit/loan to repay		Interest	Repayment date	Collateral
		EUR	Currency	EUR	Currency			
Nowy Wiatr Sp. z o.o.*	Płock	1,092,667.50	EUR	1,018,136.66	EUR	6,50%	31.12.2019	Bill of exchange
Fon Zarządzanie Nieruchomościami Sp. z o.o.	Płock	4,426,930.77	EUR	4,453,945	EUR	WIBOR 1M+4,5 %	24.04.2021	Bill of exchange, mortgage

	Name of an entity with specification of a legal form	Value of stocks / shares according to the purchase price (in thous. €)	Balance sheet value of shares (in thous. €)
1	IFEA SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ	14 994	3 552
2	IFERIA SPÓŁKA AKCYJNA	4	0
3	FON ZARZĄDZANIE NIERUCHOMOŚCIAMI	2	2

Note 30 Information on short-term granted credits, loans agreement, warranties and guarantees

SHORT-TERM INVESTMENTS FOR CREDITS AND LOANS OF OTHER ENTITIES								
Name of the entity (the Company)	head-quarter	The value of loan/credit according to agreement		The value of credit/loan to repay		Interests	Repayment date	Collateral
		EUR	Currency	EUR	Currency			
Fly.pl Sp. z o.o.*	Warszawa	29 060	EUR	32 426	EUR	Wibor 3M+1%	4/01/2017	Bill of exchange, declaration of submission to enforcement.
Fly.pl Sp. z o.o.*	Warszawa	151 114	EUR	165 450	EUR	Wibor 3M+1%	4/01/2017	Bill of exchange, declaration of submission to enforcement.



Fly.pl Sp. z o.o.*	Warszawa	19 607	EUR	21 563	EUR	Wibor 3M+1%	4/01/2017	Bill of exchange
Fly.pl Sp. z o.o.*	Warszawa	3 655	EUR	3 986	EUR	Wibor 3M+1%	4/01/2017	Bill of exchange
Fly.pl Sp. z o.o.*	Warszawa	27 898	EUR	30 407	EUR	Wibor 3M+1%	4/01/2017	Bill of exchange
Fly.pl Sp. z o.o.*	Warszawa	88 343	EUR	96 313	EUR	Wibor 3M+1%	4/01/2017	Mortgage, Bill of exchange, warranty
Top Marka S.A.**	Płock	2 790	EUR	3 374	EUR	10%	30/09/2017	-
Top Marka S.A.**	Płock	302	EUR	357	EUR	10%	2/01/2018	-
Auto Kluge	Płock	116 241	EUR	54 993	EUR	12,50%	31/08/2015	Bill of exchange, declaration of submission to enforcement, transfer to ownership for collateral
Natural person	Płock	76 618	EUR	58 007	EUR	9,90%	24/08/2017	Bill of exchange transfer to ownership for collateral, submission to enforcement
Natural person	Płock	8 602	EUR	3 391	EUR	8%	31/12/2017	Blank promissory note, collateral
Patro Invest Sp. z o.o.	Płock	162 738	EUR	116 199	EUR	3%	30/06/2019	Blank promissory note
Patro Invest OÜ	Tallinn	69 745	EUR	69 853	EUR	Wibor 3M + 3%	30/06/2019	-

* The Company made a revaluation write-off for loans of FLY.pl Sp. z o.o. FLY.pl Sp. z o.o. amounting to PLN 906 111,86 = 210 655.1 EUR

*** The Company made a revaluation write-off for loans of TOP MARKA S.A. amounting to PLN 16 052,29 = 3 731.88 EUR.

Note 31 Cash

	31/12/2018	31/12/2017
Bank deposits (current accounts) and short-term deposits	40	87
Cash on hand	0	0
Other cash	0	0
Cash disclosed in the balance sheet	40	87

Note 32 Information on concluding one or many transactions by the Issuer or its subsidiary with related entities, if the transactions are important and transactions were concluded on other terms than on the market ones



In the period covered by the report the Issuer did not conclude transactions with related entities on other terms than market terms.

Information on transactions with related entities (in thous. PLN)

TRANSACTIONS WITH RELATED ENTITIES FOR THE PERIOD ENDED AT 31/12/2018 in PLN thousands	Sale products, goods and materials to related entities	Incomes from interests from related entities and other financial incomes	Purchases from related parties	Costs of the interests from related entities and other financial costs.	Receivables for deliveries and services for the end of the period to related entities	Other receivables for the end of the period from related entities (loans also)	Liabilities for deliveries and services for the end of the period to related entities.	Liabilities for loans and other liabilities to related parties
DAMF INVEST S.A.								
ATLANTIS SE			2		1			
Refus Sp. z o.o. w likwidacji					1			
RESBUD SE								
Investment Friends SE	11				9			
Investment Friends Capital SE	11				4			
Elkop S.A.	81		9					
Fon Zarządanie Nieruchomościami Sp. z o.o.		130	16			19 720		
Nowy Wiatr Sp. z o.o.						4 667		
Patro Invest Sp. z o.o.		4				500		
Patro Inwestycje Sp. z o.o.			6				6	
Patro Invest OÜ						300		
Total	103	134	33	0	15	25 187	6	0

TRANSACTIONS WITH RELATED ENTITIES FOR THE PERIOD ENDED AT 31/12/2017	Sale products, goods and materials to related entities	Incomes from interests from related entities and other financial incomes	Purchases from related parties	Costs of the interests from related entities and other financial costs.	Receivables for deliveries and services for the end of the period to related entities	Other receivables for the end of the period from related entities (loans also)	Liabilities for deliveries and services for the end of the period to related entities.	Liabilities for loans and other liabilities to related parties
DAMF INVEST S.A.		20						
ATLANTIS S.A.	19		28		10		43	
Refus Sp. z o.o. w likwidacji								
RESBUD SE							38	
Investment Friends SE	10				1			
Investment Friends Capital SE	11		4		1			
Elkop S.A.			35					
Fon Zarządanie Nieruchomościami Sp. z o.o.								
Nova Giełda Inwestycje Sp. z o.o.		843		830				



Nowy Wiatr Sp. z o.o.		3				4 092		
Total	40	866	67	830	12	4 092	81	

Entities related by shares (shareholders of the Issuer):

Patro Invest OÜ – direct significant shareholder

Mr. Damian Patrowicz – indirect significant shareholder

Relations between members of Issuer's authorities

Between members of executive organs and supervising organs of Issuer, following relations took place during the reporting period:

a) Wojciech Hetkowski – Chairman of the Supervisory Board was a member of Supervisory Board of: Atlantis SE, DAMF Inwestycje S.A., Elkop S.A., Investment Friends SE., Investment Friends Capital SE, Resbud SE,

b) Jacek Koralewski – Member of Supervisory Board was the Chairman of the Management Board of Elkop S.A and member of Supervisory Board of Atlantis SE, DAMF Inwestycje S.A., Investment Friends SE, Investment Friends Capital SE, Resbud SE,

c) Małgorzata Patrowicz – Member of Supervisory Board, performed the function of the Chairman of the Management Board function in DAMF Invest S.A. under liquidation, Patro Invest Sp. z o.o., IFEA Sp. z o. o., member of Management Board of IFERIA S.A., and member of the Supervisory Board of Atlantis SE, DAMF Inwestycje S.A., Elkop S.A., Investment Friends SE, Investment Friends Capital SE, Resbud SE,

d) Damian Patrowicz – previously performed a function of a Supervisory Board's Member of FON SE function, current chairman of the FON SE Management Board, performed a function of member of Supervisory Board of: Atlantis SE, DAMF Invest S.A. under liquidation, DAMF Inwestycje S.A., Elkop S.A., IFERIA S.A., Investment Friends SE, Resbud SE, is a shareholder of FON Zarządzanie Nieruchomościami Sp. z o.o., Nova Giełda Inwestycje LPS, shareholder and Chairman of the Management Board in Nova Giełda Inwestycje Sp. z o.o., performed the function of Chairman of the FON1 Polska a.s. Management Board and Investment Friends Capital 1 Polska a.s Management Board with registered office in Ostrava, Czech Republic. Performs the Chairman's function of the Investment Friends Capital SE Board, stock Nowy Wiatr Sp. z o.o. Management Board, Patro Invest OÜ Management Board with registered office in Tallinn, in Estonia, in which he is only shareholder and is shareholder of the company Patro Inwestycje Sp. z o.o.

d) Martyna Patrowicz – Member of Supervisory, performs the member of Supervisory Board function in: Atlantis SE, DAMF Invest S.A. under liquidation, DAMF Inwestycje S.A., Elkop S.A., IFERIA S.A., Investment Friends Capital SE, Resbud SE,

e) Mariusz Patrowicz – Member of Supervisory Board, fulfil the member of Supervisory Board function in: Investment Friends Capital SE, Elkop S.A., Damf Invest S.A. under liquidation.

Employment

The company employed on average 2,0 person employed under an employment contract during the financial period. The average employment during the period between 01/01/2018 to 31/12/2018 amounted to 1,8 people of the employment contract.

Remuneration of Management Board and Supervisory Board

	31/12/2018	31/12/2017
Management Board	0	0



Supervisory Board 12 15

Members of Management and Supervisory Board of Issuer did not get the remuneration advance, guarantees and warranties.

Note 33 Financial instruments measured at fair value (in thousand EUR)

Information about financial instruments

December 31, 2018

Types of Financial Instruments	Fair value through total income	Fair value through financial result	Amortised cost	Total
Total financial assets	3,553		4,920	8,473
Stocks and shares – balance value	3,553			3,553
-Value of valuation placed in profit and loss account.				0
- Value of valuation placed in revaluation reserve.	-11,447			-11,447
-Purchase price value	15,000			15,000
Debt securities				0
Granted loans			4,866	4,866
Receivable from deliveries and services and other receivables.			13	13
Cash and cash equivalents.			40	40
Others financial assets.				0

Financial instruments measured at the fair value

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

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

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

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

Table presented below shows financial instruments evaluated at fair value for balance sheet date.

	December 31, 2018	Level 1	Level 2	Level 3
Short-term Stocks listed on GPW and NC				
Shares/stocks not listed	3,553			3,553
Investment's operations				
Total financial assets measured at fair value.	3,553			3,553
Financial liabilities measured at fair value.				



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

LEVEL 2 OF VALUATION

As at 31/12/2018 the Company does not have financial assets from 2nd level of valuation.

Defining fair value from the level 3 with valuation of financial assets

December 31, 2018

	Stocks not listed on the Stock Exchange (valuation through total income)	Other	Total
Opening balance 01/01/2018	7 607	0	7 607
Sum of profit and losses	-3 063		-3 063
- in the financial result	-271		-271
- in others comprehensive incomes	-2 792		-2 792
Short-term Stocks not listed on GPW and NC			0
Long-term stocks not listed			0
Purchase/taking up shares			0
Share issue			0
Sale/settlements/loans	65		65
Transfer from level 3			0
Closing balance 31/12/2018	4 478		4 478

Determining opening and closing balance of positions evaluated at fair value, classified in the 3rd level of the fair value hierarchy

At the end of 31/12/2018 the company had financial instruments classified on 3th fair value hierarchy, involves shares in Company IFEA Sp. z o.o., Refus Sp. z o.o. during liquidation, IFERIA S.A. and shares of FON Zarządzanie Nieruchomościami Sp. z o.o. which are the subject of the loan agreement.

During the 12-month period of 2018 any changes in valuation hierarchy did not occur.

Description of the method of valuation assets at fair value through comprehensive income included in 3th level of the fair value hierarchy

IFEA Sp. z o.o. - To the best and available knowledge of the Management Board at 31/12/2018 and at the date of drawing up the Financial Statement, the Company evaluated owned investment in shares IFEA Sp. z o. o. at fair value. Presumptions of valuation the value of the investment in 2018 are result of evaluation of owned stocks in relation to IFEA Sp. z o. o. equity capital at date 31/12/2018 and proportionally included write-offs at 31/12/2018.

Total revaluation of owned IFEA Sp. z o.o. shares amounted to PLN 49 218 thousand.



As at 31/12/2018 stocks of IFERIA S.A. were evaluated to PLN 18 thousand. Balance value is PLN 1 thousand.

REFUS Sp. z o.o. during liquidation – as at 31/12/2017 investment was classified as short-term investment. The Company made write-off in the first half of the year of 2018 in the full value i.e. PLN 1 166 thousand.

Aims and terms of financial and capital risk management

Aims and terms of financial risk management are described in the annual Financial Statement for year 2017, published at March 29, 2018. With reference to aims and risk management terms described in Financial Statement for 2017 any changes did not occur.

Note 34 Revaluation capital and reserve capital (in thousand EUR)

REVALUATION RESERVE	31/12/2018	31/12/2017
State at the beginning of the year	-7 951	-6 544
Profit/loss due to changes in the fair value of financial assets	-3 713	-1407
Total revaluation reserve	-11 664	-7 951

RESERVE CAPITAL	31/12/2018	31/12/2017
Other reserve capital:	3 805	3 135
Total other reserve capital	3 805	3 135

Note 35 Costs and expenses (in thousand EUR)

COSTS BY TYPE	2018	2017
a) amortisation and depreciation	-48	-52
b) consumption of materials and energy	-11	-10
c) external services	-1	-17
d) taxes and salaries	-5	-11
e) remuneration	0	-48
f) social security and other benefits	-10	-5
g) other costs by type	0	0
I. Total costs by type	-75	-143
II. Change in inventories, products and accruals	0	-1
III. Cost of manufacturing products for the entity's own needs	0	0
VI. Other general and administrative expenses	-136	-199
Total costs	-211	-343



OTHER OPERATING EXPENSES	2018	2017
a) creation of reserve	0	0
b) revaluation of write-offs	-771	-1,597
c) loss on disposal of non-financial fixed assets	-15	0
d) other including:	-46	-9
- re-invoicing costs	-11	0
- imposed penalties	-25	-5
- other	-10	-4
Total other operating expenses	-832	-1,606

OTHER FINANCIAL EXPENSES	2018	2017
a) foreign exchange losses	-2	0
a) loss on disposal of financial assets	0	0
b) cost of updating financial investments	-1,514	-201
c) other including:	0	0
- financial operations fee	0	0
- merger of entities	0	0
Total other financial expenses	-1,516	-201

Note 36 Other revenues (in thousand EUR)

OTHER OPERATING REVENUES	2018	2017
a) release of reserves	0	0
b) gain on disposal of non-financial fixed assets	0	0
c) other including:	14	8
- revenues from re-invoices	0	5
- other	14	3
Total other operating revenues	14	8

FINANCIAL INCOME	2018	2017
a) other interest	1	0
- from related parties	0	0
- from other parties	1	0
b) other revenue	6	0



Total financial income from interest	7	0
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Note 37 Other important information

➤ **Information about changes at a way (method) of defining fair value of measured financial instruments**

In the period covered by the report, change a way of defining fair value of measured financial instrument did not occur.

➤ **Information regarding changes in financial assets classification due to a change of the aim or exploitation those assets**

In the period covered by the report, changes in financial assets classification due to a change of the aim or exploitation those assets did not occur.

➤ **Information regarding issuing, purchasing and repayment of non-equity and capital securities**

In the period covered by the report, the event did not occur.

➤ **Information regarding paid (or declared) dividend, total and per one stock, divided into common and preferred stocks**

In the period covered by the report, the event did not occur.

➤ **Information on contingent liabilities changes or contingent assets, which have occurred since the end of the last financial year**

As at 31/12/2018 The Company recognize contingent assets from:

- Merging the Company Patro Invest Sp. z o.o. to the agreement of taking up and coverage new issuance of shares. The amount of the warranty was determined to the amount of penalty - PLN 60 million.

As at 31/12/2017 The company recognized contingent assets from:

- Transfer of title to secure loan repayment as a result of loan agreement from the company TOP Marka S.A. amounting to PLN 17 851 thousand.
- Warranty of Patro Invest Sp. z o.o. to agreement of taking up agreement and cover issue of the shares. The amount of warranty was determined to the amount of penalty i.e. PLN 60 mln.



4 Other information

4.1 Description of organization capital group changes, including those resulting from merging, loss or obtaining of control of subsidiaries and long-term investments, and division, restructuring or discontinuation or indication an entity requiring consolidation, or if the Issuer is parent entity, who on the bases of the law, which applies to the Issuer – does not have the obligation or is not able to draw up consolidated financial statements. In addition, indication the reason and legal basis of lack of consolidation

As at 31/12/2018 the Issuer does not draw up the consolidated financial statements.

The Company FON SE granted loan of 69 shares of Fon Zarządzanie Nieruchomościami Sp. z o.o. for the Company Damf Invest S.A.

As at 30/09/2018 FON SE. holds 44,58% in the capital of the Company IFEA Sp. z o.o., which is accompanying Company to FON SE.

In order to getting European Article of Association, the Issuer established subsidiary entity FON1 Polska a.s., in which the Issuer holds 100% of shares. On 09/10/2017 Czech Regional Court registered joint-stock Czech law Company under the name FON1 Polska a.s. with registered office Ostrava.

As at 31/03/2018 the Company was parent entity of the Company FON1 POLSKA A.S, which share capital amounted to CZK 2 000 thousand. Subsidiary company did not conduct an economic activity and was not a special purpose company, which shares was taken up by the Issuer in order to merging the subsidiary Czech law Company with FON S.A. and getting European Article of Association.

As at 19/04/2018 the merging of the Issuer, previously operating as a polish law joint-stock Company under the name FON SPÓŁKA AKCYJNA with registered office in Płock at Padlewskiego Street 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 0000028913, NIP: 5480075844, REGON: 070009914 with FON1 Polska Akciová společnost with registered office in Ostrava, address: Poděbradova 2738/16, Moravská Ostrava, 702 00 Ostrava, Czech Republic entered in the commercial register kept by the District Court in Ostrava, section B, under number 10981, identification number 06503390. (Acquired Company). As a result of merging, the Issuer adopted the legal form of the European Company and under the name FON SE with registered office in Płock at Padlewskiego Street 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 0000728655, REGON: 070009914 and NIP: 5480075844.

The merger took place through the acquisition by FON S.A. of FON1 Polska Akciová společnost, in accordance with regulation of Article 2 para. 1 in connection with article 17 par. 2 letter a) and 18 of the Council Regulation (EC) No 2157/2001 of 08 /10/2001 on the Statute for European Company (SE) of 08/10/2001 (Official Journal No. 294, p. 1)

The merger was accepted by Issuer's General Meeting on 03/01/2018 with resolution number 9, made available for publish by current report ESPI no. 3/2018 on 03/01/2018

Together with the registration of merging companies, there were registered changes of Articles of Association which have been a result of Extraordinary General Meeting's resolutions of January 3, 2018.

Due to the adoption of 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 except for the change in the nominal value of shares (expressed in EURO), and the Company continues its legal existence and activities in the form of European Company.

On 04/07/2018 Ordinary General Meeting adopt a Resolution on transferring statutory registered office of the Company and changing of the Article of Associations. General Meeting decided to transfer the registered office from Płock in Republic of Poland to Tallinn, Republic of Estonia, Narva mnt 5, 10117.

On 09/10/2018 NASDAQ CSD, the institution that maintains the securities deposit appropriate for Estonia registered the Company's shares in the depository system and allocated the ISIN number EE3100143108. The effectiveness of registration of the Issuer's shares in the securities depository maintained by NASDAQ CSD depends on the registration of the transfer of the registered office of the company in the relevant register of Estonian entrepreneurs (Ariregister).

On 30/11/2018 the commercial register appropriate for the Estonian law (Ariregister) registered the transfer of the Issuer's statutory office to Estonia. Since 30/01/2018 the Company is being entered in Tartu Country Registration Department, registry code: 14617916.

4.2 Management Board's position regarding the possibility of realization earlier published financial results forecasts for the given year, in the context of presented financial results in relation to the forecasted results

The Company did not publish forecasts for the 2018 and next years.

4.3 Indication of indirect (through subsidiaries) or direct shareholders holding at least 5% of the total number of votes at the General Meeting on date of quarterly report with indication of number of shares, percentage share in share capital, amount of votes resulted from those shares and percentage share in total amount of votes in General Meeting, and indication of changes in the significant block of shares of Issuer structure during the period since presenting previous periodical report

As at balance sheet date 31/12/2018 according to the best knowledge of the Management Board, there were no changes in the structure of direct shareholders, compared to the status as at the date of publication periodical report for III quarter of 2018 and it is presented in the following table:

Shareholder	Number of owned shares	Percentage share in share capital (%)	Number of votes from owned shares	Percentage share in total amount of votes on General Meeting (%)
Patro Invest OÜ	23.123.763	33,03	23.123.763	33,03
Others	46.876.237	66,97	46.876.237	66,97
Total:	70.000 000	100,00	70.000.000	100,00



As at 31/12/2018 according to the Management Board's best knowledge, there were no changes in the structure of indirect shareholders, compared to the status as at the date of publication periodical report for III quarter of 2018 and it is presented in the following table:

Shareholder	Number of owned shares	Percentage share in share capital (%)	Number of votes from owned shares	Percentage share in total amount of votes on General Meeting (%)
Damian Patrowicz	23.123.763	33,03	23.123.763	33,03
Others	46.876.237	66,97	46.876.237	66,97
Total:	70.000.000	100,00	70.000.000	100,00

Mr. Damian Patrowicz, previously Vice-chairman of Supervising Board, temporarily was Chairman of Management Board, current Chairman of the Issuer's Management Board holds Issuer's shares through subsidiary entity Patro Invest OÜ with registered office in Tallinn, Estonia.

4.4 Statement of owned Issuer' stocks or entitlement (options by the members of the Supervising and Management Boards as at the date of presenting report with the indication of the changes in the Issuer's shares, during the period since presenting the last quarterly report, separately for each member

Compared to the last published dates as at the date of publication annual report 2017, there were no changes in the composition of holding Issuer's shares by members of the Issuer's Supervising and Management Board.

To the knowledge of FON SE Management Board, members of management and supervising Board of Issuer as at balance sheet date i.e. 31/12/2018 hold the following amounts of shares:

Function in the Issuer's bodies	Supervising Board and Management Board	Number of shares as at 31/12/2018
Chairman of the Management Board	Management Board	23.123.763
	Damian Patrowicz (indirectly)	
Chairman of the Supervisory Board	Supervising Board	0
	Wojciech Hetkowski	
	Mariusz Patrowicz	
	Małgorzata Patrowicz	
	Martyna Patrowicz	
Member of the Supervisory Board	Jacek Koralewski	0

Above data on number of owned by the members of the Supervisory and Management Board shares were presented with the best effort basis in accordance to the knowledge of Management Board, nonetheless eventually transactions of purchase – sale shares by above-mentioned members which the Company was not informed about in the way in accordance with law regulations about the subject scope, could not be included in the table.

Article of Association of FON SE does not envisage any entitlements (option) to taking up of shares for Management and Supervising Board.



4.5 Indication of significant proceedings applying to liabilities of Issuer's or its subsidiary liability with indication of the proceeding subject, amount in controversy, date of initiation of a proceeding, parties to the proceedings and position of Issuer

In the period covered in the report the Company did not initiate or was not a party in a new, significant judicial or administrative proceeding, except from those mentioned in 4.26 point in the report.

4.6 Information about concluding one or many transactions by the Issuer or its subsidiary with related entities, if the transactions were concluded on the other terms than on the market ones, with indication of value of the transaction. Information about transaction can be grouped according to the type, except the case, when information about individual transaction are necessary to understanding their influence on financial, material situation and on financial result of Issuer

During the reporting period the Issuer did not conclude transaction with related entities on other terms than market ones. Transactions with related entities were indicated in point 4.30 of the report.

4.7 Information on the Issuer's or its subsidiary's warranting a credit or loan or provide guarantee – jointly to one entity or its subsidiary, if total value of existing warranties or guaranties is significant

During the 12-month reporting period of 2018 the Company granted a warranty indicated below. In the periodical report for the first half of the 2018, the Issuer informed about granting warranty to amount of PLN 590.000,00 for Investment Friends SE with registered office in Płock.

On 18/04/2018 the Issuer made an agreement with the Company Investment Friends SE on transfer of funds for repayment of Investment Friends SE with registered office to TOP MARKA S.A. (KRS 0000292265) secured by the mortgage to the amount of PLN 15.000.000,00 for the property in Poznań at Kopanina Street 54/56 described in the Issuer's current report No. 67/2013 and in above-mentioned report 10/2018.

In relation to satisfy all the Issuer's entitled claims against the Company TOP MARKA S.A. In virtue of Loan Agreement of 30/12/2013, Issuer was obligated to transfer the surplus value of realized collateral, which overran value of the entitled to the Issuer claims for Investment Friends SE as mortgagee secured of properties in Poznań at Kopanina Street 54/56. For that reason, pursuant to the Agreement of 28/04/2018, the Issuer undertook transferring for Investment Friends SE PLN 6.699.234,28 in the period since 30/04/2018

Furthermore pursuant to the Agreement of 18/04/2018, parties of the proceeding decided that after payment PLN 6.699.234,28 and on condition that the Issuer will grant additional collateral for the rest of claims of Investment Friends SE in Płock against TOP MARKA S.A. in warranty to the value of PLN 590.000,00, Investment Friends SE in Płock made a statement on the agreement of cancellation of the mortgage from the property in Poznań at Kopanina Street 54/56 to the value of do PLN 15.000.000,00.

The Issuer on 18/04/2018 entered into contract in making described above Agreement with Investment Friends SE warranty Agreement by the Issuer to the value of PLN 590.000,00

Consequently, the Issuer in exchange for granted warranty and transfer PLN.699.234,28 got permission of Investment Friends SE for cancellation of the mortgage to the value of PLN 15.000.000,00 registered in the land and mortgage Register in Poznań at Kopanina Street 54/56.

After the balance sheet date i.e. 01/04/2019 The Issuer paid PLN 590.000,00 to the Investment Friends SE in venture of liabilities realization from Warranty Agreement of 18/04/2018. Having paid



above mentioned sum, all the claims of Investment Friends SE against the Issuer in venture of Warranty Agreement were satisfied.

4.8 Other information, which in the view of the Issuer, are significant for assessment of the financial, personnel, material situation, financial result and changes of them and information which are important for assessing the possibility to realization the liabilities by the Issuer

In the reporting period, except those indicated at point. 4.5 of the report, there have not occurred any other events, which could significantly influence on an assessment and change of the material and financial situation of the Company and its possibility to fulfil its liabilities to the best knowledge of the Management Board.

The Issuer maintain business concept involving cost optimization, including minimization of personnel sourced through outsourcing majority of the Company's areas.

Valuation of owned tokens, financial instruments (stocks, shares) in wallet of the Company, granted loans and liquidity of those instruments allowing disposal of it with satisfactory price level have significant influence on Issuer's financial results.

Due to object of the company – financial activity, including loans, significant influence on maintaining liquidity of the Company have also timely and properly realizing liabilities, resulting from the Loan Agreement, by the Borrowers to the Issuer,

Significant factors for achieved incomes from Renewable Energy during the reporting period, were also law regulations about this segment and atmospheric conditions (windiness) and failure frequency of wind turbine, which have direct influence on efficiency obtained from wind power station, and market price level of "Green Certificates" and Electricity.

Due to the registration change of a Company seat and transfer of the Issuer's registered office to Tallinn in Republic of Estonia on 30/11/2018, significant for the further Company's activity will be Issuer functioning in the new economic area and local law system.

The Issuer's activity after the transferring is continued and still the main activity of the Company is financial activity i.e. service loaning activity. The Management Board to its best knowledge do not envisage changing of the Company's activity profile.

4.9 Indication of factors, which on the view of the Issuer will have influence on achieved results in at least quarter

To the knowledge of the Management Board, significant external and internal factors, which have indirect or direct influence on the development of FON SE are as follows:

- a) situation on the financial market, on loan market and interest rates, which will have influence on realization the basic business profile of the Company – granting loans.
- b) Correct fulfilling the conditions of the agreements within due time of liabilities repayment to the Issuer, and possible foreclosures and debt collection of (if any) undischarged loans
- c) Business cycle on capital markets having influence on financial instruments owned by the Issuer, its valuation and liquidity of owned securities.
- d) condition and financial results of private companies, which are included in the Issuer's financial assets
- e) Potential purchase of owned windmill farm



4.10 Factors of risks and threats

Below, the Issuer presents risk factors in accordance to the Issuer's best knowledge and will, in the scope of known threats for the date of drawing up the Financial Statements. In the future hard to predict new risk can appear, and the risk rang of the Issuer's financial activity can change. Presented risks do not reflect its importance.

➤ **Credit risk**

Credit risk is the risk of incurring the financial loss by the Company, in the situation, when the costumer or other party to the contract do not fulfil a duty from the agreement. Credit risk relates to receivables. Exposure the Company to the credit risk is primarily a result of individual feature of each costumer. The Company continuously monitors receivables. The Company makes write-offs from impairment loss, which corresponding with estimated value of losses from receivables from deliveries and services, other receivables and investments. The aim of the credit policy is maintaining the financial liquidity ratios on the safe, high level, realization of liabilities from suppliers without delays and cost reduce connected with servicing bank liabilities. Reduction of using bank credits and connected with its financial costs are also the aim of Managing of liabilities and receivables from deliveries and costumers Policy. The aims of mentioned Policy are agreement on payment date, following the rules of realization the liabilities without the delay, using the trade credit.

➤ **Liquidity risk**

Liquidity risk management process bases on monitoring estimated cash-flows, and adjusting final maturity of assets and liabilities, analysing working capital and maintaining an access to different sources of funding. The aim of the Company is to maintain the balance between funding continuity and flexibility, through using sources of funding such as loan, overdraft facility, financial leasing agreement.

➤ **Risk of shares price's fluctuations and limited liquidity**

Immanent feature of market trading is the shares' price fluctuations and short-term fluctuations of turnover. It might result in possible sale or purchase of the qualifying holding of the Issuer's shares will relate to a necessity to accept significantly less favourable price than the reference price. The Issuer cannot also exclude significant, temporary limitations of liquidity which may significantly hamper sales or purchase of the Issuer's shares,

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

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

➤ **Risk connected to borrowed loan and granted warranty**

There is a risk of lack of possibility to punctual repayment of loan, and therefore there is necessity of collaterals realization by the moneylender i.e. an entry in the mortgage register of the Company. The Company will make any efforts to limit indicated risk, but because of relevancy and organizational and legal complexity of changes, disadvantageous situations cannot be excluded.



➤ ***Risk connected to change of the seat and article of association of the Issuer***

There is a risk related to effective adaptation of the Issuer to organizational and legal laws applicable in Estonia. These changes can temporary influence organizational effectiveness of the Issuer and risk of possible mistakes and errors in law interpretations, obligations of entities operating in Estonia, local and related to listing of the Company's shares on Warsaw Stock Exchange disclosure obligations, and their proper implementation by the Issuer can occur.

➤ ***Risk related to the shareholder structure***

As at the date of the report, 33,03% of the share capital 33,03% of votes at the Issuer's General Meeting owned directly Patro Invest OU, as a result of which the above-mentioned Shareholder has a significant influence on the adopted resolutions at the General Meeting of the Issuer's Shareholder.

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

The situation and the economic situation in Poland and Estonia have a significant impact on the financial results achieved by all entities including the Issuer, because the success of development of companies investing in financial instruments and conducting financial services largely depends on the conditions of running a business. In case of realization the transfer the seat of the Issuer to Estonia, risk in the above scope will applies to the new registered office in Republic of Estonia.

Tallinn, 10/10/2019

Damian Patrowicz – Chairman of the Management Board