



**HALF-YEAR REPORT ON THE ISSUER'S ACTIVITY
OF FON SE
FOR 6 MONTHS ENDED ON JUNE 30, 2019**

Tallinn, October 25, 2019



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1 Basic information about the Company.

Name of the Company: FON SE

- On 19/04/2018 the Registry Court made a registration of 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 (Acquired Company).
- 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 until 30/11/2018 it operated under the company FON SE with headquarters 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 0000728655, REGON 070009914, NIP 5480075844.
- On 30/11/2018 the register of commercial companies (Ariregister) applicable to the law of Estonia registered the transfer of the Issuer's registered office to Estonia. Since 30/01/2018 the Company is entered in the Registration Department of the District Court in Tartu, registry code 14617916.

Address:

- till 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.

Tax identification number:

- The Company is not registered as a VAT taxpayer after transferring its seat to Estonia. The Company has a tax identification number: 14617916.

Business activity according to the Estonian Business Classification:

- „Activities of holding companies”, EMTAK No 64201.

Duration of the Company:

- Duration of the Company is indefinite.

Registry court of the Company:

- Since 30/11/2018 the Company is entered in the Registration Department of the District Court in Tartu, registry code 14617916.



Share capital of the Company:

- According to the Articles of Association until 23/05/2019 the Company's share capital is EUR 7.700.000,00 and was divided into 70.000.000 ordinary bearer shares with no par value.
- On 23/05/2019 the Register of Commercial Companies (Ariregister) competent for the law of Estonia registered the amendments to the Articles of Association pursuant to the Resolution of the Extraordinary General Meeting of Shareholders of 29/05/2019 in the scope of reducing the number of the Company's shares without changing the amount of the share capital. As a result of registration of the above changes, the Company's share capital amounts to EUR 7.700.000,00 and is divided into 8.750.000 shares without nominal value.

Financial year:

- On 06/05/2019 the Register of Commercial Companies (Ariregister) applicable to the law of Estonia registered 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.

MANAGEMENT BOARD OF THE COMPANY:

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

- Damian Patrowicz – Chairman of the Company

SUPERVISORY BOARD OF THE COMPANY:

The composition of the Supervisory Board in the reporting period was as follows:

- Wojciech Hetkowski - Chairman of the Supervisory Board
- Małgorzata Patrowicz - Secretary of the Supervisory Board
- Jacek Koralewski - Member of the Supervisory Board
- Martyna Patrowicz - Member of the Supervisory Board

On 11/01/2019 Mr. Mariusz Patrowicz resigned from his position on the Company's Supervisory Board.

AUDIT COMMITTEE:

In the reporting period the Audit Committee has been functioning in the following composition:

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

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



2 Basis for preparation of the financial statements

Acting on the basis of § 184 (11) of the Securities Market Act, the Management Board of the Company publicizes the half-year report of FON SE for the first half-year of 2019.

The semi-annual report consists of:

- Condensed interim financial statements, including:
 - Condensed interim statement on financial situation as at 30/06/2019, 31/12/2018 and as at 30/06/2018.
 - Condensed interim income statement, condensed interim statement on comprehensive income for the period since 01/01/2019 to 30/06/2019 and since 01/01/2018 to 30/06/2018.
 - Condensed interim statement on changes in equity for the period since 01/01/2019 to 30/06/2019 and since 01/01/2018 to 30/06/2018.
 - Condensed interim statement on cash flow for the period since 01/01/2019 to 30/06/2019 and since 01/01/2018 to 30/06/2018.

2.1. Statement of compliance.

This financial statement covers the period since January 1 to June 30, 2019 and the comparable period since January 1 to June 30, 2018 and it was prepared using accounting principles in accordance with the International Financial Reporting Standards which was approved by the European Union.

The report is prepared with assumption that the entity is going concern in the foreseeable future.

2.2 Functional and reporting currency.

This financial report was prepared in EUR. The functional currency of the Company is Polish zloty (PLN) and reporting (presentational) currency of the Company is EUR. The financial statements are presented in EUR thousand. The financial statements are prepared with assumption that the Company will going concern in the foreseeable future.

2.3 Accounting principles applied for preparation of this financial statement.

Pursuant to the resolution of the General Meeting of FON SE of June 30, 2005 starting from the financial statements for reporting periods beginning on January 1, 2005, the Company's financial statements are prepared in accordance with the International Financial Reporting Standards and related interpretations published in the form of European Commission regulations.

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

The Management Board of FON SE declares that, to the best of its knowledge, the condensed financial statements for the first half of 2019 and comparable data have been prepared in accordance with the applicable accounting principles and in accordance with the International Financial Reporting Standards, and also reflect in a true, reliable and clear financial position financial statement and its financial result and the fact that the semi-annual report on the Issuer's activity contains a true picture of the development, achievements and situation of FON SE, including a description of the basic threats and risks.

Tallinn, 25/10/2019

Chairman of the Management Board
Damian Patrowicz



4 Selected financial data including items of condensed financial statement (in EUR thous.)

Selected financial data	EUR thous.	
	Six months ended on 30/06/2019	Six months ended on 30/06/2018
Revenues from sale of products, goods and materials	165	255
Profit (loss) on operating activity	133	-275
Pre-tax profit (loss)	180	-549
Net cash flow from operating activity	-646	28
Net cash flow from investment activity	826	10
Net cash flow from financial activity	0	0
Change in cash and cash equivalents	179	38
Total assets	9 677	14 397
Short-term liabilities	12	14
Equity	9 665	14 365
Share capital	7 700	7 700
Weighted average diluted number of shares (in pcs)	8 750 000	70 000 000
Profit (loss) per share (in EURO)	0,02	-0,01
Book value per one share (in EURO)	1,10	0,21

Exchange rates used for conversion of selected financial data.

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

- Balance sheet items as at 30/06/2018 and as at 30/06/2019 are converted according to the average exchange rate announced by the National Bank of Poland effective as at the balance sheet date:
 - on June 28, 2019 1 EUR = 4,2520
 - on June 29, 2018 1EUR = 4,3616
- Balance sheet items as at 31/12/2018 are converted according to the exchange rate announced by the European Central Bank effective as at the balance sheet date:
 - on December 31, 2018 1 EUR = 4,3014
- Items of the income statement and cash flow statement as at 30/06/2018 and as at 30/06/2019 are converted according to the exchange rate being an arithmetic average of average exchange rates announced by the National Bank of Poland effective on the last day of each month in the reporting period:
 - in the period since January 1, 2019 till June 30, 2019 1 EUR = 4,2880
 - in the period since January 1, 2018 till June 30, 2018 1 EUR = 4,2395



- Items of cash flow statement as at 31/12/2018 are converted according to the exchange rate being an arithmetic average of average exchange rates announced by the European Central Bank effective on the last day of each month in the reporting period:
 - In the period since January 1, 2018 till December 31, 2018 1 EUR = 4,2335

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

In the reporting period the Issuer recorded:

- revenues from the sale of products in the amount of EUR 165 thous.,
- gross profit on sales in the amount of EUR 157 thous.,
- profit from operating activities in the amount of EUR 133 thous.,
- net profit from business activity in the amount of EUR 180 thous.,
- financial costs in the amount of EUR 0 thous.
- general administrative costs in the reporting period in the amount of EUR 26 thous.

In the reporting period, the Issuer's results were consisted of revenues from lending activity, the wind farm, as well as agreements regarding settlement of Token's redemption, settlement of granted warranty for Investment Friends SE and concluded agreements cancelling the obligation of return of the ownership rights to the real estate being subjected into fiduciary agreements, for remuneration.

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.

5.1 List of the most significant events in the reporting period.

➤ 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)



5.2 The list of the most significant events which has occurred after the reporting period, i.e. till 30/06/2019.

- **Selection of the auditor and determining the last day of the reporting period started on January 1, 2018 for which the Company will prepare financial statements.**

On 08/07/2019 in the current report no/ 31/2019 the Management Board of FON SE has published the protocol of the Extraordinary General Meeting of Shareholders that was held on 08/07/2019.

During the General Meeting, there was adopted a resolution on approval of the audit firm for the performance of the audit of the Company's financial statements for the year 2018, 2019 and for the evaluation of the Company's annual reports for the year 2018, 2019.

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

The General Meeting has also determined the last day of the reporting period started on January 1, 2018 for which the company will prepare financial statements. The financial year started on January 1, 2018 will end on December 31, 2018, while the financial year started on January 1, 2019 will end on June 30, 2020.

- **Information on significant receivables towards Nowy Wiatr Sp. z o.o. in the context of the situation of Newind S.A.**

On 20/09/2019 in the current report no. 32/2019 the Management Board of FON SE has informed that they decided to write off FON SE's receivables towards Nowy Wiatr Sp. z o.o. in the amount of PLN 4.379.413,04. The reason for this write-off is that the only asset of Nowy Wiatr Sp. z o.o. are receivables from Newind S.A. and shares of this Company. Newind S.A. situation is hard and the Company is undergoing restructuring proceedings. The reason for this situation is the loss by Newind S.A. significant assets and financial liquidity. At the moment, the Management Board of FON SE will try to explain this situation and lead to recovery by Newind S.A. of their assets, including in particular explaining the situation, how Newind S.A. lost control of one of its assets in the form of real estate, located in Robakowo. This property is estimated at between PLN 50.000.000,00 and PLN 80.000.000,00 while Newind S.A. lost control over it as a result of the increase of the share capital by PLN 10.200,00 in which the Chairman of the Management Board of Newind S.A. participated and persons related to the Management Board of Newind S.A. In this context, the Management Board of FON SE will take steps to recover these funds. It is possible that after a detailed analysis of the above activities, it will turn out that it will be necessary to notify law enforcement authorities about irregularities during the activities of the Management Board of Newind S.A.

5.3 Selected liquidity and debt ratios of FON SE

Ratio	30/06/2019	30/06/2018
Current liquidity	108	58
Fast liquidity	107	36

Current liquidity: current assets/short-term payables

Fast liquidity:(current assets – inventories – short-term active accruals and prepayments)/short-term liabilities



<i>Ratio</i>	<i>30/06/2019</i>	<i>30/06/2018</i>
General debt ratio	0,001	0,002
Net profitability	0,02	-0,04

General debt ratio: payables total/liabilities

Net profitability ratio: net profit/equity.

6 Indication of factors and events, including atypical ones, having significant influence on the condensed financial statement.

All significant events are indicated in point 5 of this Management Board's Report. Because the process of transferring of the Issuer's seat to Tallinn, the Republic of Estonia is finished, the Management Board points out that the temporal adjustment period and continuation of operating in the new economic and legal circumstances will be significant for the further operating of the Company in the next reporting period.

7 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 the balance sheet date 30/06/2019 FON SE has not had any subsidiaries and has not created its own capital group as well as has not prepared 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.
- As at 30/06/2019 FON SE owned 12.899 shares of IFEA Sp. z o.o. constituting 44,58% in the capital of the Company IFEA Sp. z o.o., which is accompanying Company to FON SE.
- FON SE on 19/02/2019 sold 957.854 shares of IFERIA S.A. constituting 0,49% of the share capital of IFERIA S.A.
- In order to get 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.
On 19/04/2018 in the current report no.12/2018 the Issuer informed about registration of the merger 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 with FON1 Polska Akciová společnost with registered office in Ostrava, address: Poděbradova 2738/16, Moravská Ostrava, 702 00 Ostrava, Czech Republic (Acquired Company). As a result of merging, the Issuer adopted the legal form of the European Company and currently operates under the name FON SE.

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.

As the date of the merger, the share capital of the Company is expressed in EURO and it is: 7.700.000,00 EURO and it is divided into 70.000.000 bearer shares without nominal value.

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. The General Meeting of 04/07/2019 adopted also Resolution no. 18 regarding maintenance of the Company's shares listing on the regulated market of Warsaw Stock Exchange and selection of the home depository for dematerialised shares of the Company after transferring of its seat to Estonia.

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.

Currently, as a result of registering the resplit of FON SE shares on 27/05/2019, the Company's share capital is: EUR 7.700.000,00 and is divided into 8 750 000 bearer shares with no par value.

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

The Company did not publish forecasts for the 2019 and next years.

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

As at the balance sheet date 31/12/2018, according to the best knowledge of the Management Board, the direct shareholding structure was as following:

Direct shareholding.

Shareholder	Number of owned shares	Contribution in the share capital (%)	Number of votes from owned shares	Contribution 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
Total:	70.000 000	100,00	70 .00 000	100,00

As at the balance sheet date 31/12/2018, according to the best knowledge of the Management Board, the indirect shareholding structure was as following:

Indirect shareholding.

Shareholder	Number of owned shares	Contribution in the share capital (%)	Number of votes from owned shares	Contribution in the total number of votes at the GMoS (%)
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 .00 000	100,00



As at the balance sheet date, i.e. 30/06/2019 according to the best knowledge of the Management Board, the direct shareholding structure has changed in comparison with the structure presented as at 31/12/2018 and it is as following:

Direct shareholding.

Shareholder	Number of owned shares	Contribution in the share capital (%)	Number of votes from owned shares	Contribution in the total number of votes at the GMoS (%)
Patro Invest OÜ	2.931.250	33,5	2.931.250	33,5
Others	5.818.750	66,5	5.818.750	66,5
Total:	8.750 000*	100,00	8.750 000	100,00

As at the balance sheet date, i.e. 30/06/2019 according to the best knowledge of the Management Board, the indirect shareholding structure has also changed in comparison with the structure presented as at 31/12/2018 and it is as following:

Indirect shareholding.

Shareholder	Number of owned shares	Contribution in the share capital (%)	Number of votes from owned shares	Contribution in the total number of votes at the GMoS (%)
Damian Patrowicz	2.931.250	33,5	2.931.250	33,5
Others	5.818.750	66,5	5.818.750	66,5
Total:	8.750 000*	100,00	8.750 000	100,00

*There was change (reduction) in the total number of shares as a result of re-split of the Company's shares.

Mr Damian patrowicz, Chairman of the Management Board owns indirectly shares of the Issuer via his subsidiary Patro Invest OÜ headquartered in Tallin, Estonia.

According to the best knowledge of the Management Board, as at the date of publication of this periodical report for the 1st half of 2019, i.e. 25/10/2019 the direct and indirect shareholding structure and number of shares owned by aforementioned shareholders have not changed in comparison with the balance as at the balance sheet date 30/06/2019.

Structure of the Issuer's shares.

As at the balance sheet date 30/06/2019 the share capital of the Issuer is EUR 7.700.000,00 and it is divided into 8.750.000 shares without nominal value.

As at the balance sheet date 30/06/2019, 5.937.500 shares of the Company is allowed to trading on the regulated market of the Warsaw Stock Exchange.



10 Statement of owned Issuer's 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 shareholding, during the period since presenting the last quarterly report, separately for each member.

Comparing to the data last published in the annual report for 2019, there occurred changes in the structure of the Issuer's shares owned by members of the Issuer's Supervising and Management Board.

According to the knowledge of FON SE's Management Board, members of management and supervising Board of Issuer as at balance sheet date i.e. 30/06/2019 hold the following amounts of shares:

Function in the Issuer's bodies	Supervising Board and Management Board	Number of shares as at 30/06/2019
Chairman of the Management Board	Management Board Damian Patrowicz (indirectly)	2.931.250
	Supervisory Board	
Chairman of the Supervisory Board	Wojciech Hetkowski	0
Member of the Supervisory Board	Małgorzata Patrowicz	0
Member of the Supervisory Board	Martyna Patrowicz	0
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 on the basis of the knowledge of Management Board as at 30/06/2019 and as at the date of publication of this report on the Issuer's activity, nonetheless eventually transactions of purchase – sale shares by above-mentioned members which the Company was not informed about.

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

11 Indication an important judicial proceeding pending in court, an arbitrary authority or public administration authority, applying to liabilities and receivables of the Issuer or its subsidiary, with indication of a subject of the proceeding, amount in controversy, date of initiation of the proceedings, parties to the proceedings and statement of Issuer.

As at 30/06/2019 the Company was not the party of any new significant proceedings comparing to the information presented in the annual report for 2018. As at the balance sheet date and as at the date of publication of this report the Company is still a party in the following proceedings:

➤ Administrative proceedings conducted by the Polish Financial Supervision Authority against FON SE regarding the imposition of a financial penalty on FON SE pursuant to art. 97 paragraph. 1 point. 2 of the resolution of July 29, 2005 on public offer and condition of launching to the organised trading system and on public Company, towards breaching art. 69 paragraph 1 point 1 in connection with art. 87 paragraph. 5 point. 1 on the offer related to acquisition on 1 January 2012 shares of public Company Zakłady Mięsne Herman S.A. (current Investment Friends Capital SE with registered office in Płock). After receiving the above decision on



14/06/2017 the Issuer has submitted to the Polish Financial Supervision Authority a request to reconsider the case and repeal the decision in whole. On 29/05/2018 PFSA issued a decision in which it annulled in full the penalty imposed on FON SE and imposed a penalty in this case again at a lower amount, i.e. PLN thousand. In relations to the re-imposition of the penalty, the Issuer on 03/07/2018 made a complaint against the PFSA decision to the Provincial Administrative Court. On 08/01/2019 the Provincial Administrative Court pronounced a judgement of dismissal and in relations to above on 29/03/2019 the Company made a cassation appealed to Supreme Administrative Court. The case remains pending.

➤ The legal case from FON SE complaint of 25/05/2016 directed on 25/05/2016 to the Provincial Administrative Court in Warsaw on the Decision of the Director of the Tax Chamber in Warsaw of 21/04/2016, reference number of case 1401-SW-5.5010.33.2016.3.HD, maintaining in force the Decision of the Head of the Tax Office in Płock of 25/01/2016, reference number of case 1419-RP.5010.607.2016, determining the method of crediting the payment of PLN 44.962,00 towards the arrears in corporate income tax in 2012. On 14/07/2017 the Provincial Administrative Court issued a judgement unfavourable to the Issuer. In view of the above, the Company has lodged a cassation complaint against the judgement to the Supreme Administrative Court in Warsaw and is awaiting the date of the hearing. In the opinion of the Management Board, the result of the case is difficult to be assessed.

➤ the legal case related to appeal against the decision of the Mayor of the City of Poznań of 22/08/2016 on determining the amount of the property tax liability for the period from September to December of 2015 for the amount of PLN 198.091,00 addressed on 26/09/2016 to Self-government Appeal Courts Poznań via the Mayor of the City of Poznań. As the Self-government Appeal Courts decision was not favourable to the Company, the Issuer decided to refer the case to court, submitting an appropriate application to the Provincial Administrative Court in Poznań. On 27/10/2017 Provincial Administrative Court dismissed the Issuer's complaint. After receiving the justification, the Issuer filed a cassation complaint against the above judgement to the Supreme Administrative Court in Warsaw. The case is currently pending and the outcome is difficult to assess.

12 Information on concluding by the Issuer or its subsidiary of one or more transactions with related entities, if they were concluded on terms other than market terms, with indication of their value and those which had significant impact on the situation of the enterprise or on the results of the activity during reporting period. Any changes of transactions with related entities described in the last annual statement, which can have influence on the financial situation of the Company or the activity's results in the first half of the financial year.

In the period covered by the report, the Issuer did not conclude any significant transactions with related entities on the terms than market terms. The Issuer has not changed transactions with related entities, which was indicated in the annual report, and which could have an influence on the Company's results during the reporting period.

Significant transactions, including those with related entities, was indicated in point 46 of the semi-annual financial statement constituting an integral part of the semi-annual report and in point 5 of this report of the Issuer's activity, in which the most important events in the reporting period was described.



13 Information on granting credit or loan guarantees by the Issuer or its subsidiary or granting a guarantee – together to one entity or its subsidiary, if the total value of the guarantees or sureties is significant.

In the reporting period of the first half of 2019, the Issuer did not grant any significant sureties for a loan, loan or guarantee.

In the periodic report for the first half of 2018, the Issuer informed that it has granted a surety of up to PLN 590.000,00 for Investment Friends SE with registered office in Płock.

On 18/04/2018 the Issuer has entered into a contract with the Company Investment Friends SE regarding the transfer of funds for repayment of receivables of Investment Friends SE with registered office in Płock due to that company towards TOP MARKA S.A. (KRS 0000292265) and secured by mortgage to the amount of PLN 15.000.000,00 for real estate in Poznań at Kopanina 54/56 Street described in current report of the Issuer no 67/2013 and in above-mentioned report 10/2018.

In connection with obtaining all the Issuer claims against TOP MARKA S.A. under the loan agreement of 30/12/2013, the Issuer is obliged to transfer the excess of the value of realized collateral over the value of the claims due to the Issuer to Investment Friends SE as a mortgage creditor secured on the property in Poznań at Kopanina 54/56 Street. In the view of the above, pursuant to the Agreement of 18/04/2018 the Issuer is obliged to transfer to Investment Friends SE the amount of PLN 6.699.234,28 until 30/04/2018.

In addition, pursuant to the Agreement of 18/04/2018, the Parties decided, that after a payment of PLN 6.699.234,28 and on condition of granting by the Issuer additional collateral for the remaining claims of Investment Friends SE in Płock against TOP MARKA S.A. in the form of the Issuer's surety up to PLN 590.000,00, Investment Friends SE in Płock submitted a statement of consent to strike a mortgage from the real estate in Poznań at Kopanina 54/56 Street up to PLN 15.000.000,00.

The Issuer on April 18, 2018 has concluded, in the implementation of the Agreement with Investment Friends SE described above, a surety Agreement by the Issuer up to PLN 590.000,00.

In view of the above, the Issuer, in exchange for the surety and the transfer of PLN 6,699,234.28, obtained the consent of Investment Friends SE to strike the mortgage up to the amount of PLN 15.000.000,00 entered into the land and mortgage register in Poznań at Kopanina 54/56 Street.

In the reporting period, i.e. on 01/04/2019 the Issuer has paid PLN 590.000,00 to Investment Friends SE for fulfilment of its liabilities of the Guarantee Agreement of 18/04/2018. After payment of the abovementioned amount, all claims of Investment Friends SE against the Issuer under the Guarantee Agreement have been satisfied.

14 In the case of issues of securities during the period covered by the report – a description of using proceeds from the issue by the Issuer.

In the presented period, the Issuer did not issue any securities.

15 Information on the issue, buyout and repayment of debt and equity securities.

In the reporting period, the Company did not issue, buy back or repay debt and equity securities.

16 Information on the paid dividend (or declared) in total and per share, divided into common and preference shares.

The Company did not pay or declare dividend payment.



17 Information on all liabilities resulting from retirements and benefits of a similar nature for former managing, supervising persons or former members of administrative bodies and liabilities incurred in connection with these pensions, with an indication of the total amount for each category of the body; if the relevant information has been presented in the financial statements – the obligation is considered as fulfilled by indicating the place of their inclusion in the financial statement.

There are not any liabilities of this type in the Company.

18 Information on own shares.

In the period covered by the report, the company did not own its own shares.

19 Information on branches of the Company.

The Company has not any branches.

20 Other information, which in the Issuer's opinion is significant for the assessment of its personnel, property, financial situation, financial result and their changes, as well as information that is significant for the assessment of the Issuer's ability of fulfilling the liabilities.

In the reporting period, except for indicated in the activity report and financial statement for the first half of 2019, there were not any significant events, which could have a significant impact on the assessment and changes in financial standing of the Company and the ability of fulfilling the liabilities.

The Issuer maintains the implementation of the business concept consisting in cost optimization, including minimization of human resources by outsourcing most of the company's service areas.

In the reporting period, the Issuer's results were significantly affected by the valuation of financial instruments (shares) held in the Company's portfolio, write-offs of receivables and exemption from the obligation to return for remuneration to the Issuer the real estate being the subject of trusteeship agreement. .

Due to the company's business activity is financial activity, including loan activity, the proper and timely fulfilling liabilities of Borrowers to the Issuer, resulting from concluded Loan Agreements, have significant influence on maintaining liquidity of the Company.

Having regard to that on 30/11/2018 there was a registration of change the registered office of the Company and transferring the Issuer's seat to Tallinn in Republic of Estonia, the functioning of the Issuer in the new economic environment and the local legal system will be significant for the further activity of the Company.

The Issuer's activity after transferring the seat of the Company is continued and the Company's main activity is financial activity, i.e. loan service activity. The Company has ended the activity related to production of Energy from renewable Energy sources and divested after the reporting period owned turbines and infrastructure related to it.

21 Indication of factors, which in the Issuer's opinion will have influence on achieved results in the perspective of at least next quarter and basic risks and threats related to the rest months of the financial year.

Having regard to the Issuer's main activity, including financial services in the field of non-consumer cash loans, as well as including owned by the Company shares of private market entities, in the Issuer's opinion the



following internal and external factors will have a significant impact on the Company's development and results:

- general market conditions on the loan market and interest rates,
- correct implementation by the borrowers of liabilities arising from concluded loan agreements, and execution process and vindication of loans terminated if they occur,
- efficiency of administrative and legal procedures, in which the Issuer may be a possible participant or a party,
- the possibility of getting potential new borrowers
- stock market situation on capital markets,
- economic situation and investment climate in Poland, Estonia and the region,
- availability of external sources of financing
- cooperation with other financial entities
- results and condition of the Issuer's portfolio companies affecting their valuation and liquidity, including the level of valuation of held by the Issuer shares of non-public Company IFEA Sp. z o.o.

In the next financial year, the Management Board intends to continue and develop the Company's activity in the scope of service financial activity, focusing mainly on granting cash loans for economic entities.

21.1 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 also the risk rang of the Issuer's financial activity can change.

Presented risks' order 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 is connected with 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 minimize connected with servicing bank liabilities. Minimization of using bank credits and connected with it 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

The liquidity risk management process consists in monitoring projected cash flows and then adjusting the maturity of assets and liabilities, working capital analysis and maintaining access to various sources of financing. The Company's goal is to maintain a balance between continuity and flexibility of financing, by using financing sources such as loans, overdraft facilities, and financial leasing contracts.

➤ Risk of exchange rate 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 be connected with a necessity to accept significantly less favourable price than the reference price. The Issuer can not also exclude significant, temporary limitations of liquidity which may significantly hamper sales or purchase of the Issuer's shares

➤ Risk related to ties between members of the Issuer's bodies.

There are interpretations indicating the possibility of risk arising from the negative impact of links between



members of the Issuer's bodies on their decisions. This applies in particular to the impact of these ties on the Issuer's Supervisory Board in the scope of ongoing supervision over the Company's operations. When assessing the likelihood of such risk, it should be taken into account that the supervisory bodies are subject to the control of another body - the General Meeting, and it is in the interest of the members of the Supervisory Board to perform their duties in a reliable and lawful manner. Otherwise, members of the Supervisory Board are at risk of liability before the Ordinary General Meeting of the Company consisting in not obtaining discharge from the performance of their duties or criminal liability for acting to the detriment of the Company.

➤ ***Risk related to granted loan and granted guaranties***

There is a risk of inability to repay the loan taken on time and, as a result, the lender has to provide the collateral in the form of an entry in the company's mortgage. The company will make all efforts to limit the indicated risk, however, due to the significance and complexity of organizational and legal changes, adverse events can not be completely excluded.

➤ ***Risk related to changing the registered office of the Issuer and the Company's Statute***

After the transfer of the registered office to Estonia, there is a risk related to the efficient adjustment of the Issuer's operations, both in organizational and legal terms, to the applicable laws in Estonia. The above changes may temporarily affect the Issuer's organizational efficiency and there may be a risk of potential mistakes and errors in the interpretation of local law, obligations incumbent on economic entities operating in Estonia, information obligations both local and related to further listing of shares on Warsaw Stock Exchange and their proper implementation by the Issuer.

➤ ***Risk related to the shareholding structure.***

As at the balance sheet date 30/06/2019, 33,5% share capital and 33,5% of votes at the Issuer's General Meeting belong directly to Patro Invest OU, as a result of which the above Shareholder has a significant impact on the resolutions adopted at the Issuer's General Meeting.

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

The situation and economic situation in Poland has a significant impact on the financial results achieved by all entities, including the Issuer, because the success of the development of companies investing in financial instruments and conducting financial service activities largely depends, inter alia, on the conditions of conducting business activity. In the event of a transfer of the Issuer's registered office to Estonia, the risk in the above-mentioned scope applies to the Company's new headquarters in the Republic of Estonia.

22 The position of the Management Body with the opinion of the Supervising Body regarding the reservations expressed by the entity authorized to audit financial statements in the review report or refusal of issue the review report of half-yearly financial statement, and in case if the half-year condensed financial statement was audited by the entity authorized to audit financial statements – to issued by the entity authorized to audit financial statements subject to, negative opinion or a refusal to express an opinion on an interim condensed financial statement.

The Management Board of FON SE informs that in the light of the regulations applicable to the Company, the financial statements for the first half of 2019 were not audited.

Tallinn, 25/10/2019

Damian Patrowicz – Chairman of the Management Board