



**FON SE**  
**ANNUAL REPORT**

**FOR THE PERIOD SINCE 01 JANUARY 2019 TILL 30 JUNE 2020**  
**AND FOR THE YEAR ENDED ON 30 JUNE 2020**

**PREPARED IN COMPLIANCE WITH INTERNATIONAL**  
**FINANCIAL REPORTING STANDARDS**

**Tallinn, 31/10/2020**



## FON SE GENERAL INFORMATION

Business name: FON SE

Registry code: 14617916

Legal Entity Identifier code: 259400WB3K1M8CZO6N24

Address: Harju maakond, Tallinn, Kesklinna linnaosa, Tornimäe tn 5, 10145

Telephone: +48-796-118-929

E-Mail address: [biuro@fon-sa.pl](mailto:biuro@fon-sa.pl)

Website: [www.fon-sa.pl](http://www.fon-sa.pl)

Reporting period: 01/01/2019 - 30/06/2020

Auditor: Number RT OÜ, Eve Leppik, license no: 230

Members of the Supervisory Board:

- Wojciech Hetkowski
- Jacek Koralewski
- Małgorzata Patrowicz
- Martyna Patrowicz

Member of the Management Board:

- Damian Patrowicz



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## I. GENERAL INFORMATION

### *Name of the Company: FON SE*

- On 19/04/2018 there was registered merger of the Company, 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 Company 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 Company's registered office to Estonia. Registry code: 14617916.

### ***Address:***

- since 01/12/2018 - Narva mnt 5, 10117 Tallinn, Estonia
- since 05/06/2019 - Harju maakond, Tallinn, Kesklinna linnaosa, Tornimäe tn 5, 10145 Estonia

### ***Business activity according to the business classification***

- Since 30/11/2018 activity with name „Activities of holding companies” under The Estonian Classification of Economic Activities (EMTAK) No 64201 was registered in Estonia.

### ***Duration of the Company:***

- Duration of the Company is indefinite.



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

- As at 30/06/2020 the share capital of the Company amounts to EUR 7 700 thous. and is divided into 52 500 000 shares without par value with a book value of 0,1467 EUR per share.
- Since 15/07/2020 the share capital of the Company amounts to EUR 7 700 thous. and consists of 42 749 250 series A shares without par value with a book value of EUR 0,1467 entitling to 100% of dividend per share and 9 750 750 series B shares without nominal value with a book value of EUR 0,1467 entitling to 50% of dividend per share.

### ***Parent Company's Name:***

- Parent Company's name: PATRO INVEST OÜ headquartered in Harju maakond, Tallinn, Kesklinna linnaosa, Tornimäe tn 5, 10145, registry code: 14381342. Management Board: Damian Patrowicz. Damian Patrowicz owns 100% shares of Patro Invest OÜ.

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

- The financial year for the reporting period started on January 1, 2019 and ended on June 30, 2020. On May 6, 2019, the Commercial Companies Register (Ariregister), competent for Estonian law, registered the change in the financial year in accordance with Resolution No. 3 of the Extraordinary General Meeting of Shareholders of April 29, 2019. In connection with this, the Company's financial year begins on July 1 and ends on June 30.

### ***Composition of the Management Board***

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

- Damian Patrowicz – since 5/07/2018 appointed as a Member of the Management Board

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

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

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

On January 11, 2019 Mr. Mariusz Patrowicz resigned from his membership in the Supervisory Board as of January 11, 2019.



## II. SELECTED FINANCIAL DATA CONTAINING BASIC ITEM OF THE FINANCIAL STATEMENT (ALSO CONVERTED IN EURO)

Selected financial data	in thous. EUR	
	Eighteen months ended 30/06/2020	Twelve months ended 31/12/2018
Revenue from interest, sales of land, products, goods and materials from continued operations	651	417
Revenue from the sale of products, goods and materials from discontinued operations	82	35
Operating profit (loss) from continued operations	537	-561
Operating profit (loss) from discontinued operations	24	-16
Profit (loss) before taxation from continued operations	-3 165	-2 070
Profit (loss) before taxation from discontinued operations	24	-16
Net profit (loss)	-3 141	-2 086
Net cash flows from operating activities	-6 149	-25
Net cash flow from investing activities	531	70
Net cash flow from financing activities	5 579	0
Change in cash and cash equivalents	-39	-47
Total assets	11 462	9 338
Long-term liabilities	5 241	0
Short-term liabilities	255	14
Equity	5 966	9 324
Share capital	7 700	7 700
Weighted average number of shares (in pcs.)	36 183 729	70 000 000
Profit (loss) from continued operations per share (EUR)	-0,09	-0,03
Profit (loss) per share (EUR)	-0,09	-0,03
Book value per one share (EUR)	0,11	0,62



### III. LETTER OF THE MANAGEMENT BOARD

*Dear Sirs,*

*On behalf of the Management Board of FON SE, I am pleased to present to you the Annual Report for the financial year lasting from January 1, 2019 to June 30, 2020 containing a list of the most important information about the Company's operations and events that took place in the past financial year.*

*In the reporting period, the Company continued its activities in the field of financial service activities and at the same time ceased activities in the field of generating energy from renewable energy sources.*

*The presented financial statement shows a loss on economic activity, however, in the opinion of the Management Board, the Company's situation is stable and there is no risk of losing liquidity and going concern. In the next financial year, the Company will pursue its activities in the field of financial service activities by granting non-consumer cash loans.*

*The Management Board of the Company also wishes to thank all Shareholders, Contractors and Co-operators, wishing them further, mutually fruitful cooperation.*

*Yours faithfully,*

*Damian Patrowicz  
Member of the Management Board*

### IV. REPORT OF THE MANAGEMENT BOARD ON THE COMPANY'S ACTIVITY

#### ***MAIN AREAS OF THE ACTIVITY, PRODUCTS AND SERVICES' GROUPS.***

In the reporting period, the company's main business activity includes financial activity including loan service activities, production of Energy from renewable sources. In the reporting period, revenues connected with financial activity and sale of electricity and "green certificates" obtained from owned wind farms have decisive role in structure of Company's



revenues. Revaluation of the assets held i.e. stocks and shares of entities in the Company's portfolio also have significant influence on presented Company's results.

The Company realizing its business profile in the scope of granting loans, concluded contracts with Polish and Estonian entities. Due to the nature of the activity, there are no sources of supply for goods and materials.

***GENERAL (MACROECONOMIC) DEVELOPMENT OF THE ENVIROMENT IN WHICH THE ACCOUNTING ENTITY CONDUCTS ACTIVITY AND THE IMPACT OF THIS DEVELOPMENT ON ITS FINANCIAL EFFICIENCY.***

The Company conducts financial activities in particular connected with granting cash loans to natural persons and economic entities, most often from the micro and small enterprises sector. In opinion of the company's Management Board, activity in this area is developing, especially on the Polish market. In Poland, among more than 2 million small and medium-sized enterprises, only 17% use loans and borrowings. It results from the restrictive policy of bank in the scope of high-risk assessment for granting loans for this type of entities. A small entrepreneur has to fulfil the bank's difficult requirements, primarily seldom achieved for young entities, credit worthiness. Majority of novice entrepreneurs also do not have any collateral and do not have a long bank history. Entrepreneurs, who do not receive financing from the bank, are looking for alternative forms of financing. They reach out to the companies providing loan services. Companies in this sector, including FON SE, show great flexibility in the scope of service procedure adjusted to the needs of individual clients and their abilities in the scope of granted collateral. The Company sees the development potential in the scope of providing of the financial services for this type of entities and consistently intends to continue its business in this segment.

In the reporting period, the Company also achieved revenues from owned wind farms which were sold in August 2019. The decision to sell was made due to the instability of the energy in the scope of renewable Energy and the age of owned devices.

***INFORMATION ON IF THE OPERATIONAL ACTIVITY OF ACCOUNTING ENTITY IS BASED ON THE SEASONALITY, OR IS THE ENTITY' ACTIVITY CYCLICAL.***

In the reporting period, the main activity of the Company was financial service (loan) and therefore there is no seasonality or cyclicity. In the scope of renewable energy activities conducted in the reporting period, there is no cyclicity and it is difficult to define seasonality in terms of the main factor affecting energy production i.e. wind, due to climate changes.

***FINANCIAL INSTRUMENTS, POLICY AND RISK MANAGEMENT AND RISKS CONNECTED WITH THE CURRENCY EXCHANGE, INTEREST RATE AND COURSES OF SHARES, WHICH APPEARED IN THE FINANCIAL YEAR OR DURING THE PREPARATION OF THE REPORT.***

The main types of risk resulted from Company's financial instruments include: interest rate risk, liquidity risk, credit risk and risk related to the financial collateral. The Management Board is responsible for establishing risk management principles in the Company and for supervising its following. The Company's risk management rules aimed at identifying and analysing the risks to which the Company is exposed, determining appropriate limits and controls, and also monitoring risk and adjusting the level of limits matched to it. The main





risks to which the Company can be exposed are indicated in note 22 of the Annual Financial Statement for the financial year lasting since 01/01/2019 until 30/06/2020.

***THE MOST IMPORTANT INVESTMENTS MADE DURING THE FINANCIAL YEAR AND PLANNED FOR THE NEAREST FUTURE.***

Due to the Company's main activity in the field of financial services in the scope of granting cash loans to business entities, more important investments made by the Company during the reporting period, were related to loans granted, which were described in notes 3 and 6 of the Annual Financial Statement for the financial year lasting from 01/01/2019 until 30/06/2020. In the near future, the Company intends to continue its main loan activity, so the Management Board assesses that any future significant investments will also be implemented in this area.

***SIGNIFICANT RESEARCH AND DEVELOPMENT PROJECTS AND RELATED TO THEM FINANCIAL EXPENDITURES IN THE FINANCIAL YEAR AND NEXT YEARS.***

Due to the specifics of the Company's main activity i.e. financial services, the Company does not conduct research and development projects.

***CAPITAL SHARE STRUCTURE INCLUDING THE SECURITIES THAT ARE NOT APPROVED TO TRADING ON THE REGULAR MARKET OF THE CONTRACTING COUNTRIES AND IF POSSIBLE, DATA OF VARIOUS CLASSES OF INSTRUMENTS, RIGHTS AND OBLIGATIONS CONNECTED WITH EVERY CLASS OF SECURITIES AND ITS PERCENTAGE SHARE IN SHARE CAPITAL OF THE COMPANY***

Since 27/05/1999 FON SE shares have been listed on the Warsaw Stock Exchange. As at 31/12/2018 FON SE held 70 000 000 shares issued without nominal value with book value of 0,11 EUR per share. As at 31/12/2018 the price per share was PLN 0,02 (0,005 EUR) and there was 70 000 000 shares. Since 31/12/2018 until 5/05/2019 there was still 70 000 000 shares of FON SE. Since 6/05/2019 as a result of **resplit** (reverse split) operation the book value of one share was increased from 0,11 EUR into 0,88 EUR and the number of shares decreased from 70 000 000 into 8 750 000. Share capital was still the same. Until 14/01/2020 there was 8 750 000 shares. Since 15/01/2020 as a result of **split** operation the book value of one share decreased from 0,88 EUR into 0,1467 EUR and the number of shares increased from 8 750 000 into 52 500 000 shares - the share capital has not changed. There are currently 52 500 000 shares as at 30/06/2020 and as at date of preparing the financial statements. Since 15/07/2020 the share capital of the Company amounts to EUR 7 700 thous. and consists of 42 749 250 series A shares without par value with a book value of EUR 0,1467 entitling to 100% of dividend per share and 9 750 750 series B shares without nominal value with a book value of EUR 0,1467 entitling to 50% of dividend per share. The shares are freely transferable and have no statutory restrictions. The shares are freely transferable and have no statutory restrictions.



**ANY RESTRICTIONS APPLIED BY THE COMPANY'S STATUTE ON THE TRANSFERABILITY OF SECURITIES, ALSO INCLUDING LIMITATIONS ON THE OWNERSHIP OF SECURITIES OR THE NECESSITY OF OBTAINING THE COMPANY OR OTHER OWNERS OF THE SECURITIES CONSENT.**

The Company's Articles of Association do not impose any restrictions on the transferability of securities limitation on the ownership of securities or the necessity to obtain the consent of the Company or other owners of securities.

**SIGNIFICANT SHARE PACKAGES IN ACCORDANCE WITH THE PROVISIONS OF § 185 THE SECURITIES MARKET ACT**

According to the best knowledge of the Management Board, as at 31/10/2020 the structure of direct and indirect shareholders holding at least 5% of the total number of votes at the General meeting was as follows:

**Direct shareholding structure as at 31/10/2020:**

No.	Direct shareholders	Number of shares	% of shares	Number of votes	% of votes
1.	Patro Invest OÜ	18 130 520	34,53	18 130 520	34,53
X	Total	<b>52 500 000</b>	<b>100,00</b>	<b>52 500 000</b>	<b>100,00</b>

**Indirect shareholding structure as at 31/10/2020**

No.	Indirect shareholders	Number of shares	% of shares	Number of votes	% of votes
1.	Patro Invest OÜ	18 130 520	34,53	18 130 520	34,53
2.	Damian Patrowicz	18 130 520	34,53	18 130 520	34,53

\* **Damian Patrowicz owns 100% of Patro Invest OU**

According to the best knowledge of the Management Board, as at the balance sheet date, i.e. 30/06/2020 the structure of direct and indirect shareholders holding at least 5% of the total number of votes at the General meeting was as follows:

**Direct shareholding structure as at 30/06/2020**

No.	Direct shareholders	Number of shares	% of shares	Number of votes	% of votes
1.	Patro Invest OÜ	18 130 520	34,53	18 130 520	34,53
X	Total	<b>52 500 000</b>	<b>100,00</b>	<b>52 500 000</b>	<b>100,00</b>

**Indirect shareholding structure as at 30/06/2020**

No.	Indirect shareholders	Number of shares	% of shares	Number of votes	% of votes
1.	Patro Invest OÜ	18 130 520	34,53	18 130 520	34,53
2.	Damian Patrowicz	18 130 520	34,53	18 130 520	34,53

\* **Damian Patrowicz owns 100% of Patro Invest OU**



According to the information presented in the annual report for 2018, indirect and direct shareholding structure holding at least 5% of total number of votes at the General meeting was as follows:

**Direct shareholding structure as at 31/12/2018**

No.	Direct shareholders	Number of shares	% of shares	Number of votes	% of votes
1.	Patro Invest OÜ	23 123 763	33,03	23 123 763	33,03
X	Total	<b>70 000 000</b>	<b>100</b>	<b>70 000 000</b>	<b>100</b>

**Indirect shareholding structure as at 31/12/2018**

No.	Indirect shareholders	Number of shares	% of shares	Number of votes	% of votes
1.	Patro Invest OU	23 123 763	33,03	23 123 763	33,03
2.	Damian Patrowicz	23 123 763	33,03	23 123 763	33,03

***ALL LIMITATIONS AND AGREEMENTS RELATED TO THE RIGHT TO VOTE AND IF THE PREFERENCE SHARES GIVE THE RIGHT TO VOTE, INCLUDING RESTRICTIONS OF VOTING RIGHTS IN A CERTAIN SCOPE OF OWNERSHIP OR SPECIFIC NUMBER OF VOTES, CONDITIONS INDICATED TO EXERCISE OF VOTING RIGHTS OR A SYSTEM IN WHICH FINANCIAL RIGHTS CONNECTED WITH SECURITIES AND THEIR OWNERSHIP ARE SEPARATED WITH ANY AGREEMENT WITH THE COMPANY.***

In accordance with the provisions of point 2.3 of the Company's Articles of Association the Company has two classes of shares:

- A series - registered shares without a nominal value. Each A-share shall give 1 (one) vote at the general meeting. An A-share entitles the shareholder to receive 100% of the dividend per share paid in accordance with the resolution of the general meeting.
- B series - registered shares without a nominal value (B-shares). Each B-share shall give 1 (one) vote at the general meeting. A B-share entitles the shareholder to receive 50% of the dividend per share paid in accordance with the resolution of the general meeting.

***PROVISIONS AND RULES OF ELECTION, APPOINTMENT, RESIGNATION AND DISMISSAL OF THE COMPANY'S MANAGEMENT BOARD MEMBERS ESTABLISHED BY LAW.***

In accordance with the provisions of point 5.3. The Company's Articles of Association, members of the Company's Management Board are appointed and dismissed by the Supervisory Board, which also decides on the remuneration of members of the Management Board.



## ***RESOLUTIONS AND RULES OF MAKING AN ALTERNATION IN THE ARTICLE OF ASSOCIATION SETTLED BY LAW.***

In accordance with point 4.9.1 of the Company's Articles of Association, amendment of the Company's Articles is included in the General Meeting of Shareholders' competencies.

In accordance with point 4.5 Of the Articles of Association, the General Meeting is able to adopt valid resolutions, if at the General Meeting there is more than half of all votes represented in company shares, if the applicable legal acts do not provide for a higher majority of votes.

If an enough number of shareholders does not participate in General Meeting, in order to ensure a majority of votes, in accordance with point 4.5, the Management Board of the Company within three weeks, but not earlier than after seven days, convenes a new general meeting with the same agenda. In this way, the General Meeting is competent to adopt resolutions regardless of the number of votes represented. Resolutions of the general meeting are adopted, when more than a half of all represented at the General Meeting votes are for the resolution, and if there is no other requirement arising from applicable legal acts.

## ***AUTHORIZING MEMBERS OF THE MANAGEMENT BOARD OF THE COMPANY, INCLUDING AUTHORIZING TO ISSUING AND BUYING BACK SHARES.***

During the reporting period the Management Board was not authorized to issue or repurchase shares.

## ***DESCRIPTION OF THE BASIC ECONOMIC AND FINANCIAL DATA REVEALED IN THE ANNUAL FINANCIAL STATEMENT AND DESCRIPTION OF THE FACTORS AND THE MOST IMPORTANT UNUSUAL EVENTS HAVING SIGNIFICANT INFLUENCE ON THE ACTIVITY OF THE COMPANY AND ACHIEVED PROFITS OR LOSSES IN THE FINANCIAL YEAR.***

The Company in the reporting period recorded:

### **CONTINUED OPERATIONS:**

- Revenues from interest, the sale of lands, product from continued operations in the amount of EUR 651 thous.
- Gross profit on sales from continued operations in the amount of EUR 548 thous.
- Profit from operating activities from continued operations in the amount of EUR 537 thous.
- Net loss from economic activity from continued operations in the amount of EUR 3 165 thous.
- Financial costs from continued operations in the amount of EUR 3 703 thous.
- General administrative costs in the reporting period from continued operations in the amount of EUR 65 thous.

### **DISCONTINUED OPERATIONS:**

- Revenues from the sale of product from discontinued operations in the amount of EUR 82 thous.



- Gross profit on sales from discontinued operations in the amount of EUR 56 thous.
- Profit from operating activities from discontinued operations in the amount of EUR 24 thous.
- Net loss from economic activity from discontinued operations in the amount of EUR 24 thous.
- Financial costs from discontinued operations in the amount of EUR 0 thous
- General administrative costs in the reporting period from discontinued operations in the amount of EUR 12 thous.

In the reporting period, the Company has obtained revenues mainly from interest from lending activity and owned wind farm.

As at 31/12/2018 the Company held 12.899 shares in IFEA Spółka z ograniczoną odpowiedzialnością with balance value of PLN 15 277 thous. (= EUR 3 516 thous.). As a result of the transformation IFEA Spółka z ograniczoną odpowiedzialnością into Nowy Wiatr Spółka z ograniczoną odpowiedzialnością in liquidation limited partnership and subsequent liquidation of this company, the amount of PLN 15 277 thous. (= EUR 3 516 thous.) was written off in full as at June 30, 2020 and full amount PLN 15 277 thous. (= EUR 3 516 thous.) recorded as financial costs.

In the reporting period, the Company sold intangible assets trademark „Urlopy.pl” and Patro Invest OÜ redeemed 27 000 000 tokens based on blockchain Ethereum called PATRO-ICO1 held by the Company for PLN 2 thous. (= EUR 450).

On 19/02/2019 the shares of IFERIA in the amount of 957 854 were sold for PLN 958 (0 thous. EUR). The value of 69 shares of Fon Zarządzanie Nieruchomościami Sp. z o.o. in the amount of PLN 7 thous. (EUR 2 thous.) was written down as at 30/06/2020 due to liquidation of the this company.

#### ***LIST OF THE MOST SIGNIFICANT EVENTS IN THE REPORTING PERIOD.***

The most important and in the opinion of the Management Board significant events, which took place in the reporting period, were described in section *List of the most important events in the reporting period* of this Report of the Management Board on the Company's Activity being part of the Annual Financial Report of the Company for the financial year since 01/01/2019 until 30/06/2020.

#### ***SIGNIFICANT EVENTS, WHICH HAPPENED IN THE PERIOD OF PREPARING THE ANNUAL FINANCIAL STATEMENT AND WHICH ARE NOT INCLUDED IN IT, BUT HAVE OR MAY HAVE A SIGNIFICANT IMPACT ON FINANCIAL EFFICIENCY IN THE NEXT YEARS.***

In the opinion of the Management Board significant events that happened after the balance sheet date and were not included in the financial statement have been indicated in note 20 of the Annual Financial Statement for the financial year lasting from 01/01/2019 until 30/09/2020.



***INDICATION OF PENDING PROCEEDINGS IN THE COURT, COMPETENT AUTHORITY FOR ARBITRATION PROCEEDINGS OR PUBLIC ADMINISTRATION AUTHORITY***

In the reporting period, the Company has not initiated and has not become a party of any new, important judicial or administrative proceedings.

The Company indicates below the most important pending court and administrative proceedings:

- 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 July 29, 2005 on Public Offering and terms of launching 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 on January 1, 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 Company applied for reconsideration and repealing the decision in its entirety. As at 29/05/2018 Polish Financial Supervision Authority decided of repealing in its entirety and again imposed a lower fine in the amount of PLN 90 thousand (=EUR 20 thous.) . Due to the re-imposition of the penalty, the Company 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 proceeding.
- A case from the Company's application for confirmation of the acquisition of an inheritance from the Company's debtor. On 8/11/2018 the Company applied to the District Court in Bydgoszcz for a declaration of inheritance for PLN 918 thous (= EUR 206 thous.). The court is setting the dates of hearings in order to hear the participants in the proceedings. The case remains pending court proceedings.

***INFORMATION ON TRANSACTIONS CONCLUDED BY THE COMPANY OR A SUBSIDIARY OF THE COMPANY WITH RELATED ENTITIES OTHER THAN MARKET CONDITIONS, WITH THEIR AMOUNTS AND INFORMATION DEFINING THE NATURE OF THESE TRANSACTIONS.***

In the period covered by this report, the Company did not conclude significant transactions with related entities on terms other than market terms.

Transactions significant in the opinion of the Management Board, including with related entities, have been indicated in note 17 a of the Company's Annual Financial Statements for the financial year lasting from 01/01/2019 until 30/06/2020.





***INFORMATION ABOUT LOANS GRANTED IN A GIVEN FINANCIAL YEAR, WITH SPECIAL CONSIDERATIONS OF LOANS GRANTED TO THE COMPANY'S AFFILIATED ENTITIES, WITH THEIR AMOUNT, TYPE AND AMOUNT OF THE INTEREST RATE, CURRENCY AND DUE DATE.***

Loans granted by the Company were specified in notes 3 and 6 of the Company's Annual Financial Statements for financial year lasting from 01/01/2019 until 30/06/2020. The Company has a liability under a loan received from Atlantis SE with its registered office in Tallinn on 30/12/2019. As at the balance sheet date, the amount of the liability with interest is PLN 24 444 thous. (EUR 5 486 thous.).

***ASSESSMENT AND ITS JUSTIFICATION, REGARDING MANAGEMENT OF FUNDS, SPECIFYING ABILITY TO DISCHARGE FROM TAKEN OBLIGATIONS, AND INDICATION OF POSSIBLE THREATS AND ACTIONS WHICH THE COMPANY UNDERTOOK OR INTENDS TO UNDERTAKE IN ORDER TO PREVENT THOSE THREATS.***

In the reporting period, apart from indicated in section *List of the most important events in the reporting period* of this Report of the Management Board on the Company's Activity being part of the Annual Financial Report of the Company for the financial year since 01/01/2019 until 30/06/2020, there have not happened any important, in the opinion of the Management Board, events which could significantly influence the assessment and change the property and financial statement of the Company and ability to fulfill the Company's obligations.

The Company maintains realization of the business concept based on optimizing costs, including minimizing of the HR resources by outsourcing most of the services needed for the Company.

The significant influence on the Company's results have redemption of owned tokens, write-off of financial instruments being in the Company's portfolio as well as loans granted.

Because the main business activity of the Company is financial activity, including loan services, the significant influence on the Company's liquidity has also the proper and term fulfilling of obligations of the Borrowers toward the Company, resulting from concluded loan agreements. The Company also obtained revenues from renewable energy sources.

The Company's activity since 30/11/2018 after transfer of headquarter to Tallinn in Estonia is continued and still the leading activity of the Company is financial activity, i.e. financial service activity. In the reporting period the Company finished its activity related to production of electricity in the renewable source of energy as well as sold owned turbines and the infrastructure connected to them.

***ASSESSMENT OF POSSIBILITY OF REALIZATION OF INVESTMENT INTENTIONS, INCLUDING CAPITAL INVESTMENTS, IN COMPARISON WITH OWNED INSTRUMENTS TAKING INTO ACCOUNT POSSIBLE CHANGES IN THE STRUCTURE OF FINANCING OF THIS ACTIVITY.***

The Company conducts mostly financial service activity, granting non-consumer cash loans for business entities. The current lending operating is financed from own funds of the Company. Further activities in the field of granting loans and possible investments, the



Company intends to realize mainly from own funds. In case of necessity to get additional financing, the Company does not exclude a possibility of issuance of shares and debt instruments.

***ASSESSMENT OF FACTORS AND ATYPICAL EVENTS HAVING INFLUENCE ON RESULT FROM OPERATING FOR THE FINANCIAL YEAR, SPECIFYING LEVEL OF INFLUENCE OF THESE FACTORS OR ATYPICAL EVENTS ON OBTAINED RESULT.***

According to the assessment and the best knowledge of the Management Board, apart from events described in section *List of the most important events in the reporting period* of this Report of the Management Board on the Company's Activity being part of the Annual Financial Report of the Company for the financial year since 01/01/2019 until 30/06/2020 there have not occurred any other, especially atypical, factors and events which could have a significant influence on assessment and financial situation of the Company and on ability to fulfill its obligations. The significant influence on the Company's results have the the write-off of held 12.899 shares in IFEA Spółka z ograniczoną odpowiedzialnością with value of PLN 15 277 thous. (= EUR 3 516 thous.). As a result of write off in as at June 30, 2020 full amount of PLN 15 277 thous. (= EUR 3 516 thous.) was put to financial costs.

***CHARACTERISTIC OF EXTERNAL AND INTERNAL FACTORS SIGNIFICANT FOR DEVELOPMENT OF THE ENTERPRISE OF THE COMPANY AND DESCRIPTION OF PERSPECTIVES FOR DEVELOPMENT OF THE COMPANY'S ACTIVITY, AT LEAST TO THE END OF THE FINANCIAL YEAR FOLLOWING THE YEAR COVERED BY THE FINANCIAL STATEMENTS INCLUDED IN THE ANNUAL REPORT, SPECIFYING ELEMENTS OF MARKET STRATEGY WORKED OUT BY THE COMPANY.***

Taking into account the Company's leading activity, including financial service activities in the field of granting non-consumer cash loans in the Company's opinion, significant influence on development and results, currently have and will have the following internal and external factors:

- general market prosperity on lending market and level of interest rates,
- proper realization by the Borrowers of their obligations resulting from concluded loan agreements, as well as course of execution process and vindication of loans terminated, if such agreements occurs,
- efficiency of procedures and administrative and legal proceedings in which a possible participant or a part can be the Company,
- opportunity to gain possible borrowers,
- market prosperity on capital markets,
- economic situation and investing circumstances in Poland, Estonia and the region,
- access to external financing sources,
- cooperation with other financial entities,

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





***ANY AGREEMENTS BETWEEN THE COMPANY AND ITS MANAGEMENT BOARD WHICH PROVIDE COMPENSATIONS IN THE CASE OF RESIGNATION OR THEIR EXPELLING FROM HELD FUNCTION WITHOUT AN IMPORTANT REASON OR IF THEIR DISMISSAL OR EXPELLING HAPPEN DUE TO MERGER OF TAKOVER OF THE COMPANY.***

The Company has not concluded any agreements with the managing staff.

***INFORMATION ON AN AVERAGE EMPLOYMENT.***

In the reporting period the Company didn't employ people in comparison to period since 01/01/2018 to 30/12/2018 there was 1,8 people under the employment contract.

***INDICATION OF TOTAL NUMBER AND NOMINAL VALUE OF ALL SHARES (STOCKS) OF THE COMPANY AND SHARES IN RELATED ENTITIES OF THE COMPANY OWNED BY THE MANAGING AND SUPERVISING PERSONS OF THE COMPANY.***

- ***Members of the Management Board***

As at the balance date 30/06/2020 and as at the date of publication of this periodical report, the Member of the Management Board Mr. Damian Patrowicz owns indirectly the Company's shares. According to the best knowledge of the Management Board, Mr. Damian Patrowicz owns indirectly, via his subsidiary Patro Invest OÜ 18 130 520 shares of FON SE, constituting 34,53% of the share capital of the Company and entitling to 18 130 520 votes what constitute 34,53% of the votes at the General Meeting of the Company. The Member of the Management Board of FON SE Mr. Damian Patrowicz owned indirectly 98,96% shares of IFEA Spółka z o.o. as at 30/06/2020.

- ***Members of the Supervisory Board***

According to the knowledge of the Management Board of FON SE, Members of the Supervisory Board as at the balance date and as at the date of publication of the periodical report do not own directly and indirectly shares of the Company.

***INFORMATION ON FINANCIAL INSTRUMENTS IN TERMS OF:***

***1) risks: prices' change, credit, significant interruptions of cash flows and loosing of financial liquidity, to which the entity is exposed***

***2) applied by the entity goals and methods of financial risk management, along with securing methods of significant kinds of planned transactions for which hedging accountancy is applied.***

The Company has no formalized system of financial risk managements. Decisions on application of securing instruments for planned transactions are made on the basis of current analyse of the Company's situation and its environment.



***INFORMATION REGARDING AN AGREEMENT AND AN ENTITY AUTHORIZED TO AUDIT FINANCIAL STATEMENTS OF THE COMPANY.***

The governing body entitled to choose a certified auditor, according to the Company's Article of Association is the General Meeting of Shareholders. General Meeting of Shareholders of FON SE decided to select the company Number RT OÜ based in Tallinn, Kristiine linnaosa, Linnu tee 21a, 11317, company registration number 10213553, as the auditing company that will audit and assess the Company's financial statements for the financial year lasting from 01/01/2019 until 30/06/2020 and from 1/07/2020 until 30/06/2021. The remuneration for the auditor will be payable in accordance with the contract concluded between FON SE and Number RT OÜ on market terms.

***OTHER INFORMATION WHICH IN THE VIEW OF THE COMPANY 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 COMPANY.***

In the reporting period, except those indicated in 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 Company maintain business concept involving cost optimization, including minimization of personnel sourced through outsourcing majority of the Company's areas.

Loans granted have a significant impact on the Company's results.

As the subject of the company's activity is financial activity, including lending activity, the correct and timely fulfilment of the Borrowers' obligations towards the Company, resulting from the concluded loan agreements, also has a significant impact on the Company's liquidity.

The activity of the Company after the transfer of the registered office on 30/11/2018 is continued and the main activity of the Company is still financial activity, i.e. loan services. Currently, the Management Board, to the best of its knowledge, does not plan to change the profile of the Company's operations.

***INDICATION OF FACTORS WHICH ON THE VIEW OF THE COMPANY WILL HAVE INFLUENCE ON ACHIEVED RESULTS IN THE PERSPECTIVE OF AT LEAST THE NEXT 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) Proper fulfilling the conditions of the agreements within due time of liabilities repayment to the Company, 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 Company, its valuation and liquidity of owned securities

***List of the most important events in the reporting period.***

**Information regarding the selection of the Home State.**

FON SE informed on January 24, 2019, being obliged pursuant to (i) Art. 2 of Directive 2004/109 / EC of the European Parliament and of the Council of 15 December 2004 (in line with the amendments to Directive 2013/50 / EU of the European Parliament and of the Council of 22 October 2013) and (ii) § 1844 par. 1 of the Estonian Securities Markets Act, that it has selected a Contracting State as the Home State of the Republic of Estonia. Accordingly, the Republic of Poland is a host Contracting State.

**Obtaining a license to trade in cryptocurrencies**

The Management Board of FON SE based in Tallinn, registration number: 14617916, announced that on March 18, 2019, the Company obtained a license to conduct financial activities, including the provision of cryptocurrency trading services in relation to currencies recognized as legal tender. The licenses were issued by the Estonian Financial Intelligence Unit and are registered under the numbers: FRK000677 and FVR000776. No such activity took place during the reporting year.

**Settlement of the Surety Agreement**

The Management Board of FON SE, based in Tallinn, announced that on 04/01/2019 the Company paid the amount of PLN 590 thous. (= EUR 136 thous.) to Investment Friends SE for the fulfillment of obligations under the Surety Agreement of April 18, 2018 the conclusion of which the Company informed in the current report No. 11/2018 of April 18, 2018. The Management Board of FON SE announced that after the payment of the above amount, all claims of Investment Friends SE against the Company under the Surety Agreement concluded were satisfied.

**Conclusion of an agreement on the purchase of Tokens**

The Management Board of FON SE with its seat in Tallinn announced that on April 12, 2019 the Company concluded an agreement with the company PATRO INVEST OÜ based in



Tallinn regarding the purchase of 27 000 000 (twenty seven million) Tokens based on the Ethereum blockchain called PATRO-ICO1 (<https://www.ethereum.org>) owned by the Company. On the basis of the concluded agreement, the parties agreed that on April 12, 2019, PATRO INVEST OÜ, based in Tallinn, redemption of 27 000 000 Tokens based on the Ethereum blockchain for a total price of PLN 2 468 thous (EUR 568 thous.) with the payment date until December 31, 2019. The Company informed that the total value of the acquisition of the Tokens in question was PLN 11 300 thous. (EUR 2 601 thous.) and FON SE informed about the conclusion of the Token subscription agreement in the current report No. 63/2017 of 04/12/2017. As a result of redemption the Company had profit in the amount PLN 218 thous. (EUR 50 thous.) Because the value in balance as at 12/04/2019 amounted to PLN 2 250 thous. (EUR 518 thous.).

### **Change in the ownership of the Company's shares.**

The Management Board of FON SE based in Tallinn informed that the Company received notifications of 02/05/2019 from Patro Invest OÜ regarding the direct change in the ownership of the Company's shares and Mr. Damian Patrowicz regarding the indirect change in the ownership of FON SE shares. Mr. Damian Patrowicz via Patro Invest OÜ bought 116 737 shares of FON SE on 2/05/2020.

### **Registration of the change in the Company's financial year. Registration of amendments to the Articles of Association.**

The Management Board of FON SE with its registered office in Tallinn announced that on May 6, 2019 the Commercial Companies Register (Ariregister), competent for Estonia's law, registered the change in the financial year pursuant to Resolution No. 3 of the Extraordinary General Meeting of Shareholders of April 29, 2019. In connection with this, the Company's financial year begins on July 1 and ends on June 30.

### **Information for Shareholders.**

The Management Board of FON SE with its seat in Tallinn, announced that today the company received Resolution No. 387/2019 of the Management Board of the Warsaw Stock Exchange S.A. of May 7, 2019 on the indefinite suspension of trading in the shares of FON SE on the WSE Main Market. The reason for the suspension of trading was the assessment of the Management Board of the Warsaw Stock Exchange as to the unlawfulness of the change of the financial year by the Company. The decision of the WSE contradicted the position of the Ministry of Finance of Estonia Ariregister - the Registry Department of Tartu County Court which registered the above changes, as well as the content of the independent legal opinion of the International Law Firm at the request of the WSE.



## **Registration of amendments to the Articles of Association**

The Management Board of FON SE with its registered office in Tallinn announced that today, it learned that on 23/05/2019 the Commercial Companies Register applicable for Estonian's law (Ariregister) registered amendments to the Company's Articles of Association in accordance with Resolution No. 1 of the Extraordinary General Meeting of Shareholders of 29/04/2019. In relations to this, the current text of § 2.4 of Articles of Association is as follows:"the minimum number of shares in the company without a nominal value is 8.750.000 (eight million seven hundred and fifty thousand) shares, and the maximum number of shares in the company without a nominal value is 35.000.000 (thirty five million) shares. As a result of resplit there was decreased number of shares from 70 000 000 into 8 750 000 and the book value of one share increased from 0,11 EUR into 0,88 EUR without change of share capital.

## **KDPW (The National Depository for Securities) announcement regarding the consolidation of the Company's shares.**

The Management Board of FON SE with registered office in Tallinn in reference to the current report no. 24/2019 of 27/05/2019 informed that in relations with the initiated procedure of consolidation of the Company's shares, the Company on 29/05/2019 learned about the issuance by the National Depository for Securities S.A. in Warsaw the announcement ONPZ/2019/036 regarding the timetable and information related to the implementation of the stock consolidation operation.

## **Announcement of the WSE Management Board regarding the consolidation of the company's shares and the cessation of qualifying the Company's shares to the Alert List.**

The Management Board with its registered office in Tallinn announced that today the Company received an announcement from the Management Board of the Warsaw Stock Exchange S.A. of 30/05/2019 regarding the operation of consolidation of the Company's shares and the cessation of qualification of the Company's shares to the Alert List, starting of 31/05/2019.

## **Information on the change of the Company's registered office**

The Management Board of FON SE with registered office in Tallinn, announced that on 05/06/2019 the Commercial Companies Register applicable for Estonian law (Ariregister) registered the change of the Company's address. In view of the above, the Company informed that the new address of the Company's registered office is: Harju maakond, Tallinn, Kesklinna linnaosa, Tornimäe tn 5, 10145.

## **Receipt of the notification of the conclusion of the debt takeover agreement to the Company.**



The Management Board of FON SE with registered office in Tallinn, announced that on 27/06/2019 the Company received a notification from Elkop SE with its registered office in Płock informing that on 27/06/2019 Elkop SE concluded an agreement with FON Zarządzanie Nieruchomościami Sp. z o.o. with registered office in Płock, an agreement of taking over the debt of FON Zarządzanie nieruchomościami Sp. z o.o. towards FON SE with registered office in Tallinn, Estonia resulting from a cash loan granted on 24/04/2018 in the amount of PLN 19 042 thous. (EUR 4 273 thous.) as at 27/06/2019 the debt of which was PLN 19 994 thous.(EUR 4 487 thous.).

### **Information on a significant receivable towards Nowy Wiatr Sp. z o.o. in the context of the situation of Newind S.A.**

The Management Board of FON SE decided to write off FON SE's receivables towards Nowy Wiatr Sp. z o.o. in the amount of PLN 4 379 thous (EUR 983 thous.). The reason for this write-off was the fact that the only asset of Nowy Wiatr Sp. z o.o. are receivables from Newind S.A. and shares in that company. The reason of the difficult economic situation of Newind S.A. is the loss by Newind S.A. significant assets and financial liquidity

### **Information on the conclusion of a trust deed.**

The Management Board of FON SE in Tallinn announced that on 18/11/2019 the Company concluded with the Company Nowy Wiatr Sp. z o.o. with registered office in Płock at Al. Marszałka Józefa Piłsudskiego 35 Street (KRS 0000636582), trust deed, the subject of which is the Company entrusting the trustee with the ownership of 12.899 (twelve thousand eight hundred and ninety-nine) shares of IFEA Sp. z o.o. with registered office in Płock (09-402) at Padlewskiego 18C Street (KRS 0000512607). The purpose of the trust deed is to search for a buyer by the trustee and to conduct the sale of shares of IFEA Sp. z o.o. for a price not lower than PLN 1.000 (one thousand zlotys) per each share i.e. for a total price not lower than PLN 12.899 thous. (twelve million eight hundred and ninety-nine thousand zlotys). The Trustee is obliged to sell the shares being the subject of the Agreement until 31/12/2020 and in the case of the lack of sale of the shares to be transferred back to the Company. The Company received the consent of Supervisory Board to conclude this agreement.

### **Granting consent to debt takeover.**

FON SE with its registered office in Harju maakond, Tallinn, Kesklinna linnaosa, Tornimäe tn 5, 10145, Estonia, entered into the Estonian Commercial Register with number 14617916 consented on June 27, 2019 to take over the Company's debt on June 27, 2019, FON Zarządzanie Nieruchomościami Sp. z o.o. towards FON SE due to cash loan granted on April 24, 2018 in the total amount of PLN 19 042 thous (EUR 4 273 thous.) balance of the debt of the described loan as at June 27, 2019 of the statement amounted to total PLN 19 994 thous. (EUR 4 487 thous.) by the Company ELKOP Spółka Europejska (KRS no. 0000782225).





### **Statement of the Polish National Depository for Securities S.A. on the conditional registration of shares.**

The Management Board of FON SE with its registered office in Płock informed that on 13/12/2019 was informed about the issuance of the Statement by the National Depository for Securities S.A. no. 1133/2019 of 13/12/2019 on the conditional registration of up to 1.187.375 ordinary registered shares of the Company FON SE under the code ISIN EE3100145939.

### **Conclusion of a loan agreement with ELKOP SE**

The Management Board of FON SE with registered office in Tallinn announced that on 30/12/2019. The Company, as the Lender, concluded a cash loan agreement with ELKOP SE with registered office in Płock (KRS: 0000782225) as a Borrower. By means of agreement of 30/12/2019 the Company granted to the Borrower a cash loan in the amount of PLN 27 200 thous. (twenty-seven million two hundred thousand zlotys 00/100) (EUR 6 104 thous.) for the period until 31/12/2024.

### **Registration of amendments to the Articles of Association.**

The Management Board of FON SE with registered office in Tallinn announced that today it learned that on 15/01/2020 the Commercial Companies Register applicable for Estonian law (Ariregister) registered amendments to the Company's Articles of Association in accordance with Resolution no. 2 of the Extraordinary General Meeting of Shareholders of 6/01/2020. In connection with this, the current text of § 2.4 of the Articles of Association is as follows: "The minimum number of shares in the company without a nominal value is 52.500.000 (fifty-two million five hundred thousand) shares, and the maximum number of shares in the Company without a nominal value is 210.000.000 (two hundred and ten million) shares. As a result of split operation the number of shares increased from 8 750 000 into 52 500 000 and the book value of one share decreased from 0,88 EUR into 0,1467 EUR without change of share capital.

### **Submission of an application for the suspension of the Company's quotation in connection with the procedure of splitting the Company's shares**

The Management Board of FON SE announced that the Company submitted to the Warsaw Stock Exchange S.A. request for suspension for the period from January 16, 2020 to January 20, 2020 (inclusive) of the quotation of all the Company's shares in connection with the started procedure of splitting of Company's shares in the ratio of 1:6 (one existing share with the ISIN code: EE3100145939 will be exchanged for six new shares with the new ISIN code: EE3100005166) to settle the balance of the accounts. Therefore, after the exchange of shares under the ISIN code: EE3100005166, 52.500.000 shares will be registered



### **Establishing a registered pledge on the Company's shares.**

The Management Board of FON SE with registered office in Tallinn announced that on January 27, 2020, learned about the establishment of a registered pledge by Nasdaq CSD on January 27, 2020 between the Company Patro Invest OÜ with registered office in Tallinn, and Damar Patro UÜ with registered office in Tallinn. Patro Invest OÜ, as a pledger, established a registered pledge for Damar Patro UÜ on 9.750.750 (nine million seven hundred and fifty thousand seven hundred and fifty) dematerialized ordinary registered shares lettered stocks on the Warsaw Stock Exchange S.A coded EE3100005166 without the nominal value owned by Patro Invest OÜ in the amount of 9 750 750.

### **Withdrawal of the cryptocurrency trading license.**

The Management Board of FON SE with its registered office in Tallinn, registration number: 14617916, announced that on 25/03/2020 the Company obtained information about the withdrawal of the license (FRK000677 and FVR000776) for the provision of cryptocurrency trading services in relation to currencies recognized as legal means of payment, due to the lack of the undertaking activities in this direction. Thereby, the Company did not undertake any activity in the above-mentioned area. Thus, the Company did not undertake any activities specified in the license.

### **Premature repayment of the part of the cash loan by the Borrower.**

The Management Board of FON SE with its registered office in Tallinn at Harju maakond, Tallinn, Kesklinna linnaosa, Tornimäe tn 5, 10145, Estonia, entered into the Estonian Commercial Register under number 14617916 with reference to the current report No. 15/2018 of April 24, 2018 and current report no. 30/2019 of April 27, 2019 informed that today the Borrower Elkop SE with registered office in Płock (KRS nr 0000782225) made a premature repayment of the loan taken over on June 27, 2019 acquire by FON Zarządzanie Nieruchomościami Sp. z o.o. towards FON SE. The amount repaid on 16/06/2020 was PLN 9 170 thous. The debt balance of the described loan as at the date of loan acquisition by Elkop SE i.e. as at June 27, 2019 it was PLN 19 994 thous.(EUR 4 487 thous.). The Loan Agreement of April 24, 2018 was concluded for the period until April 24, 2021.

### **Conclusion of a cash loan agreement**

The Management Board of FON SE with its registered office in Tallinn announced that on 9/06/2020 and 16/06/2020 it granted a total of loans to Damar Patro UU with registered office in Harju maakond, Tallinn, Kesklinna linnaosa, Tornimäe tn 5, 10145, (register number 14494537) in the amount of EUR 2 200 thous. According to the concluded agreements, the payment of the loan was made in Polish zlotys, and the conversion rate was 4,40 PLN for EUR. The loan agreement was concluded until 30/06/2023.





## **Revaluation of the Company's assets**

The Management Board of FON SE with its registered office in Tallinn informed that in relations with the works carried out by the Management Board on the annual report for the financial year 2019/2020, The Management Board of the Company on 09/07/2020 decided to make for the balance sheet date 30/06/2020 revaluation of the Company's financial assets. As at the balance sheet date 30/06/2020 the Company held 12 899 shares of IFEA Sp. z o.o., which constituted 44,58% of the share capital and entitled to cast 12 899 votes constituting 44,58% of the total number of votes IFEA Sp. z o.o. The Company on 9/07/2020 decided to update the value of the Company's financial assets in the VI quarter of the 2019/2020 financial year, due to the decrease in the value of IFEA Sp. z o.o. shares by PLN 15 277 thous. (=EUR 3 516 thous). The value of 12 899 shares of IFEA Sp. z o.o. in the annual financial statements of the Company as at 31/12/2018 amounted to PLN 15 277 thous (=EUR 3 516 thous.). The Company's Management Board decided to made a write off of the above asset in connection with the liquidation of the IFEA Sp. z o.o.

### **List of the significant events after the balance sheet date 30/06/2020**

#### **Registration of amendment to the Articles of Association.**

The Management Board of FON SE with its registered office in Tallinn informed that on 15/07/2020 The Commercial Companies Register applicable for Estonian's law (Ariregister) registered amendments to the Company's Articles of Association pursuant to Resolution no. 1 of Extraordinary General Meeting of Shareholders of 23/06/2020. Accordingly, the current text of § 2.3 of the Articles of Association is as follows: "2.3. The Company has two series of shares: 2.3.1 Registered shares without nominal value (series A shares). Each series A share gives 1 (one) vote at the general meeting. Each series A share entitles the shareholder to receive 100% of the paid dividend per share in accordance with the resolution of the general meeting. 2.3.2 Registered shares without the nominal value (series B shares). Each B series share gives 1 (one) vote at the general meeting. Each series B share entitles the shareholder to receive 50% of the paid dividend per share in accordance with the resolution of the general meeting. 2.3.3 Both the shareholders of series A shares and series B shares have the right to participate in the general meeting of the Company's shareholders and vote on all cases. Both the shareholders of series A shares and series B shares also participate on an equal basis in the distribution of assets remaining after the dissolution of the Company and have equal rights resulting from the law and the Company's Articles of Association.

#### **SARS-CoV-2 coronavirus epidemic in the area of the Company's operation**

The management board assesses the situation with SARS-CoV-2 coronavirus epidemic as a special event after the balance sheet date. The Company is moderately exposed to the negative consequences of the SARS-CoV-2 coronavirus epidemic causing the COVID19 disease. The Management Board of the Company is not able to predict the full consequences and scale of



the decrease in revenues from core activities, however, the Company expects that the current situation may have a negative impact on the Company's results.

## V. CORPORATE GOVERNANCE REPORT

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

#### **Indication of the set of corporate governance rules to which Investment Friends Capital SE is subject and places where the text of the set of rules is publicly available.**

The Company's statement regarding the compliance with the Best Practice for WSE Listed Companies 2016 and Corporate Governance Principles is available on the Company's website [www.fon-sa.pl](http://www.fon-sa.pl), in the "Regulations" section, the "Good practices" tab on corporate governance.

At the same time, the Company explains that in the reporting period it did not apply any good corporate governance practices other than those listed below, including those that go beyond the legal requirements.

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

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

During the reporting period, in the scope of Good Practices, the Company did not apply 3 recommendations: III.R.1., IV.R.2., VI.R.1.

In the reporting period regarding Good Practices, the Company did not apply 20 specific principles:

I.Z.1.6., I.Z.1.7., I.Z.1.8., I.Z.1.9., I.Z.1.15., I.Z.1.16., I.Z.1.17., I.Z.1.18., I.Z.1.20., I.Z.1.21., II.Z.3., II.Z.4., II.Z.8., II.Z.10.3., II.Z.10.4., III.Z.3., III.Z.4., IV.Z.2., IV.Z.3., VI.Z.4.

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

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

#### **Recommendations**

**I.R.1 In a situation where the company becomes aware of the dissemination of false information in the media, which is affect its assessment, and immediately after becoming aware of it, it publishes a message on its website containing a position on this information - unless, in the company's opinion, the nature of the information and its circumstances publications give grounds to consider adopting another solution as more appropriate.**



*The rule was applied.*

**Company's comment :** *In the reporting period, the Company did not conduct any activities in this area.*

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

*The rule does not apply to the Company.*

**Company's comment :** *In the reporting period, the Company did not conduct any activities in this area.*

**I.R.3. The Company should enable investors and analysts to ask questions and obtain - taking into account the prohibitions arising from applicable law - explanations on topics of interest to these people. This recommendation may be implemented in the form of open meetings with investors and analysts or in another form provided by the Company.**

*The principle was applied*

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

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

*The principle was applied*

**Company's comment :** *The Company makes its best effort in order to publicize periodical reports in possibly shortest time after the end of a reporting period.*

## Detailed rules

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

**I.Z.1.1. Basic corporate documents, in particular the company's articles of association,**

**I.Z.1.2. The composition of the management board and supervisory board of the company and the professional CVs of the members of these bodies**

**I.Z.1.3. Division of tasks and responsibilities among Members of the Management Board, prepared in accordance with principle II.Z.1,**

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

**I.Z.1.5. Current and periodic reports as well as issue prospectuses and information memoranda with annexes, published by the company within at least the last 5 years,**



*Above principles were applied*

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

**I.Z.1.6. calendar of corporate events resulting in the acquisition or restriction of rights on the part of a shareholder, calendar of publication of financial reports and other events significant from the investors' point of view - within a time limit enabling investors to make investment decisions,**

*The principle was not applied*

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

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

*The principle was not applied*

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

**I.Z.1.8. statements of selected financial data of the company for the last 5 years of activity, in a format enabling processing of these data by their recipients,**

*The principle was applied*

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

**I.Z.1.9. information on the planned dividend and dividend paid by the company in the last 5 financial years, including data on the dividend day, payment dates and the amount of dividends - in total and per share,**

*The principle was not applied*

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

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



*The rule does not apply to the company.*

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

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

*The principle was applied*

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

**I.Z.1.12 the company's statement on the application of corporate governance included in the last published annual report,**

*The principle was applied*

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

*The principle was applied*

**Company's comment :** *The Company publishes on an ongoing basis information on the adopting of the principles and recommendations contained in the Good Practices of Stock Exchange Listed Companies through the EBI system.*

**I.Z.1.14 Materials provided to the general meeting, including assessments, reports and positions indicated in principle II.Z.10, submitted to the general meeting by the supervisory board**

*The principle was applied*

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

*The principle was not applied*

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



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

*The principle was not applied*

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

**I.Z.1.17. justifications for draft resolutions of the general meeting regarding matters and decisions that are significant or that may raise doubts for shareholders - within a time limit enabling the participants of the general meeting to become acquainted with them and to adopt a resolution with due consideration,**

*The principle was not applied*

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

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

*The principle was not applied*

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

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

*The principle was not applied*

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

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

*The principle was not applied*





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

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

*The principle was not applied*

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

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

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

### **Recommendations**

**II.R.1** In order to achieve the highest standards in the scope of the company's management and supervisory board performance duties and fulfilling them in an effective manner, persons representing high qualifications and experience are appointed to the management board and the supervisory board.

*The principle was applied*

**II.R.2.** Persons making decisions on the selection of Members of the Company's Management Board or Supervisory Board should strive to ensure the versatility and diversity of these bodies, including in terms of gender, education, age and professional experience.

*The principle was applied*

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

### **Detailed rules**



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

*The principle was applied*

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

**II.Z.2 The presence of members of the company's management board on the management or supervisory boards of companies outside the company's group requires the consent of the supervisory board.**

*The principle was applied*

**II.Z.3. At least two Members of the Supervisory Board meet the independence criteria referred to in principle II.Z.4.**

*The principle was not applied*

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

**II.Z.4. As regards the criteria of independence of the Members of the Supervisory Board, Annex II to the European Commission Recommendation 2005/162/EC of 15/02/2005 regarding the role of non-executive or Supervisory Board Members of listed companies and the (Supervisory) Board committee applies. Notwithstanding the provisions of point 1 lit. b) of the document referred to in the previous sentence, a person who is an employee of a Company, a subsidiary or an affiliate, as well as a person associated with these entities with a contract of a similar nature, cannot be considered as meeting the criteria of independence. A relationship with a shareholder excluding the independence of a Member of the Supervisory Board within the meaning of this rule is also understood as actual and significant connections with a shareholder holding at least 5% of the total number of votes in the company.**

*The principle was not applied*

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





**II.Z.7. As regards the tasks and functioning of the committees operating in the Supervisory Board, the provisions of Annex I to the Recommendation of the European Commission referred to in principle**

*The principle was applied in the reporting period.*

**Company's comment:** *There was functioning the Audit Committee in the reporting period. On 11/04/2019 in the current report no. 13/2019 the Management Board of the Company informed that the Supervisory Board of the Company adopted resolution regarding dissolution of the Audit Committee and dismissing all of its Members effective as at 11/04/2019.*

**III. Internal systems and functions**

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

**Recommendations**

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

*The rule was not applied.*

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

**Detailed rules**

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

*The rule was applied.*

**Company's comment :** *The Company uses internal systems appropriate to the size of the company and the type and scale of its operations.*

**III.Z.2. Subject to Rule III.Z.3, Persons responsible for risk management, internal audit and compliance report directly to the Chairman or other Member of the Management Board and have the option of reporting directly to the Supervisory Board or Audit Committee.**

*The rule was applied.*



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

**III.Z.3. In relation to the person managing the internal audit function and other persons responsible for carrying out their tasks, the principles of independence laid down in generally recognized international standards of professional practice in internal audit apply.**

*The rule was not applied.*

**Company's comment :** *In the reporting period, the Company didn't have an Audit Committee.*

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

*The rule was not applied.*

**Company's comment :** *The Company had an Audit Committee whose composition was selected from among the Members of the Supervisory Board. The Supervisory Board is elected by the General Meeting.*

**III.Z.5. The Supervisory Board monitors the effectiveness of the systems and functions referred to in principle III.Z.1, based, inter alia, on reports periodically provided to it directly by persons responsible for these functions and the Company's Management Board, as well as an annual assessment of the effectiveness of these systems and functions, in accordance with principle II.Z.10.1. In the event that an Audit Committee operates in the Company, it monitors the effectiveness of the systems and functions referred to in principle III.Z.1, however, this does not release the Supervisory Board from making an annual assessment of the effectiveness of the functioning of these systems and functions.**

*The rule was applied.*

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

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

*The rule was applied.*

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

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



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

#### Recommendations

**IV.R.1** The company should strive to hold an ordinary general meeting as soon as possible after publication annual report, setting this date taking into account the relevant legal provisions.

*The rule was applied*

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

- 1) real-time broadcast of the general meeting,
- 2) two-way real-time communication in which shareholders may speak during the general meeting from a place other than the place of the general meeting,
- 3) exercising, in person or by proxy, the right to vote during the general meeting.

*The rule was not applied.*

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

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

*The rule does not apply to the Company.*

**Company's comment :** *The shares issued by the Company are listed only on the regulated market of Warsaw Stock Exchange.*

#### Detailed rules

**III. Z.1** The company sets the place and date of the general meeting in a way that allows participation in as many meetings as possible number of shareholders.

*The rule was not applied.*



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

*The rule was not applied.*

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

**IV.Z.3. Representatives of the media are allowed to attend general meetings.**

*The principle is not applied.*

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

**IV.Z.4. If the management board receives information about the convening of the general meeting by a shareholder, the management board shall immediately perform the activities which it is obliged to perform in connection with the organization and conduct of the general meeting.**

*The rule was applied.*

**V.Z.5.Regulations of the general meeting as well as the manner of conducting the meeting and adopting resolutions may not obstruct the participation of shareholders in the general meeting and the exercise of their rights. Changes in the rules of the general meeting should apply at the earliest from the next general meeting.**

*The rule was applied.*

**IV. Z.6. The Company makes every effort to ensure that the cancellation of the general meeting, changing the date or ordering a break in the meeting do not prevent or restrict shareholders from exercising their right to participate in the general meeting.**

*The principle was applied.*

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

**V. Z.7. A break in the general meeting may take place only in specific situations, each time indicated in the justification of the resolution on the break order, prepared on the basis of reasons presented by the shareholder requesting the break.**

*The principle was applied.*

**Company's comment :** *The company indicates, however, that decisions regarding the announcement of a break in the General Meeting are made only by shareholders and the*



*Chairman of the General Meeting who decide to indicate in the resolution justification in the scope of ordering a break in the meeting.*

**IV.Z.8. The resolution of the general meeting regarding the ordering of breaks clearly indicates the date of resuming the meeting, while the date may not constitute a barrier for participation in resumed discussions by the majority of shareholders, including minority shareholders.**

*The principle was applied.*

**Company's comment:** *The company indicates, however, that decisions regarding the announcement of a break in the General Meeting are made only by shareholders and the Chairman of the General Meeting who decide on the date of resuming the meeting.*

**IV.Z.9. The Company strives to make the draft resolutions of the general meeting justify if it makes it easier for the shareholders to pass the resolution with due consideration. If the matter is put on the agenda of the general meeting at the request of a shareholder or shareholders, the management board or chairman of the general meeting asks for justification of the proposed resolution. In important matters or likely to raise doubts of shareholders, the company will provide a justification, unless it otherwise provides shareholders with information that will ensure that the resolution is taken with due consideration.**

*The principle was applied.*

**Company's comment:** *The Management Board will seek publication of key business reasons for the draft resolutions of the General Meetings.*

**IV.Z.10 The exercise of shareholders' rights and the manner in which they exercise their rights may not lead to hindering the proper functioning of the company's bodies.**

*The principle was applied.*

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

*The principle was applied.*

**Company's comment :** *The members of the company's governing bodies make efforts to participate in the General Meeting, however, due to the fact that the General Meetings of the Company are held repeatedly upon request or within the deadlines set by the shareholders, it is difficult to ensure the participation of the members of the bodies in the General Meeting.*

## **V. Conflict of interests and transactions with related entities**

**For the purposes of this chapter, the definition of a related party set out in international accounting standards adopted in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards is adopted. The company should have transparent procedures for preventing conflicts of interest and entering into transactions with**



related entities in the conditions of a possible conflict of interest. Procedures should provide ways to identify, disclose and manage such situations.

#### Detailed rules

**V.Z.1. Any shareholder should be privileged in relation to other shareholders in the scope of transactions concluded by the company with shareholders or their related entities.**

*The principle was applied.*

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

#### VI. Remuneration

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

#### Recommendations

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

*The principle was not applied.*

**Company's comment :** *Due to the size of the company, organizational structure and scope of activity in the company, the "remuneration policy" document has not been prepared. Remuneration for individual members of the company's bodies, including tasks assigned for execution and evaluation of their implementation, determines the Supervisory Board for the Management Board, and for the Supervisory Board Members - General Meeting of the Company's Shareholders.*

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

*The principle was applied.*

**Company's comment :** *Due to the size of the company, organizational structure and scope of activity in the company, the "remuneration policy" document has not been prepared. Remuneration for individual members of the company's bodies, including tasks assigned for execution and evaluation of their implementation, determines the Supervisory Board for the Management Board, and for the Supervisory Board Members - Meeting of the Company's Shareholders.*

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



*The principle was applied.*

**Company's comment :** *The Supervisory Board is responsible for the remuneration committee in the company.*

#### **Detailed rules**

**VI.Z.1. Incentive programs should be designed to, inter alia, make the level of remuneration of the management board members and its key managers dependent on the actual, long-term financial standing of the company and the long-term increase in shareholder value and stability of the company's operation.**

*The principle was not applied.*

**Company's comment :** *The company has not adopted incentive programs.*

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

*The principle was not applied.*

**Company's comment :** *The company has not adopted incentive programs.*

**VI.Z.3 Remuneration of members of the supervisory board should not depend on options and other derivative instruments, or any other variable components, and should not depend on the company's performance.**

*The principle was applied.*

**VI.Z.4. The company in its activity report presents a report on the remuneration policy, containing at least:**

- 1) general information on the remuneration system adopted in the company,**
- 2) information on the terms and amount of remuneration of each member of the management board, broken down into fixed and variable components of remuneration, indicating key parameters for determining variable remuneration components and payment rules for severance pay and other payments for termination of employment, order or other legal relationship of a similar nature,**
- 3) information on the individual management board members and key managers entitled to outside of the financial remuneration components,**
- 4) indication of significant changes that have occurred in the remuneration policy during the last financial year, or information about their absence,**
- 5) assessment of the functioning of the remuneration policy from the point of view of achieving its objectives, in particular long-term growth of shareholder value and stability of the company's operation.**

*The principle was not applied.*





**Company's comment :** *The Company publishes information on the remuneration of the Members of the Company's Bodies in accordance with the applicable International Accounting Standards.*

***DESCRIPTION OF THE MAIN FEATURES USED IN THE ENTERPRISE OF THE COMPANY CONTROL SYSTEMS AND RISK MANAGEMENT WITH REGARD TO THE PROCESS OF PREPARING FINANCIAL STATEMENTS.***

Due to the simplified structure and relatively limited number of financial risks, the Company's Management Board has not developed and introduced a written procedure of the internal control system and risk management in the scope of preparing financial statements, however the Company with the utmost diligence approaches the issue of financial reporting. The Management Board of the Company is responsible for the internal control system in the Company and its effectiveness in terms of the correctness of preparing financial statements and periodical reports. Financial statements and periodic reports are prepared based on financial data from the financial and accounting system, where they are recorded in accordance with the principles of the adopted accounting policy in accordance with the Accounting Act. The audit of the correctness of the preparation of periodic financial statements is carried out thanks to the annual financial audits carried out by independent auditors.

In the reporting period the financial report was prepared by a professional entity – the auditing office of the „Galex” auditor providing accounting services based on the outsourcing agreement for the benefit of the Company.

By using the services of a specialized office, the Management Board was provided with ongoing external consultancy in the area of consulting any problems related to the correctness of drawing up mandatory financial statements, including quarterly, semi-annual and annual financial statements and tax issues.

***INDICATION ANY RESTRICTIONS ON THE EXERCISE OF VOTING RIGHTS, SUCH AS LIMITATION OF VOTING RIGHTS BY THE SHAREHOLDERS OF SPECIFIC PARTS OR NUMBER OF VOTES, TIME LIMITS ON THE EXERCISE OF VOTING RIGHTS OR RECORDINGS UNDER WHICH THE EQUITY RIGHTS RELATED TO SECURITIES ARE SEPARATED FROM HOLDING SECURITIES.***

Such restrictions do not apply to the Company's shares.

***INDICATION OF ALL RESTRICTIONS REGARDING THE TRANSFER OF THE PROPERTY RIGHTS OF THE COMPANY'S SECURITIES***

Company's Articles of Association does not envisage any restrictions regarding the transfer of the property rights of securities issued by the Company.





## VI. FINANCIAL STATEMENTS

### 1. Statement of financial position

STATEMENT OF FINANCIAL POSITION	NOTES	30/06/2020 (thous.EUR)	31/12/2018 (thous.EUR)
<b>Assets</b>			
<b>Fixed assets</b>		<b>8 776</b>	<b>8 735</b>
Intangible assets	1	0	523
Tangible fixed assets	2	0	234
Long-term financial assets	3	8 776	7 978
<b>Current assets</b>		<b>2 686</b>	<b>603</b>
Inventory	4	0	105
Short-term receivables	5	15	13
Short-term financial assets	6	2 670	442
Cash and cash equivalents		1	40
Short-term accruals and prepayments	7	0	3
<b>Total assets</b>		<b>11 462</b>	<b>9 338</b>
<b>Liabilities</b>			
<b>Equity</b>		<b>5 966</b>	<b>9 324</b>
Share capital		7 700	7 700
Supplementary capital from the sale of shares above the nominal value and from the reduction of the share capital		22 422	22 422
Revaluation reserve		0	-11 664
Capital from merger of entities		0	3 865
Other reserve		3 805	3 805
Exchange differences		-550	-333
Retained earnings / Unallocated financial result		-27 411	-16 471
<b>Long-term liabilities</b>		<b>5 241</b>	<b>0</b>
Other long-term liabilities	8	5 241	0
<b>Short-term liabilities</b>		<b>255</b>	<b>14</b>
Credits and loans	8	245	
Trade liabilities	8	3	6
Other liabilities	8	3	8
Other provisions	8	4	0
<b>Total liabilities</b>		<b>11 462</b>	<b>9 338</b>
<b>Book value</b>	9	<b>5 966</b>	<b>9 324</b>
<b>Number of shares</b>	10	<b>52 500 000</b>	<b>70 000 000</b>
<b>Book value per one share (in EURO)</b>	9	<b>0,11</b>	<b>0,13</b>
<b>Diluted number of shares</b>	10	<b>52 500 000</b>	<b>70 000 000</b>
<b>Diluted book value per one share (in EURO)</b>	9	<b>0,11</b>	<b>0,13</b>

Notes to the annual accounts on pages 46-83 are an integral part of the Financial Statements.



## 2. Profit and loss account

<b>PROFIT AND LOSS ACCOUNT</b>	<b>Notes</b>	<b>Period 01/01/2019 - 30/06/2020 (thous.EUR)</b>	<b>Period 01/01/2018 - 31/12/2018 (thous.EUR)</b>
<b>CONTINUED OPERATIONS</b>			
Revenue from interest, sale of lands, products, goods and materials	11	651	417
Cost of products, goods and materials sold and interest received loans	12	-103	-3
<b>Gross profit on sales</b>		<b>548</b>	<b>414</b>
General and administrative expenses	12	-65	-157
<b>Other operating revenues</b>	13	57	14
<b>Other operating costs</b>	14	-3	-832
<b>Profit on operating activities</b>		<b>537</b>	<b>-561</b>
Financial revenues	13	1	7
Financial costs	14	-3 703	-1 516
Pre-tax profit		<b>-3 165</b>	<b>-2 070</b>
<b>Net profit from continued operations</b>		<b>-3 165</b>	<b>-2 070</b>
<b>DISCONTINUED OPERATIONS</b>			
Revenue from sales of products, goods and materials	11	82	35
Cost of products, goods and materials sold	11	-26	-51
<b>Gross profit on sales</b>		<b>56</b>	<b>-16</b>
General and administrative expenses	11	-12	0
<b>Other operating revenues</b>	11	1	0
<b>Other operating costs</b>	11	-21	0
<b>Profit on operating activities</b>		<b>24</b>	<b>-16</b>
Pre-tax profit		24	-16
<b>Net profit from discontinued operations</b>		<b>24</b>	<b>-16</b>
<b>Net profit (loss)</b>		<b>-3 141</b>	<b>-2 086</b>
<b>Net profit (loss) from continued and discontinued operations</b>		<b>-3 141</b>	<b>-2 086</b>
<b>Weighted average number of ordinary shares</b>	10	<b>36 183 729</b>	<b>70 000 000</b>
<b>Profit (loss) on continued and discontinued operations per share (in EUR)</b>		<b>-0,09</b>	<b>-0.03</b>
<b>Diluted weighted average number of shares</b>	10	<b>36 183 729</b>	<b>70 000 000</b>
<b>Diluted profit (loss) from continued and discontinued operations per share (in EUR)</b>		<b>-0,09</b>	<b>-0.03</b>
<b>Net profit (loss) from continued operations</b>		<b>-3 165</b>	<b>-2 070</b>



Weighted average number of shares	10	36 183 729	70 000 000
Profit (loss) from continued operations per share (in EUR)		-0,09	-0,03
Diluted weighted average number of shares	10	36 183 729	70 000 000
Diluted profit (loss) on continued operations per share (in EURO)		-0,09	-0,03

\* The data has been transformed due to the recognition of discontinued operations

Notes to the annual accounts on pages 46-83 are an integral part of the Financial Statements.

### 3. Statement of comprehensive income

STATEMENT OF COMPREHENSIVE INCOME	Period 01/01/2019 - 30/06/2020 (thous.EUR)	Period 01/01/2018 - 31/12/2018 (thous.EUR)
Net profit/loss for the period	-3 141	-2 086
Other comprehensive income, including:	-217	-4 110
Components that will not be reclassified to profit or loss in later periods	0	-4
- settlement of business combinations	0	-4
Components that may be reclassified subsequently to the income statement:	-217	-4 106
- settlement of capital from revaluation, including:	0	-3 773
- valuation of available-for-sale financial assets	0	-3 773
- differences from conversion into EURO	-217	-333
<b>Total income for the period</b>	<b>-3 358</b>	<b>-6 196</b>

Notes to the annual accounts on pages 46-83 are an integral part of the Financial Statements.

### 4. Statement of changes in equity

STATEMENT OF CHANGES IN EQUITY	30/06/2020 (thous.EUR)	31/12/2018 (thous.EUR)
Opening balance of equity	9 324	15 561
Change of currency	0	-450
Opening balance of equity after reconciliation to comparable data	9 324	15 111
Opening balance of share capital	7 700	8 379



Changes in the share capital	0	-679
decrease (due to)	0	-679
- reduction of the capital	0	-670
- exchange differences	0	-9
<b>Closing balance of share capital</b>	<b>7 700</b>	<b>7 700</b>
<b>Opening balance of supplementary capital</b>	<b>22 422</b>	<b>22 422</b>
<b>Closing balance of supplementary capital</b>	<b>22 422</b>	<b>22 422</b>
<b>Opening balance of revaluation capital</b>	<b>-11 664</b>	<b>-7 951</b>
Changes in revaluation capital	11 664	-3 713
increase (due to)	11 664	0
- transfer to retained profit	11 664	0
decrease (due to)	0	-3 713
- valuation of financial assets	0	-3 713
<b>Closing balance of capital from revaluation</b>	<b>0</b>	<b>-11 664</b>
<b>Opening balance of capital from merger of entities</b>	<b>3 865</b>	<b>3 869</b>
Changes in other in capitals	-3 865	-4
decrease (due to)	-3 865	-4
- merger of entities	0	-4
- transfer to retained profit	-3 865	0
<b>Closing balance of capital from merger of entities</b>	<b>0</b>	<b>3 865</b>
<b>Opening balance of other reserve capital</b>	<b>3 805</b>	<b>3 135</b>
Changes in reserve capitals	0	670
increase (due to)	0	670
- reduction of share capital	0	670
<b>Closing balance of other reserve capital</b>	<b>3 805</b>	<b>3 805</b>
<b>Opening balance of retained profit/not settled loss of previous years</b>	<b>-16 471</b>	<b>-14 385</b>
increase (due to)	3 865	0
- transfer of capital from merger of entities	3 865	0
Decrease (due to)	-14 805	-2 086
- loss for the period	-3 141	-2 086
- transfer of capital from merger of entities	-11 664	0
<b>Closing balance of retained profit/not settled loss of previous years</b>	<b>-27 411</b>	<b>-16 471</b>
<b>Opening balance of exchange differences</b>	<b>-333</b>	<b>-23</b>
Changes of exchange differences	-217	-310
increase	0	663
decrease	-217	-973
<b>Closing balance of exchange differences</b>	<b>-550</b>	<b>-333</b>
<b>Closing balance of equity</b>	<b>5 966</b>	<b>9 324</b>
<b>Equity after taking into account the proposed profit allocation (loss coverage)</b>	<b>5 966</b>	<b>9 324</b>

Notes to the annual accounts on pages 46-83 are an integral part of the Financial Statements.



## 5. Cash flow statement

STATEMENT OF CASH FLOW (indirect method)		Period 01/01/2019 - 30/06/2020 (thous.EUR)	Period 01/01/2018 - 31/12/2018 (thous.EUR)
<b>OPERATING ACTIVITIES</b>			
<b>Net profit (loss)</b>		-3 141	-2 086
<b>Total adjustments</b>		-3 008	2 061
Depreciation		0	48
(Gains) losses due to exchange differences		0	2
Interest and dividends		-418	-197
(Profit) loss on investing activities		3 486	2 121
Loans granted		-9 858	-4 525
Received loans repayments		3 680	4 256
Change in other inventory	4	104	204
Change in receivables		1	9
Change in liabilities		-6	-34
Change in accruals		3	10
Other adjustments		0	176
Exchange differences		0	-9
<b>Net cash flow from operating activities</b>		<b>-6 149</b>	<b>-25</b>
<b>INVESTING ACTIVITIES</b>			
<b>Inflows from investing activities</b>		<b>784</b>	<b>70</b>
Sale of intangible assets and tangible fixed assets	1	784	0
Sale of financial assets		0	70
<b>Outflows from investing activities</b>		<b>-253</b>	<b>0</b>
Expenses for the acquisition of other financial assets		-253	0
<b>Net cash flow from investing activities</b>		<b>531</b>	<b>70</b>
<b>FINANCING ACTIVITIES</b>			
<b>Inflows</b>		<b>6 261</b>	<b>0</b>
Loans (received)		6 261	0
<b>Outflows</b>		<b>-682</b>	<b>0</b>
Repayments of loans		-644	0
Interest (paid)		-38	0
<b>Net cash flow from financing activities</b>		<b>5 579</b>	<b>0</b>
<b>Exchange differences</b>		<b>0</b>	<b>2</b>
<b>Net cash flows, total</b>		<b>-39</b>	<b>47</b>
<b>Balance sheet change in cash</b>		<b>-39</b>	<b>-47</b>
<b>Opening balance of cash</b>		<b>40</b>	<b>87</b>
<b>Closing balance of cash</b>		<b>1</b>	<b>40</b>

Notes to the annual accounts on pages 46-83 are an integral part of the Financial Statements.



## 6. Notes to the financial statements

### ***THE PRINCIPLES APPLIED FOR PREPARATION OF THE FINANCIAL STATEMENTS***

The Management Board of the Company makes public the report of FON SE for the year 2019/2020. The report includes especially the following elements:

- Financial statement including:
  - statement of financial position,
  - profit and loss account for the period from 01/01/2018 to 31/12/2018, from 01/01/2019 to 30/06/2020, statement of comprehensive income for the period from 01/01/2019 to 30/06/2020,
  - statement of changes in equity for the period from 01/01/2018 to 31/12/2018, from 01/01/2019 to 30/06/2020,,
  - cash flow statement for the period from 01/01/2018 to 31/12/2018, from 01/01/2019 to 30/06/2020,,
  - additional information and other information specified in the regulations.

### ***BASIS FOR PREPARATION***

#### **Functional and reporting currency**

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.

#### **Rules of converting basic items of the financial statements into EURO**

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

- balance sheet items are calculated according to the average exchange rate announced by the European Central Bank as at the balance sheet day:
  - As at June 30, 2020 r. 1 EUR - 4,4560
  - As at December 31, 2018 r. 1 EUR - 4,3014
- items in the profit and loss account and cash flow statement are converted at the exchange rate being the arithmetic average exchange rates announced by the European Central Bank as at the last day of each month in the period from January 1, 2019 to June 30, 2020 in the reporting period:
  - In the period since January 1,2019 to June 30, 2020 1 EUR - 4,3447



➤ In the period since January 1, 2018 to December 31, 2018 1 EUR - 4,2335

## **Applied accounting principles (accounting policy)**

### **The basis for the preparation of the financial statements**

FON SE financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted in the European Union.

The statements have been prepared on the assumption that the Company will continue as going concerns in the foreseeable future. As at the date of the financial statements, there are no circumstances that would indicate a threat to the continued business activity of the Company.

The Company applies superior principles of valuation based on the historical purchase, purchase or production price, except for some financial assets which, in accordance with IFRS, were measured at fair value.

The original financial statements of the Company has been prepared is English. In case of the conflict with Polish or Estonian, the English version shall prevail.

### **Changes in the applied accounting principles**

When preparing these financial statements, the Company did not voluntarily change any previously applied accounting principles in relation to the previous periods.

### **New standards and interpretations published but not yet effective**

The following standards, amendments to the applicable standards and interpretations have not been adopted by the European Union or are not effective as of January 1, 2019:

1. Standard: IFRS 14 "Regulatory Deferral" Description of changes: Accounting and disclosure rules for regulatory deferral items.
2. Standard: IFRS 10 "Consolidated Financial Statements" and IAS 28 "Affiliates" Amendments: Guidelines on the sale or contribution of assets by an investor to an associate or joint venture.
3. Standard: IFRS 3 "Business combinations" Amendments: Specification of the definition of "undertakings".
4. Standard: Conceptual Assumptions - changes. Description: unifying the Conceptual Framework. Effective Date: January 1, 2020
5. Standard: IFRS 17 "Insurance Contracts" Amendments: New approach defining the recognition of income and profit or loss over the period of providing insurance services. Effective Date: January 1, 2021
6. Standard: IAS 1 "Presentation of financial statements" and IAS 8 "Accounting principles (policy), changes in accounting estimates and error correction" Amendments: Application of the concept of materiality in the process of preparing financial statements. Effective Date: January 1, 2020





7. Standard: IFRS 9 "Financial Instruments", IFRS 7 "Financial Instruments: Disclosures" and IAS 39 "Financial Instruments" Amendments: introduction of temporary exemptions from the application of specific hedge accounting requirements, the requirement to disclose additional information about hedging relationships. Effective Date: January 1, 2020
8. Standard IFRS 16 regards Leasing and had no use in the Company.

The Company will adopt the above-mentioned new standards and amendments to the IFRS standards and interpretations published by the International Accounting Standards Board, but not binding as of the reporting date as of the date of their entry into force to the extent that they relate to the company's operations.

### **The impact of the application of the above standards on the accounting policy of the Company and on the financial statements**

The Company does not anticipate any significant impact of the above standards on the Company's financial reports.

### **Selected accounting policy**

#### **Valuation of financial assets and liabilities**

From January 1, 2018, the Company classifies its financial assets to the following categories:

- measured at amortized cost,
- measured at fair value through other comprehensive income,
- measured at fair value through profit or loss,

The classification is made upon the initial recognition of the assets. The classification of debt financial assets depends on the financial asset management business model and the contractual cash flow characteristics (SPPI-Solely Payment of Principal and Interest test) for the financial asset.

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

Financial assets measured at amortized cost are measured at amortized cost using the effective interest rate method, taking into account impairment write-offs. Trade receivables with a maturity of less than 12 months from the date of their origination are not discounted and are measured at their nominal value.

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

Profits and losses on a financial asset classified as measured at fair value through profit or loss are recognized in profit or loss in the period in which they arise (including interest and dividend income).

As of January 1, 2018, the Company classifies its financial liabilities into the following categories:

- measured at amortized cost,
- measured at fair value through profit or loss,



- hedging financial instruments.

Liabilities at amortized cost include liabilities other than liabilities at fair value through profit or loss (e.g. for supplies and services, loans and credits), except for:

- financial liabilities that arise in the event of a transfer of financial assets that does not qualify for derecognition,
- financial guarantee contracts that are valued at the higher of:
  - the amount of the allowance for expected credit losses determined in accordance with IFRS 9

- the amount initially recognized (i.e. the fair value plus transaction costs that can be directly attributed to the financial liability component) less about the cumulative amount of income recognized in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

Liabilities due to derivative instruments not designated for the purposes of hedge accounting are classified as liabilities at fair value through profit or loss.

### **Impairment of financial assets**

IFRS 9 introduces a new approach to estimating losses in relation to financial assets measured at amortized cost. This approach is based on the determination of expected losses, regardless of whether the premises occurred or not.

The Company uses the following models for determining impairment losses:

- general (basic) model,
- simplified model.

In the general model, the Company monitors changes in the level of credit risk associated with a given financial asset.

In the simplified model, the Company does not monitor changes in the credit risk level over the life of the instrument, it estimates the expected credit loss in the horizon until the instrument maturity date. For the purpose of estimating the expected credit loss, the Company uses:

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

The Company considers that the event of insolvency is the contractor's failure to meet its obligations after 90 days from the due date.

The Company takes into account future information in the parameters of the expected loss estimation model by adjusting the base default probability coefficients (for receivables) or by calculating the default probability parameters based on current market quotes (for other financial assets).

The Company uses a simplified model for calculating impairment losses on trade receivables. The general model is applied to 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 amortized cost (at the initial recognition date and calculated for each subsequent day ending the reporting period) are



recognized in other operating expenses. Profits (reversal of write-offs) from the reduction of the expected value of impairment are recognized in financial revenues.

For purchased and created financial assets that are impaired due to credit risk, at the moment of initial recognition, favorable changes in expected credit losses are recognized as an impairment gain in other operating income.

Impairment losses for debt financial instruments measured at fair value through other comprehensive income are recognized in other operating expenses in correspondence with other comprehensive income. Gains (reversal of write-offs) on the reduction of the expected credit loss value are recognized in other operating income.

### **IFRS 15 Revenue from Contracts with Customers**

On January 1, 2018, the company adopted IFRS 15, published and approved by the European Parliament for use in the European Union.

In accordance with IFRS 15, revenues are recognized when the performance (or in fulfillment) of the performance obligation is provided by transferring the promised good or service (ie an asset) to the customer. The transfer of an asset takes place when the customer obtains control over that asset.

Control of an asset relates to the ability to directly manage and obtain substantially all of the other benefits from the asset.

As part of the introduced changes regarding the method of recognizing and presenting revenues from contracts with customers, the Company reviewed and analyzed the existing contracts in terms of IFRS 15 guidelines according to the five-element model of revenue recognition.

An asset that has been recognized so far, and also under the influence of new IFRS 15 provisions, is the right to payment in the form of trade receivables, recognized simultaneously as sales revenues. The presentation of prepayments received from customers in advance, constituting an obligation to deliver products and services until it is settled and recognized in revenues after each delivery, also remains unchanged. As part of the contracts concluded with customers, the presentation of 2019 data on this account will not change. In the opinion of the company, there are no significant issues related to the concluded contracts, which should be presented in a different way than to date.

The first application of IFRS 15 with retrospective application with the combined effect of the first application of the standard has no effect on the adjustment to the opening balance of retained earnings as at January 1, 2018 as well as on other items in the financial statements of both the current reporting period and January 1, 2018 compared to the standards and related interpretations in force before the change.

When preparing these financial statements, the Company did not voluntarily change any previously applied accounting principles in relation to the previous periods.

### **Tangible fixed assets**

Tangible fixed assets representing; land, buildings, machinery and equipment used for production, delivery of products and provision of services or for management purposes are



valued as at the balance sheet date at purchase price or production cost, less depreciation and impairment losses.

The value of internally generated property components includes the costs of materials and labor as well as the mark-up of indirect costs. The costs of producing property components are increased by a justified part of the external financing costs.

Fixed assets are depreciated according to the straight-line method, according to the expected useful life for a particular type group. The applied redemption rates for individual groups of types of fixed assets are as follows:

- The right of perpetual usufruct of land	83 years
- Buildings	40 years
- Machines and technical devices	5 to 12 years
- Equipment and other fixed assets	5 to 10 years

Fixed assets are redeemed from the next month when the fixed asset is put into operation. The land is not subject to redemption, the acquired right of perpetual usufruct of land is depreciated.

Expenses for repairs that do not increase the value in use of a given fixed asset are charged to the costs of the period in which they were incurred.

### **Intangible assets**

Intangible assets acquired under a separate transaction are capitalized at cost.

Intangible assets acquired as part of a business entity takeover transaction are recognized in assets separately from goodwill, if their fair value can be reliably determined upon initial recognition. These values may result from contractual rights or legal regulations, regardless of the possibility of their separation. If these values do not result from contractual arrangements, they must be separated from other assets for sale, exchange, licensing, etc.

Goodwill is shown according to the purchase price reduced by the total impairment write-offs made.

Other intangible assets are depreciated on a straight-line basis over their expected use. The expected useful life of intangible assets is from 2 to 5 years.

### **Impairment of property, plant and equipment and intangible assets, excluding goodwill**

If there are any indications of possible impairment of the tangible fixed assets and intangible assets held, an impairment test is carried out and the determined amounts of revaluation write-offs reduce the carrying amount of the asset to which they relate and are charged to the profit and loss account.



## **Shares and stocks in subsidiaries**

Shares and stocks in subsidiaries and associates are stated at historical cost, less any impairment losses. Shares and stocks in subsidiaries and associates for which there is an active market are measured at fair value.

## **Inventory**

Inventories of raw materials and materials as well as purchased goods are valued as of the balance sheet date according to: purchase price (manufacturing cost) not higher than their net value possible to be obtained as of the balance sheet date. The method used to determine the purchase price of raw materials, materials and goods is the first-in-first-out method.

Value of inventories of work in progress and finished products - the Company measures inventories at the net value possible to obtain as at the balance sheet date, taking into account the stage of production progress.

Manufacturing cost does not include external financing costs.

## **Trade and other receivables**

Trade receivables with maturities usually from 30 to 90 days are recognized at the amounts initially invoiced, less allowances for bad debts. The write-downs of bad debts are estimated when the recovery of the full amount is no longer probable. The amounts of created write-downs updating the value of receivables are referred respectively to other operating costs or to financial costs - depending on the type of receivable to which the write-off relates.

An impairment loss on trade receivables is calculated on the basis of expected credit losses over the life of the financial instrument. The Company estimates the expected credit losses related to trade receivables using an individual approach. The Company regularly reviews the methodology and assumptions used to estimate expected credit losses to reduce any differences between the estimates and actual data on credit losses. Changes in impairment losses are recognized in the profit and loss account and classified as other operating expenses or financial expenses, depending on the type of receivable to which the impairment loss relates. The Company creates write-offs updating the value of accrued doubtful interest at the moment of their charging. Interest income is recognized in the period to which it relates using the effective interest rate method.

## **Loans valuation**



Loans measured at amortized cost - loans that meet two conditions: they are held in a business model aimed at obtaining contractual cash flows from the financial assets held and have passed the contractual cash flow test (SPPI i.e. held to collect principal and interest) .

They are initially recognized at fair value adjusted for costs directly related to their origin and measured as at the end of the reporting period at amortized cost using the effective interest rate method, taking into account the impairment calculated using the expected loss model. Loans - financial assets that are impaired due to high credit risk on initial recognition of a financial asset or when they are acquired at a large discount. are measured at amortized cost using the effective interest rate adjusted for credit risk, taking into account the impairment calculated using the expected loss model.

Loans at fair value through profit or loss - loans that failed the contractual cash flow test (SPPI-Solely Payment of Principal and Interest according to IFRS 9), i.e. held to collect principal and interest.

The classification of debt instruments under IFRS 9 is based on the entity's business model for managing financial assets and whether the contractual cash flows are solely payments of principal and interest ("SPPI"). If a financial instrument is held for the purpose of obtaining cash flows, it is classified as measured at amortized cost, provided that it meets the SPPI requirement. Debt instruments meeting the SPPI requirement, held both for the purpose of obtaining contractual cash flows from assets and for selling assets, are classified as measured at fair value through other comprehensive income. All other debt instruments are measured at fair value, including the effects of the measurement in profit or loss.

The fair value of loans is determined as the present value of future cash flows, taking into account changes in market risk factors, unless otherwise indicated.

Pursuant to IFRS 9, financial assets subject to the requirement of calculating expected credit losses are classified into one of the three levels of the impairment model. The classification to the levels of the impairment model is made at the level of a single financial instrument.

The company grants loans mainly to related entities.

### **Significant values based on professional judgment and estimates**

The Management Board value the loans and receivables in fair value. The Management Board makes decisions taking into account all the potential consequences of its decisions. Hence, the decision-making process is based on multi-stage analyzes of, inter alia, borrowers' collaterals.

### **Professional judgment**

If a given transaction is not regulated by any standard or interpretation, the Management



Board, guided by a subjective judgment, determines and applies accounting policies that will ensure that the financial statements will contain correct and reliable information and will:

- correctly, clearly and fairly present the property and financial situation of the Company, the results of its activities and cash flows,
- reflect the economic content of the transaction,
- objective,
- prepared in accordance with the principle of prudent valuation,
- complete in all material respects.

There were no significant areas in these financial statements where the professional judgment of the management was of significant importance.

When valuating the loans, the debtor's solvency is taken into account. We take into account the risk of non-repayment. If there is no risk of repayment, we value the loans at their nominal value. There are conducted proper analysis.

### **Cash and cash equivalents**

Cash and cash equivalents include cash at bank and in hand as well as short-term deposits with an original maturity not exceeding three months.

### **Cash flow statement: preparation principles:**

The Company prepares the cash flow statement using the indirect method whereby profit or loss is adjusted for the effects of non-cash transactions, for active and passive accruals related to past or future cash inflows or payments from operating activities, and for income and expense items related to cash flows from investing activities or financial.

### **Interest-bearing credits and loans**

Upon initial recognition, bank loans and borrowings are recognized at purchase price corresponding to the fair value of cash received, less costs related to obtaining the loan or credit facility. The Company does not activate borrowing costs

### **Supplementary capital from the sale of shares above their nominal value.**

The differences between the fair value of the payment received and the nominal value of shares are recognized in the supplementary capital from the sale of shares above their nominal value. In the event of buyout of shares, the amount paid for the shares is charged to equity and is disclosed in the balance sheet under equity.

The costs of issuing shares, incurred when establishing a joint-stock company or increasing the share capital, reduce the entity's supplementary capital to the amount of the excess of the issue value over the par value of the shares, and the remaining part is classified as financial costs.

### **Retained profits / losses.**





The accumulated financial results of the Company, including the results transferred to the supplementary capital by a resolution of the Shareholders' Meeting, are recognized under retained profit / loss from previous years.

### **Provisions**

Provisions are created when the company has an existing obligation (legal or custom) resulting from past events and when it is probable that the fulfillment of this obligation will require an outflow of funds and the amount of this obligation can be reliably estimated. If there is a credible expectation that the costs covered by the provision will be reimbursed, then the reimbursement is recognized as a separate asset, but only when it is practically certain that the reimbursement will take place (e.g. under an insurance contract).

### **Revenue**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue amount can be reliably measured. The following criteria are used to determine revenue:

#### **Sale of goods and products**

Revenues are recognized when the significant risks and rewards of ownership of goods and products have been transferred to the buyer and when the amount of revenues can be reliably estimated.

#### **Interest**

Interest income is recognized successively as it increases.

### **Income tax**

Tax charges include current taxation with corporate income tax and a change in deferred tax provisions or assets. The current tax liabilities are determined on the basis of the currently applicable tax regulations and the determined taxable income.

A deferred tax asset is recognized in relation to all deductible temporary differences, as well as unused deferred tax assets and unused tax losses to be deducted in subsequent periods, in the amount in which it is probable that income will be generated up to taxation that will allow you to use the above-mentioned.

The carrying amount of the deferred tax asset is verified as at each balance sheet date and is subject to a write-off when there is doubt that the Company's use of economic benefits related to the use of tax assets.



Deferred income tax is calculated on the basis of tax rates expected by management to apply in the period when the asset is realized or the provision is released, based on the tax rates legally or actually applicable as at the balance sheet date.

The change in provisions and assets due to deferred income tax is recognized in the profit and loss account, except for the situation when the financial effects of events giving rise to or dissolution of deferred tax are recognized directly in the entity's equity.

### **Income tax in Estonia**

Legal persons income tax rate is 20%. System of corporate earnings taxation currently in force in Estonia is a system which shifts the moment of corporate taxation from the moment of earning the profits to the moment of their distribution. It means earning profits in itself does not bring income tax liability which arises only when earned profit is distributed to shareholders. In case profit distributed to shareholders originates from dividends received from a subsidiary company or from a permanent establishment the corporation has in another country then profit distribution is tax exempt. Distributed profits mean gifts, donations, representation expenses and any payments and expenses not connected to the business. Estonia does not have withholding tax on dividends paid. Distributed profits are taxed at a rate of 20%

A resident company, except for a public limited fund, shall pay income tax on such portion of payments made from the equity upon reduction of the share capital or contributions, upon redemption or return of shares or contributions (hereinafter holding) or in other cases, which exceeds the monetary and non-monetary contributions made to the equity of the company.

The regular CIT tax rate on distributed profits is 20% and no withholding tax is paid. From 2019, lower income tax rate of 14% may be applied if dividends are paid regularly, but in that case 7% withholding tax is applicable if dividend paid to natural person.

The Company is subject to the Estonian tax system since 30/11/2018.

### **Contingent assets and liabilities**

The Company doesn't have any contingent assets.

A contingent liability is:

- a possible obligation that may arise as a result of past events, the fulfillment of which will be confirmed only at the time of occurrence or non-occurrence of one or more future events beyond the control of the Company,



- a present obligation, which arises as a result of past events, but is not recognized in the financial statements, because the amount of the obligation cannot be reliably determined or it is not probable that it will be necessary to spend funds in order to meet the obligation.

In the opinion of the Company's Management Board, potential contingent liabilities described in Note 23 do not require additional disclosure.

### **Related entities**

For the purposes of the financial statements, related entities include: significant shareholders, subsidiaries, associates and jointly controlled companies, members of the Management Boards and Supervisory Boards of the Group companies, their immediate families and entities controlled by them.

### **Uncertainty of estimates**

When applying the accounting principles in force in the Company, the Management Board is obliged to make estimates, judgments and assumptions regarding the amounts of valuation of individual assets and liabilities. The estimates and related assumptions are based on historical experience and other factors considered relevant. The actual results may differ from the adopted estimated values. The preparation of the financial statements requires the Management Board of the Company to make estimates, as much of the information contained in the financial statements cannot be measured precisely. The Management Board verifies the adopted estimates based on changes in the factors taken into account when making them, new information or past experiences. Therefore, the estimates made as at June 30, 2020 may be changed in the future. The main estimates are described in the following notes on the fair value of financial instruments, which materially affects the company's financial statements.

In the report for 2019, the Management Board assesses that there are no other significant areas with regard to which there is a risk related to uncertainty of estimates.

### **Information on operating segments**

An operating segment is a component of an entity:

- a) that engages in business activities from which it may earn income and incur costs (including income and expenses related to transactions with other components of the same entity),
- b) whose operating results are regularly reviewed by the entity's chief operating decision maker and uses these results to decide on the allocation of resources to the segment and when assessing the segment's performance, and
- c) for which separate financial information is available.

In accordance with the requirements of IFRS 8, operating segments should be identified based on internal reports on those elements of the Group that are regularly verified by persons deciding about allocating resources to a given segment and assessing its financial results.



## NOTES TO THE FINANCIAL STATEMENTS

### EXPLANATORY NOTE TO THE SEPARATE FINANCIAL STATEMENT OF FINANCIAL SITUATION

#### *Note 1 Intangible assets*

As at 30/06/2020 the Company did not own intangible assets.

<b>INTANGIBLE ASSETS</b>	<b>30/06/2020</b> (thous.EUR)	<b>31/12/2018</b> (thous.EUR)
<b>Intangible assets:</b>	<b>0</b>	<b>523</b>
- Other intangible assets	0	523

In the reporting period, the Company sold intangible assets trademark „Urlopy.pl”, which has been fully depreciated. On April 12, 2019 Patro Invest OÜ redeemed 27 000 000 tokens based on blockchain Ethereum called PATRO-ICO1 held by the Company for EUR 568 thous. (= PLN 2 468thous.) The Company generated revenue of EUR 0 thous. (= PLN 1 thous.) from the sale of „Urlopy.pl” trademark and revenue from the redemption of tokens in the amount of EUR 50 thous. (= PLN 218 thous.).

#### *Note 2 Fixed assets*

<b>PROPERTY, PLANT AND EQUIPMENT</b>	<b>30/06/2020</b> (thous.EUR)	<b>31/12/2018</b> (thous.EUR)
a) fixed assets, including:	0	234
- land (including right of perpetual usufruct of land)	0	11
- buildings, premises and civil engineering works	0	9
- technical devices and machines	0	214
<b>Tangible fixes assets, total</b>	<b>0</b>	<b>234</b>

#### *Property, plant and equipment*

In the period from January 1, 2019 to June 30, 2020, the Company did not acquire any property, plant and equipment assets. In the reporting period, the company sold all tangible fixed assets it had. On August 8, 2019, the Company concluded a contract for the sale of windmills and infrastructure linked to the generation of electricity from renewable energy sources for the amount of EUR 196 thous. – PLN 850 thous. Spółka FON SE also sold its land no. 59 located in Zielona EUR 2 thous.– PLN 10 thous. on March 25, 2020. As a result of the trust agreement of October 11, 2018 and the concluded Datio In Solutum agreement on 8/03/2019, FON SE transferred to Patro Inwestycje Sp. z o.o. share constituting for 1/15 in



the right of perpetual usufruct to real estate in Płock at Rembielińskiego Street for EUR 15 thous. – PLN 67 thous. In addition, also as a result of the trust agreement of October 11, 2018 and the settlement of Datio In Solutum of June 19, 2019, FON SE transferred to Patro Inwestycje Sp z o.o. plot of land marked with number 60 located in Zielona for EUR 2 thous. – PLN 10 thous. Due to the above settlements, the Company incurred a loss in the amount of EUR 16 thous. – PLN 69 thous.

### Note 3 Long-term financial assets

In the reporting period, the Company did not provide guarantees.

LONG-TERM INVESTMENTS FOR CREDITS AND LOANS FOR RELATED ENTITIES (in EUR thous.) as at 30/06/2020								
Name of the entity (the Company)	Headquarter	The value of loan/credit according to agreement in thous.		The value of credit/loan to repay in thous.		Terms of interest	Repayment date	Collateral
		amount	currency	amount	currency			
Patro Inwestycje Sp.z o.o.	Płock	691	EUR	694	EUR	2,5%	31.12.2021	-
Elkop SE*	Płock	6 104	EUR	5 815	EUR	WIBOR 1M	31.12.2024	blank promissory note
Damar Patro UÜ	Tallinn	2 200	EUR	2 200	EUR	2,5%	30.06.2023	blank promissory note
Fly.pl Sp. z o.o.**	Płock	361	EUR	67	EUR	-	15.10.2022	mortgage, blank promissory note, guarantee
<b>TOTAL:</b>		<b>9 356</b>	<b>EUR</b>	<b>8 776</b>	<b>EUR</b>			

\*Loan principal and interest on long-term loans paid after the balance sheet date are shown as short-term.

\*\*On May 31, 2017 the Company FON SE made an agreement with FLY Sp. z o.o. regarding debt repayments by FLY Sp. z o.o. in five instalments.

\*\*Loan principal in the amount of 150 thousand. PLN = EUR 34 thousand with the maturity date on 10/15/2020, shown in short-term financial assets

LONG-TERM INVESTMENTS FOR CREDITS AND LOANS FOR RELATED ENTITIES GRANTED IN THE CURRENCY OF PLN (in PLN thous.) as at 30/06/2020						
Name of the entity (the Company)	Headquarter	The value of loan/credit according to agreement in	The value of credit/loan to repay in thous.	Terms of interest	Repayment date	Collateral



)		thous.		amount	currency	amount	currency		
		amount	currency						
Patro Inwestycje Sp.z o.o.	Płock	3 080	PLN	3 092	PLN	2,5%		31.12.2021	-
Elkop SE*	Płock	27 200	PLN	25 913	PLN	WIBOR1 M		31.12.2024	blank promissory note
Fly.pl Sp. z o.o.**	Wa-wa	1 607	PLN	300	PLN	-		15.10.2022	mortgage, blank promissory note, guarantee
TOTAL:		31 887	PLN	29 305	PLN				

\*Loan principal and interest on long-term loans paid after the balance sheet date are shown as short-term

\*\*On May 31, 2017 the Company FON SE made an agreement with FLY Sp. z o.o. regarding debt repayments by FLY Sp. z o.o. in five instalments.

**LONG-TERM INVESTMENTS FOR CREDITS AND LOANS FOR RELATED ENTITIES GRANTED IN THE CURRENCY OF EUR (in EUR thous.) as at 30/06/2020**

Name of the entity (the Company)	Headquarter	The value of loan/credit according to agreement in thous.		The value of credit/loan to repay in thous.		Terms of interest	Repayment date	Collateral
		amount	currency	amount	currency			
Damar Patro UÜ	Tallinn	2 200	EUR	2 200	EUR	2,5%	30.06.2023	blank promissory note
TOTAL:		2 200	EUR	2 200	EUR			

\* The Company made a write-off in 2018 for the loan Nowy Wiatr sp. z o.o. in the amount of PLN 4 379 thous. = EUR 982 thous.

Interest on loans granted to the companies Elkop SE and Damar Patro UÜ are presented in short-term financial assets in the amount of Elkop SE – EUR 511 thous., Damar Patro UÜ – EUR 2 thous. The loan granted to the company Damar Patro UÜ was granted in EURO at the exchange rate according to the agreement 1euro=4,4 PLN.

**LONG-TERM INVESTMENTS FOR CREDITS AND LOANS (in EUR thous.) as at 31/12/2018**

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
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		EUR	Currency	EUR	Currency			
Nowy Wiatr Sp. z o.o.*	Płock	1 093	EUR	1 018	EUR	6,50%	31.12.2019	blank promissory note
Fon Zarządzanie Nieruchomościami Sp. z o.o.	Płock	4 427	EUR	4 454	EUR	WIBOR 1M+4,5 %	24.04.2021	blank promissory note, mortgage
Total		5 520	EUR	5 472	EUR			

Shares held as at December 31, 2018

As at 31/12/2018	Name of an entity with specification of a legal form	Value of stocks / shares according to the purchase price (in thous. EUR)	Balance sheet value of shares (in thous. EUR)
1	IFEA Sp. z o.o.	14 994	3 552
2	IFERIA S.A.	4	0
3	FON Zarządzanie Nieruchomościami Sp. z o.o.	2	2

#### Note 4 Inventory

INVENTORY	30/06/2020 (thous.EUR)	31/12/2018 (thous.EUR)
- Goods	0	105
<b>Inventory, Total</b>	<b>0</b>	<b>105</b>

On October 11, 2018, as a result of the conclusion of a trust agreement between FON SE and Patro Inwestycje Sp. z o.o. the Company transferred five plots of land located (voivodship śląskie) to Patro Inwestycje Sp. z o.o. with carrying amount of EUR 104 thous.(= PLN 450 thous.). On June 19, 2019, the Company settled Datio in Solutum of the plots for EUR 104 thous.(= PLN 450 thous.). Thereby, this operation did not have impact on the Company's financial result in the 2019/2020 financial year.

INVENTORY WRITE-OFFS	30/06/2020 (thous.EUR)	31/12/2018 (thous.EUR)
write-offs at the beginning of the period	0	0
Update value of goods	0	-189
write-offs at the end of the period	0	-189
<b>Inventory write-offs, total</b>	<b>0</b>	<b>0</b>

#### Note 5 Receivables

SHORT-TERM RECEIVABLES	30/06/2020 (thous.EUR)	31/12/2018 (thous.EUR)
- for deliveries and services, with the repayment period	1	0
- to 12 months	1	1





- over 12 months	0	
- from taxes, subsidies, customs, social and health insurance and other benefits	1	0
- other	13	12
<b>Net short-term receivables, total</b>	<b>15</b>	<b>13</b>

**Note 6 Short-term financial assets**

SHORT TERM INVESTMENTS IN CREDIT AND LOANS FOR OTHER RELATED ENTITIES (in EUR thous.) as at 30/06/2020								
Name of the entity (the Company)	Headquarter	The value of loan/credit according to agreement in thous.		The value of credit/loan to repay in thous.		Terms of interest	Repayment date	Collateral
		EUR	currency	EUR	currency			
Auto Kluge	Płock	112	EUR	45	EUR	10%	31.08.2015	blank promissory note, transfer to ownership for collateral,
Natural person	Płock	8	EUR	4	EUR	10%	31.12.2017	blank promissory note, pledge
Patro Invest Sp. z o.o.	Płock	157	EUR	1	EUR	WIBOR3M + 3%	30.06.2019	blank promissory note
Elkop SE	Płock	6 104	EUR	34	EUR	WIBOR1M	31.12.2024*	blank promissory note
Elkop SE	Płock	4 208	EUR	2 266	EUR	WIBOR1M+4,5%	24.04.2021*	blank promissory note, mortgage
Damar Patro UÜ	Tallinn	2 200	EUR	2	EUR	2,5%	30.06.2023*	blank promissory note
Patro Inwestycje Sp. z o.o.	Płock	56	EUR	39	EUR	2,5%	31.12.2020	-
Fly.pl Sp. z o.o.	Płock	361	EUR	34	EUR	-	15.10.2022*	mortgage, blank promissory note, guarantee
<b>TOTAL:</b>		<b>13 206</b>	<b>EUR</b>	<b>2 425</b>	<b>EUR</b>			

\*These loans are presented here as short-term being part of long-term loans

In addition, the Company shows the BPS Investment Fund in its short-term financial assets, which as at June 30, 2020 has a value of EUR 245 thous.

SHORT TERM INVESTMENTS FOR CREDITS AND LOANS FOR OTHER ENTITIES (in PLN thous.) as at 30/06/2020								
Name of the entity (the Company)	Headquarter	The value of loan/credit according to agreement in thous.		The value of credit/loan to repay in thous.		Terms of interest	Repayment date	Collateral
		amount	currency	amount	currency			



Auto Kluge	Płock	500	PLN	202	PLN	10%	31.08.2015	blank promissory note, transfer to ownership for collateral,
Natural person	Płock	37	PLN	16	PLN	10%	31.12.2017	blank promissory note, pledge
Patro Invest Sp. z o.o.	Płock	700	PLN	6	PLN	WIBOR3M + 3%	30.06.2019	blank promissory note, pledge
Elkop SE	Płock	18 752	PLN	10 097	PLN	WIBOR1M+4,5 %	24.04.2021	blank promissory note, mortgage
Elkop SE*	Płock	27 200	PLN	150	PLN	WIBOR1M	31.12.2024	blank promissory note
Fly.pl Sp. z o.o.**	Wa-wa	1 607	PLN	150	PLN	-	15.10.2022	mortgage, blank promissory note, guarantee
Patro Inwestycje Sp.z o.o.	Płock	250	PLN	174	PLN	2,5%	31.12.2020	-
TOTAL:		49 046	PLN	10 795	PLN			

\*Long-term loans - interest and capital repayments of loans from Elkop SE in the amount of PLN 150 thous. (EUR= 34 thous.), received after the balance sheet date recognized under short-term financial assets.

\*\*Loan principal in the amount of PLN 150 thous. = EUR 34 thous. with the maturity date on 15/10/2020, shown in short-term financial assets.

SHORT TERM INVESTMENTS IN CREDIT AND LOANS FOR OTHER RELATED ENTITIES (in EUR thous.) as at 30/06/2020								
Name of the entity (the Company)	Headquarter	The value of loan/credit according to agreement in thous.		The value of credit/loan to repay in thous.		Terms of interest	Repayment date	Collateral
		amount	currency	amount	currency			
Damar Patro UÜ *	Tallinn	2200	EUR	2	EUR	2,5%	30.06.2023	blank promissory note
TOTAL:		2200	EUR	2	EUR			

\*Long-term loan - interest shown in short-term financial assets

SHORT-TERM INVESTMENTS FOR CREDITS AND LOANS (in EUR thous.) as at 31/12/2018								
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	EUR	32	EUR	Wibor 3M+1%	4/01/2017	blank promissory note, declaration of submission to enforcement.
Fly.pl Sp. z o.o.*	Warszawa	151	EUR	165	EUR	Wibor 3M+1%	4/01/2017	blank promissory note, declaration of submission to enforcement.
Fly.pl Sp. z o.o.*	Warszawa	20	EUR	22	EUR	Wibor 3M+1%	4/01/2017	blank promissory note
Fly.pl Sp. z o.o.*	Warszawa	4	EUR	4	EUR	Wibor 3M+1%	4/01/2017	blank promissory note
Fly.pl Sp. z o.o.*	Warszawa	28	EUR	30	EUR	Wibor 3M+1%	4/01/2017	blank promissory note
Fly.pl Sp. z o.o.*	Warszawa	88	EUR	96	EUR	Wibor 3M+1%	4/01/2017	Mortgage, blank promissory note, warranty
Top Marka S.A.**	Płock	3	EUR	4	EUR	10%	30/09/2017	-
Auto Kluge	Płock	116	EUR	55	EUR	12,50%	31/08/2015	blank promissory note, declaration of submission to enforcement, transfer to ownership for collateral
Natural person	Płock	77	EUR	58	EUR	9,90%	24/08/2017	blank promissory note, transfer to ownership for collateral, submission to enforcement
Natural person	Płock	9	EUR	3	EUR	8%	31/12/2017	blank promissory note, collateral
Patro Invest Sp. z o.o.	Płock	163	EUR	116	EUR	3%	30/06/2019	blank promissory note
Patro Invest OÜ	Tallinn	70	EUR	70	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 EUR 210 thous. = PLN 906 thous.

\*\*\* The Company made a revaluation write-off for loans of TOP MARKA S.A. amounting to EUR 4 thous. = PLN 16 thous.

### Note 7 Accruals

SHORT-TERM ACCRUALS	30/06/2020 (thous.EUR)	31/12/2018 (thous.EUR)
a) Prepaid expenses, including	0	3
- costs of future periods	0	3
<b>Total short-term accruals</b>	<b>0</b>	<b>3</b>

### Note 8 Liabilities

LONG-TERM LIABILITIES	30/06/2020 (thous.EUR)	31/12/2018 (thous.EUR)
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a) liabilities to related entities	5 241	0
<b>Long-term liabilities, total (note 17)</b>	<b>5 241</b>	<b>0</b>

<b>SHORT-TERM LIABILITIES</b>	<b>30/06/2020</b> (thous.EUR)	<b>31/12/2018</b> (thous.EUR)
<b>a) liabilities to related entities</b>	<b>246</b>	<b>0</b>
- trade liabilities	1	0
- credits and loans	245	0
<b>b) liabilities to other entities</b>	<b>9</b>	<b>14</b>
- trade liabilities	2	6
- due to taxes, customs, insurance and other benefits	2	0
- other	5	8
<b>Short-term liabilities, total</b>	<b>255</b>	<b>14</b>

The Company has a liability under a loan received from Atlantis SE with its registered office in Tallinn on 30/12/2019. The loan is on interest at the variable interest rate WIBOR 1M (for one-month deposits) increased by 0,5%. As at the balance sheet date, the amount of the liability with interest is EUR 5 486 thous. (= PLN 24 444 thous.) with term of repayment of 30/06/2023.

***Note 9 Description of significant achievements or failures of the Company in the reporting period, together with a list of the most important events.***

In the reporting period, the Company obtained income mainly from lending activities, ie interest on loans granted.

As at the balance sheet date, June 30, 2020. The Company owned 12 899 shares of IFEA Sp. z o.o. which number constituted 44,58% of the share capital and entitled to cast 12 899 votes constituting 44,58% of the total number of votes of IFEA Sp. z o.o.

The Company on 9/07/2020 decided to update the value of the Company's financial assets in the 6th quarter of the 2019/2020 financial year due to the decrease in the value of IFEA Sp. z o.o. by PLN 15 277 thous.

The value of 12 899 shares of IFEA Sp. z o.o. in the annual financial statements of the Company as at 31/12/ 2018 it amounted to PLN 15 277 thous. (= EUR 3 516 thous.)

The Company's Management Board decided to write off the value of the above asset in connection with the transformation of IFEA Sp. z o.o. into Nowy Wiatr Sp. z o.o. in liquidation s.k. and subsequent liquidation of this company.

**Financial indicator (in thous. EUR)**

<b>Indicator</b>	<b>30/06/2020</b>	<b>31/12/2018</b>
Assets (thous. EUR)	11 462	9 338
Return on assets (ROA)	-27,40%	-22,34%
Equity (thous. EUR)	5 966	9 324



Return on Equity (ROE)	-52,65%	-22,37%
Net profitability	-429%	-462%
Debt ratio	47,95%	0,15%
Net profit (thous. EUR)	-3 141	-2 086

Shares (30/06/2020)	30/06/2020	31/12/2018
Price per share (EUR)	0,04	0,02
Profit per share (EUR)	-0,06	-0,029
Indicator price-to-earnings (PE)	-0,67	-0,69
Book value per share (EUR)	0,11	0,13
Indicator price-to-book-value (P/BV)	0,35	0,15
Current liquidity ratio	3,63	43
Market cap (thous. EUR)	2 100	1 400

Return on assets = net profit / total assets

Return on equity = net profit / equity

Net profitability = net profit / net sales \* 100

Debt ratio = liabilities / total assets

Earnings per share = net profit / number of shares

Price-to-earnings (P / E) = price per share / earnings per share

Book value per shares = total equity / number of shares

Price-to-book-value ratio = price per share / book value of 1 share

Current liquidity ratio = current assets / short-term liabilities

Market cap = price per share X number of shares

### **Note 10 Number of shares**

There was 70 000 000 shares of FON SE as at 31/12/2018.

Since 31/12/2018 until 5/05/2019 there was still 70 000 000 shares of FON SE.

Since 6/05/2019 as a result of **resplit** (reverse split) operation the book value of one share was increased from 0,11 EUR into 0,88 EUR and the number of shares decreased from 70 000 000 into 8 750 000. Share capital was still the same. Until 14/01/2020 there was 8 750 000 shares.

Since 15/01/2020 as a result of **split** operation the book value of one share decreased from 0,88 EUR into 0,1467 EUR and the number of shares increased from 8 750 000 into 52 500 000 shares, the share capital has not changed. There are 52 500 000 shares as at 30/06/2020 and as at date of preparing the financial statements.



As a result of above operations the weighted average number of shares in the reporting period for the period 01/01/2019 - 30/06/2020 was 36 183 729.

**Note 11 Information on revenues and results for each industry segment of the basis is presented below (in EUR thous.).**

In accordance with the requirements of IFRS 8, operating segments should be identified based on internal reports on those elements of the Company that are regularly verified by persons deciding about allocating resources to a given segment and assessing its financial results. The Company conducts a homogeneous activity of providing other financial services. There were identified proper segments in 2018.

The Management Board has not identified operating segments in the Company in 2019/2020.

### **Geographical information**

The revenue from external customers by operating area and information on non-current assets by location of these assets are presented below:

**For 2019/2020**

<b>GEOGRAPHICAL AREA FOR FINANCIAL ACTIVITY</b>	<b>REVENUES FROM EXTERNAL CUSTOMERS (thous.EUR)</b>	<b>PROPERTY, PLANT AND EQUIPMENT (thous.EUR)</b>
<b>PŁOCK</b>	651	0
Total for the financial activity	651	0

### **Information on leading customers**

In the period since 01/01/2019 to 30/06/2020 the Company achieved revenue from transactions with a single customer in excess of 10% of the entity's total revenue:

- Customer no. 1 – 56,74 % of total revenues (2018: 44,29%)
- Customer no. 2 – 23,45 % of total revenues (2018: 27,56%)
- Customer no. 3 – 16,46 % of total revenues (2018: 14,97%)

In 2018 the Company identified the following operating segments:

- land sales
- financial activities (loans granted)
- sale of energy
- other including unallocated revenues and costs

<b>SEGMENTS DATA</b>	<b>Land</b>	<b>Financial</b>	<b>Other</b>	
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For the period 01/01/2018 to 31/12/2018 (thous.EUR)		sales	Sale of energy	activity	unallocated revenues and costs	Total
I.	Segment revenues	0	35	408	9	452
II	Segment costs	0	-51	0	-3	-54
II I	Segment's gross result on economic activities	0	-16	408	6	398
I	Sales costs	0	0	0	0	0
II	Management costs				-157	-157
II I	Other operating revenues				14	14
I V	Other operating cost				-832	-832
V	Financial revenues				7	7
V I	Financial costs				-1 516	-1 516
	<b>PRE-TAX PROFIT</b>				<b>-2 086</b>	<b>-2 086</b>

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

Segment profit is the profit generated by individual segments without allocating administrative costs and management remuneration and financial revenues and costs

### Assets and liabilities of the segments

Assets of segments as at 31/12/2018 (thous.EUR)	
Land sale	105
Sale of energy	274
Financial activity	523
Other including unallocated revenues and costs	12
Assets unallocated	8 424
<b>Total assets</b>	<b>9 338</b>

Liabilities of segments as at 31/12/2018 (thous.EUR)	
Land sale	0
Sale of energy	0
Financial activity	6
Other including unallocated revenues and costs	0





Liabilities unallocated	7
<b>Total liabilities</b>	<b>13</b>

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

### Geographical information for 2018

The revenue from external customers by operating area and information on non-current assets by location of these assets are presented below

<b>GEOGRAPHICAL AREA</b>	<b>REVENUES FROM EXTERNAL CUSTOMERS (in thous. EUR)</b>	<b>Fixed assets (in thous. EUR)</b>
Total for the sale of land	0	0
<b>GEOGRAPHICAL AREA FOR ENERGY SALE</b>	<b>REVENUES FROM EXTERNAL CUSTOMERS</b>	<b>Fixed assets</b>
KUCZBORK	35	222
Total for the sale of energy	35	222
<b>GEOGRAPHICAL AREA FOR FINANCIAL ACTIVITY</b>	<b>REVENUES FROM EXTERNAL CUSTOMERS</b>	<b>Fixed assets</b>
PŁOCK	408	12
Total for financial activity	408	12
<b>GEOGRAPHICAL AREA FOR OTHER SALE</b>	<b>REVENUES FROM EXTERNAL CUSTOMERS</b>	<b>Fixed assets</b>
PŁOCK	9	0
Total for other sale	9	0

### Information about leading customers for 2018

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

Revenues from 1 customer amounted to PLN 851 thous. (= EUR 196 thous.), which accounts for 44,29% of revenues, revenues from second customer amounted to PLN 529 thous. (= EUR 122 thous.), which accounts for 27,56 % of total revenues. Revenues from third customer amounted to PLN 288 thous. (= EUR 66 .thous.), which accounts for 14,97 % of total revenues.



### Operations during discontinuation.

In the period covered by the report, the Company focused its activity on financial services (granting loans) and generating and selling Energy from Renewable Energy. On August 8, 2019, the Company sold its windmills and infrastructure related to the generation of electricity from RES. Thereby, the Company stopped producing and selling energy from RES.

<b>RESULT ON DISCONTINUED ACTIVITY</b>	<b>01/01/2019 - 30/06/2020</b> (thous.EUR)	<b>01/01/2018 - 31/12/2018</b> (thous.EUR)
Revenues from interest, sale of lands, products, goods and materials	82	35
Costs of products, goods and materials sold	-26	-51
Gross profit on sales	56	-16
General and administrative costs	-12	0
Other operating income	1	0
Other operating cost	-21	0
Operating profit	24	-16
Pre-tax profit	24	-16
Net profit from discontinued operations	24	-16
Net profit / loss	-3 141	-2 086

<b>Net cash flows from discontinued operations</b>	<b>01/01/2019 - 30/06/2020</b> (th.EUR)	<b>01/01/2018 - 31/12/2018</b> (th.EUR)
Cash flows from operating activities	-53	36
Net cash inflow / outflow	-53	36

### *Note 12 Costs and expenses*

<b>COSTS BY TYPE</b>	<b>Period 01/01/2019 - 30/06/2020</b> (thous.EUR)	<b>Period 01/01/2018 - 31/12/2018</b> (thous.EUR)
a) depreciation	0	-48
b) consumption of materials and energy	0	-11
c) external services	-60	-1
d) taxes and salaries	-1	-5
e) social security and other benefits	0	-5
I. Total costs by type	-61	-75
II. Change in inventories, products and accruals	-4	0
III. Cost of manufacturing products for the entity's own needs	-103	-3



VI. . General and administrative expenses	-65	-157
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\* The data was transformed due to occurring discontinued operations

**Note 13 Other income**

<b>OTHER OPEARATING INCOME</b>	<b>Period 01/01/2019 - 30/06/2020 (thous.EUR)</b>	<b>Period 01/01/2018 - 31/12/2018 (thous.EUR)</b>
a) profit on disposal of non-financial fixed assets	50	0
b) other, including:	7	14
- write off of liabilities	7	0
- other	0	14
<b>Other operating income, total</b>	<b>57</b>	<b>14</b>

<b>FINANCIAL INCOME</b>	<b>Period 01/01/2019 - 30/06/2020 (thous.EUR)</b>	<b>Period 01/01/2018 - 31/12/2018 (thous.EUR)</b>
a) other interest	1	1
- from other entities	1	1
b) other income	0	6
<b>Financial income from interest, total</b>	<b>1</b>	<b>7</b>

**Note 14 Other costs**

<b>OTHER FINANCIAL COSTS</b>	<b>Period 01/01/2019 - 30/06/2020 (thous.EUR)</b>	<b>Period 01/01/2018 - 31/12/2018 (thous.EUR)</b>
a) write-offs	0	771
b) loss on disposal of financial assets	0	15
c) other, including:	0	46
- re-invoicing costs	0	11
- imposed penalties	0	25
- write offs of receivables	3	0
- other	0	10
<b>Other operating costs, total</b>	<b>3</b>	<b>832</b>

<b>OTHER FINANCIAL COSTS</b>	<b>Period 01/01/2019</b>	<b>Period 01/01/2018</b>
	-	-



	30/06/2020 (thous.EUR)	31/12/2018 (thous.EUR)
a) foreign exchange losses	0	2
b) cost of updating financial investments	2	1 514
c) other including:	3 653	0
- write offs of shares (note 9)	3 515	0
- loan surety	136	0
- other	2	0
d) cost of interest	48	0
<b>Other financial costs, total</b>	<b>3 703</b>	<b>1 516</b>

*Note 15 Information on adjustments due to provisions, provisions and assets due to deferred income tax and write-offs made updating the value of assets components.*

During the eighteen months of 2019/2020, the following changes in provisions and impairment losses were made:

Title	As at 01/01/2019 (thous.EUR)	Increasing the provisions (thous.EUR)	Released provisions (thous.EUR)	Exchange differences (thous.EUR)	As at 30/06/2020 (thous.EUR)
Other short-term provisions	3	4	3	0	4
Write-offs updating receivables	214	0	0	-8	206
Write-offs of intangible assets	2 104	0	2 104	0	0
Write-offs updating loans granted	1 233	0	0	-43	1 190
Inventory write-offs	841	0	841	0	0

*Note 16 Shareholding structure*

Direct shareholders holding over 5% votes at the General Meeting as at 30/06/2020

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*	18.130.520	34,53	18.130.520	34,53
<b>Total:</b>	<b>52.500.000</b>	<b>100,00</b>	<b>52.500.000</b>	<b>100,00</b>

\* Damian Patrowicz owns 100% of Patro Invest OU

*Note 17 Transactions with the related parties.*



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

### **Relations between members of Company's bodies**

Between managing and supervising bodies of the Company, there are following organizational relations:

Dominant entity: Patro Invest OÜ in Tallinn (directly), Mr. Damian Patrowicz (indirectly by Patro Invest OÜ).

Entities related by personal ties in the composition of a Supervisory Board and due to the dominant direct and indirect shareholder: INVESTMENT FRIENDS CAPITAL SE, Atlantis SE, Elkop S.A., Investment Friends SE, Damf Inwestycje S.A., Patro Invest Sp. z o.o. w likwidacji, Patro Invest OÜ, Damar Patro UÜ.

#### ***The Management Board:***

- Damian Patrowicz – performs the function of the single Member of the Management Board of the Company and Patro Invest OÜ, is also Member of the Management Board in Patro Inwestycje Sp. z o.o., INVESTMENT FRIENDS CAPITAL SE, Atlantis SE and performs function of the Member of the Supervisory Board in: Elkop S.A., Investment Friends SE, is a shareholder of Patro Invest OÜ. Mr. Damian is a general partner in Damar Patro UÜ and shareholder of Patro Invest Sp. z o.o. in liquidation.

#### ***Supervisory Board***

- Wojciech Hetkowski Chairman of the Supervisory Board – performs a function of a Member of the Supervisory Board in: Atlantis SE, Elkop SE, Investment Friends SE, INVESTMENT FRIENDS CAPITAL SE, Damf Inwestycje S.A.
- Jacek Koralewski Member of the Supervisory Board - performs a function of Chairman of the Management Board in: Elkop SE and Member of the Supervisory Board in: Atlantis SE, Investment Friends SE, Damf Inwestycje S.A., FON SE.
- Małgorzata Patrowicz Secretary of the supervisory board - performs a function of liquidator of Patro Invest Sp. z o.o in liquidation and Chairman of the Management Board in Patro Inwestycje Sp. z o.o. In addition, performs a function of a Member of the Supervisory Board in: Atlantis SE, Elkop SE, INVESTMENT FRIENDS CAPITAL SE, Damf Inwestycje S.A., Investment Friends SE.
- Martyna Patrowicz Member of the Supervisory Board – performs a function of the Member of a Supervisory Board in: Atlantis SE, Elkop SE, INVESTMENT FRIENDS CAPITAL SE, Damf Inwestycje S.A.

The largest shareholder of FON SE is also the dominant shareholder of ELKOP SE and Patro Inwestycje Sp. z o.o. Damar Patro UÜ – the general partner is a member of the Management



Board of FON SE. Patro Invest Sp. z o.o. in liquidation – shareholder of Patro Invest Sp. z o.o. in liquidation is and indirect shareholder of FON SE. Patro Invest OÜ – the largest shareholder of FON SE.

957 854 shares of IFERIA S.A. were disposed on February 19, 2019 for PLN 958 (EUR 0 thous.) to related party Mr. Mariusz Patrowicz. It is described in note 19.

In the reporting period, the Company sold intangible assets trademark „Urlopy.pl” to Patro Inwestycje Sp. z o.o. and Patro Invest OÜ redeemed 27 000 000 tokens based on blockchain Ethereum called PATRO-ICO1 held by the Company for PLN 2 468 thous. (EUR 568 thous.). It is described in note 1.

In the period from January 1, 2019 to June 30, 2020, the Company concluded a contract with Patro Inwestycje Sp. z o.o. for the sale of windmills and infrastructure linked to the generation of electricity from RES for the amount of EUR 196 thous. – PLN 850 thous. Spółka FON SE also sold to Patro Inwestycje Sp. z o.o. its land no. 59 located in Zielona EUR 2 thous.– PLN 10 thous. on March 25, 2020. As a result of the trust agreement of October 11, 2018 and the concluded Datio In Solutum agreement on 8/03/2019, FON SE transferred to Patro Inwestycje Sp. z o.o. share constituting for 1/15 in the right of perpetual usufruct to real estate in Płock at Rembielińskiego Street for EUR 15 thous. – PLN 67 thous. In addition, also as a result of the trust agreement of October 11, 2018 and the settlement of Datio In Solutum of June 19, 2019, FON SE transferred to Patro Inwestycje Sp z o.o. plot of land marked with number 60 located in Zielona for EUR 2 thous. – PLN 10 thous.

As a result of the transformation of IFEA Spółka z ograniczoną odpowiedzialnością into Nowy Wiatr Spółka z ograniczoną odpowiedzialnością in liquidation limited partnership and subsequent liquidation of this company, the amount of EUR 3 516 thous. (= PLN 15 277 thous.) was written down in full as at June 30, 2020 and this amount was fully put to the financial costs. It is described in note 9.

TRANSACTIONS WITH RELATED PARTIES FOR THE PERIOD 01/01/2019 - 30/06/2020 (thous.EUR)	Sale products, goods and materials to related entities	Sale of non-financial fixed assets	Sale of financial assets	Purchases from related parties	Costs of the interests from related entities and other financial costs.	Other receivables for the end of the period from related entities (including loans)	Liabilities for deliveries and services for the end of the period to related entities.	Liabilities for loans and other liabilities to related entities
ATLANTIS SE					48			5 486
ELKOP SE	370			1		8 151		



FON ZARZĄDZANIE NIERUCHOMOŚCIAMI SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ W LIKWIDACJI	153								
PATRO INVEST OU	4	50							
PATRO INVEST SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ W LIKWIDACJI	2								
PATRO INWESTYCJE SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ	107	-16		1		745	1		
DAMAR PATRO UU	2					2 202			
Mr. Mariusz Patrowicz				1					
<b>Total (in thous. EUR)</b>	<b>638</b>	<b>34</b>		<b>1</b>	<b>2</b>	<b>48</b>	<b>11 098</b>	<b>1</b>	<b>5 486</b>

The Company didn't issue any letter of guarantees to the others.

**Information on transactions with related entities (in EUR thous.)**

TRANSACTIONS WITH RELATED PARTIES FOR THE PERIOD ENDED ON 31.12.2018	Sale products, goods and materials to related entities	Revenues from interests from related entities and other financial revenues	Receivables for deliveries and services for the end of the period to related entities	Purchases from related entities	Cost of interests from related entities and other	Other receivables for the end of the period from related entities (including loans)	Liabilities for deliveries and services for the end of the period to related entities.	Liabilities for loans and other liabilities to related entities
ATLANTIS SE				1				
Refus Sp. z o.o. w likwidacji								
Investment Friends SE	3		2					
Investment Friends Capital SE	3		1					
Elkop S.A.	19			2				
Fon Zarządzanie Nieruchomościami Sp. z o.o.		30		4		4 585		
Nowy Wiatr Sp. z o.o.						1 085		
Patro Invest Sp. z o.o.		1				116		
Patro Inwestycje Sp. z o.o.				1			1	
Patro Invest OÜ						70		
<b>Total (in thous. EUR)</b>	<b>25</b>	<b>31</b>	<b>3</b>	<b>8</b>	<b>0</b>	<b>5 856</b>	<b>1</b>	<b>0</b>



**Note 18 Remuneration of Management Board and Supervisory Board**

Remuneration of managing and supervising persons	Period 01/01/2019 - 30/06/2020 (thous.EUR)	Period 01/01/2018 - 31/12/2018 (thous.EUR)
Supervising persons – Member of the Supervisory Board	0	12
Managing persons	0	0

The Company's managing and supervising persons did not receive any advance payments for remuneration, guarantees and sureties.

**Note 19 Financial instruments****Information on financial instruments**

June 30, 2020

Types of financial instruments (thous.EUR)	Fair value through total income	Fair value through profit or loss	Amortised cost	Total
<b>Total financial assets</b>		<b>241</b>	<b>11 217</b>	<b>11 452</b>
Granted loans			11 201	<b>11 201</b>
Receivable from deliveries and services and other receivables			15	<b>15</b>
Cash and cash equivalents			1	<b>1</b>
Other financial assets				<b>245</b>

**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 significant influence on estimated fair value, are observable, directly or indirectly, market data;

Level 3: methods of valuation, in which input data that have a significant impact on the estimated fair value are not based on observable market data.

On January 2, 2020 the Company purchased 7 788,1620 units of BPS FIO Konserwatywny for PLN 1 100 thous. (EUR 253 thous.) i.e. PLN 141,24 per one unit. The value of participation units as at the balance sheet date, i.e. June 30, 2020, amounted to PLN 1 091 thous. (EUR 251 thous.) i.e. PLN 140,11 per one unit of participation. Hereby, as at the balance sheet date, the Company achieved a loss of PLN 9 thous. (EUR 2 thous.) on investment in BPS FIO Konserwatywny participation units.



Quotations of BPS FIO Konserwatywny participation units can be observed at:  
<https://bpstfi.pl/fundusze/bps-fio-konserwatywny>

The table below presents financial instruments measured at fair value as at the balance sheet date:

(thous.EUR)	June 30, 2020	Level 1	Level 2	Level 3
Investment options – unit of BPS FIO Konserwatywny	241	241		
<b>Total financial assets measured at fair value</b>	<b>241</b>	<b>241</b>		

December 31, 2018

Types of Financial Instruments (thous.EUR)	Fair value through total income	Fair value through financial result	Amortised cost	Total
<b>Total financial assets</b>	<b>3 553</b>		<b>4,920</b>	<b>8 473</b>
Stocks and shares – balance value	3 553			3 553
- Value of valuation placed in revaluation reserve	-11 447			-11 447
-Purchase price value	15 000			15 000
Granted loans			4 866	4 866
Receivable from deliveries and services and other receivables			13	13
Cash and cash equivalents			40	40

### Financial instruments measured at the fair value

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

(thous.EUR)	December 31, 2018	Level 1	Level 2	Level 3
Shares/stocks not listed	3 553			3 553
<b>Total financial assets measured at fair value</b>	<b>3 553</b>			<b>3 553</b>

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



### Determining fair value of the 3rd level with valuation of financial assets.

December 31, 2018

(thous.EUR)	Stocks/shares not listed on the Stocks Exchange (valuation through total income)	Other	Total
<b>Opening balance 01/01/2018</b>	<b>7 607</b>	<b>0</b>	<b>7 607</b>
Sum of profit and losses	-3 063		-3 063
- in the financial result	-271		-271
- in others comprehensive incomes	-2 792		-2 792
Disposal/settlements/loans	65		65
<b>Ending balance 31/12/2018</b>	<b>4 478</b>		<b>4 478</b>

As at December 31, 2018 the Company held 957 854 shares of IFERIA S.A. constituting 0,49% in share capital and 0,49% votes on the General Meeting of Shareholders and the carrying amount of PLN 958 (0 thous. EUR). On February 19, 2019 957 854 shares IFERIA S.A. were sold for PLN 958 (0 thous. EUR). Due to the same balance sheet price and sales, no profit / loss on sales was recorded.

As at 31/12/2018 the Company held 12 899 shares of IFEA Spółka z ograniczoną odpowiedzialnością constituting for 44,58% in share capital IFEA Spółki z ograniczoną odpowiedzialnością with balance value of EUR 3 516 thous. (= PLN 15 277 thous.). As a result of transforming IFEA Spółki z ograniczoną odpowiedzialnością into Nowy Wiatr Spółka z ograniczoną odpowiedzialnością in liquidation limited partnership and subsequent liquidation of this Company as at June 30, 2020, the amount of EUR 3 516 thous. (= PLN 15 277 thous.) was written off in full and this amount was fully put to the financial costs. IFEA's shares were accounted for using the equity method

### Determining of the opening and closing balance of items measured at fair value, classified at level 3 of the fair value hierarchy

At the end of 31/12/2018 the Company had financial instruments classified at 3rd level of fair value hierarchy, involves shares in IFEA Sp. z o.o., Refus sp. z o.o. in liquidation, IFERIA S.A. and shares of FON Zarządzanie Nieruchomościami sp. z o.o being the subject of the loan agreement. During the 12-month period of 2018 any changes in valuation hierarchy did not occur.

### Description of the valuation method of assets available to sale assigned to the valuation within level 3 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 as at 31/12/2019 and proportionally included write-offs at 31/12/2018.

Total revaluation of held IFEA sp. z o.o. shares as at 31/12/2018 amounted to PLN 49 218 thous (EUR 11 328 thous.). As at 31/12/2018 stocks of IFERIA S.A. were valued to PLN 18 thousand. (EUR 4 thous.). Balance value is PLN 1 thous. (EUR 0 thous.) REFUS sp. z o.o. in liquidation – as at 31/12/2017 the investment was classified as a short-term investment. In the first half of the year of 2018, the Company made write-off in the full value of PLN 1 166 thous. (EUR 268 thous.).

#### ***Note 20 Events after the balance sheet date.***

There are no significant events after June 30, 2020.

#### ***Note 21 Contingent assets and liabilities.***

##### **Pending courtcases:**

➤ *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 July 29, 2005 on Public Offering and terms of launching 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 on January 1, 2012 shares of public Company Zakłady Mięsne Herman S.A. (current Investment Friends Capital SE with registered office in Płock).*

In the opinion of Management Board it will not involve any additional costs.

➤ *A case from the Company's application for confirmation of the acquisition of an inheritance from the Company's debtor.*

In the opinion of Management Board it will not involve any additional costs.

A Tax authorities have the right to review the Company tax records for up to 5 years after submitting the tax declaration and upon finding errors, impose additional taxes, interest and fines. The tax authorities have not performed any tax audits at the Company during 2018-2020.

#### ***Note 22 Factors of risks and threats***

Below, the Company presents risk factors in accordance to the Company'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 Company's financial activity can change.

The order of presented risks does not reflect its importance.



➤ **Credit risk**

(a) Credit risk assessment - credit risk represents a potential loss that could arise if a Company's

counterparty in a transaction is unable to meet its contractual obligations and provide cash flows. Credit risk is mainly related to loans granted by the Company, cash and cash equivalents, deposits, trade receivables. The scope of the Company's credit risk is most affected by the specific circumstances of each customer. At the same time, the Company's management also follows the general circumstances such as the legal status of the client (private or public company), the geographical location of the client, the field of operation, the state of the economy and future economic forecasts. To reduce the credit risk, customers' payment discipline and their ability to meet their commitments are monitored daily.

(b) Credit quality of financial assets - the Company uses a simplified approach to measure expected credit losses under IFRS 9, applying lifetime expected credit losses to all trade receivables and contract assets. Historical loss rates are adjusted to include both current and future information about the macroeconomic factors, which may have impact on the ability of customers to pay the receivables. Based on the principles described above the impact of impairment losses on the cash and cash equivalents 31 December 2019 was immaterial.

The maturity dates of the loans as at 30/06/2020

30/06/2020 in EUR thous.	Maturity dates				
	Total	< 1 year	1-2 years	2-3 years	Above 3 years
Cash and cash equivalent	1	1	0	0	0
Loans granted	11 201	2 355	694	2 303	5 849
Total	11 202	2 356	694	2 303	5 849

The maturity dates of the loans as at 31/12/2018

31/12/2018 in EUR thous.	Maturity dates				
	Total	< 1 year	1-2 years	2-3 years	Above 3 years
Cash and cash equivalent	40	40	0	0	0
Loans granted	6 127	1 673	0	4 454	0
Total	6 167	1 713	0	4 454	0

The Company does not expect credit losses.



➤ ***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 Company's shares will relate to a necessity to accept significantly less favourable price than the reference price. The Company cannot also exclude significant, temporary limitations of liquidity which may significantly hamper sales or purchase of the Company's shares

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

There are interpretations indicating the possibility of emerging risks consisting in the negative impact of links between members of the Company's bodies on their decisions. This applies to the impact of these links on the Company's Supervisory Board regarding the day-to-day supervision of the Company's operations. While assessing the likelihood 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

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

As at the date of the report, 34,53% of the share capital and 34,53% of votes at the Company'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 Company'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 Company, because the success of development of companies investing in financial instruments and conducting financial services activities largely depends on the conditions of running a business. In case of realization the transfer the seat of the Company Estonia, risk in the above scope will applies to the new registered office in Republic of Estonia.

➤ ***Currency risk***

There is a currency risk in connection with the loans granted in PLN. The risk related to the possibility of fluctuations in the exchange rate of one currency in relation to another may lead to both deterioration of the financial situation of the entity and its improvement as a result of a



decrease in a given receivable or an increase in this receivable. As a result of the appreciation of PLN against EUR, the value of granted loans may increase, while as a result of the depreciation of PLN against EUR, the value of granted loans may decrease. Therefore, there is a risk of a decrease in the value of loans granted due to the depreciation of PLN against EUR.

➤ ***Risk related to the impact of the SARS-CoV-2 coronavirus epidemic on the Company's operations***

Due to the type of business, the Company is moderately exposed to the negative consequences of the SARS-CoV-2 coronavirus epidemic causing the COVID19 disease. The Management Board of the Company is not able to predict the full consequences and scale of the decrease in revenues from core activities, however, the Company expects that the current situation may have a negative impact on the Company's results. The Company also informs that it implements protective procedures aimed at limiting the possibility of infection by the Company's contractors, in particular, the Company aims at eliminating personal contacts and limit meetings as much as possible, which should enable the Company to operate without distractions. The Company, after analysing the current situation related to the SARS-CoV-2 coronavirus epidemic, causing the COVID-19 disease, and its potential impact on the Company's operations - indicates that as at the date of publication of the report, the Company did not notice the impact of the above-mentioned situation on the Company's activity.

**Capital management**

The policy of the Management Board is to maintain a solid capital base in order to maintain investor confidence and to ensure the future development of economic activity.

The Company manages its capital in order to maintain the ability to continue the activity, considering the implementation of planned investments so that it can generate returns for shareholders.

In accordance with the market practice the Company monitors capital, among other, based on the equity ratio of credits, loans and other sources of financing/EBITDA.

The equity ratio is calculated as the ratio of the net asset value (equity reduced by intangible assets) to balance sheet total

The debt / EBITDA ratio is calculated as the ratio of liabilities from credits, loans and financial leasing reduced by spare cash and short-term investments with maturities of up to 1 year to EBITDA (net profit after adding depreciation).

In order to maintain financial liquidity and creditworthiness allowing for obtaining external financing at a reasonable level of costs, the Company assumes maintaining the equity ratio at a level not lower than 0.5, and the ratio of loans, borrowings and other sources of financing / EBITDA at a level of up to 2.0.

	30/06/2020 (thous.EUR)	31/12/2018 (thous.EUR)
Equity	5 966	9 324
Net asset value	5 966	8 801
Balance sheet total	11 462	9 338





Equity ratio*	0,52	0,94
Net profit/loss	-3 141	-2 086
Plus: depreciation	0	48
Interest paid	35	0
EBITDA**	-3 106	-2 038
Credits, loans and other sources of financing	5 496	14
Free cash and short-term investments***	2 671	482
Indicator: Credits, loans and other sources of financing/EBITDA	-1,77	0

\*Equity ratio = equity / assets

\*\*EBITDA = Net income + taxes + interest expenses + depreciation and amortization

\*\*\*Free cash and short term investment = short term investments + cash

## VII. STATEMENT OF COMPLIANCE

Management Board of the Company declares that to the best of their knowledge, these financial statements and comparable data have been prepared in accordance with the accounting principles applicable to the Company and that they reflect truthfully, fairly and clearly the property and financial situation of the Company and its financial result.

The Management Board also declares that the report on the Company's activities contains a true picture of the development, achievements and situation of the Company, including a description of the basic threats and risks.

These financial statements have been prepared using the accounting principles, in accordance with the International Financial Reporting Standards. This report covers the period from January 1, 2019 to June 30, 2020 and the comparable period from January 1, 2018 to December 31, 2018.

The Management Board declares that the entity authorized to audit the financial statements, which audited the financial statements, was selected in accordance with the provisions of law, and that the entity and the statutory auditors who carried out the audit met the conditions for expressing an impartial and independent opinion on the audited annual financial statements, in accordance with the applicable regulations and professional standards.

The auditor was selected by the General Meeting of Shareholders on March 20, 2020. The EGMoS made the selection with a view to guaranteeing full independence and objectivity of the selection itself, as well as the performance of tasks by the statutory auditor.

It was decided to select the company Number RT OÜ based in Tallinn, Kristiine linnaosa, Linnu tee 21a, 11317, company registration number 10213553, as the auditing company that will audit the Company's financial statements for 2019 and 2020, as well as assess the annual reports for 2019 and 2020. The remuneration for the auditor will be payable in accordance with the contract concluded between FON SE and Number RT OÜ on market terms.



Tallinn, 31/10/2020

Damian Patrowicz

Member of the Management Board

First name and surname

position/function

.....

Signature

Signature of the person, who provide bookkeeping services

Jolanta Gałuszka

First name and surname

.....

Signature