

**Report of the Management Board
on activity of FON SE
in 2018**

Tallinn, 10/10/2019

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on activity of FON SE
in 2018**



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Letter of the Chairman of the Management Board

Dear Sirs,

On behalf of the Management Board of FON SE, I am pleased to present you the Annual Report for 2018, including a list of the most important information regarding activity of the Company and events which have taken place in the previous year.

In the reporting period, the Issuer has continued its activity in the fields of operating designated so far, focusing its activity on financial services and production of electricity in renewable sources of energy.

In the reporting period 2018, the Company has carried out the procedure of obtaining the statues of the European Company and has transferred its headquarter to Tallinn in the Republic of Estonia.

Presented financial statement discloses loss from business activity, but in the Management Board's opinion, situation of the Issuer is stable and the liquidity and continuation of operating risk do not occur. In 2019, the Company is going to realize its activity mainly in the field of financial services, granting non-consumer cash loans.

The Management Board would like to also thank all of Shareholders as well as Contractors and Cooperators, with the best wishes of further fruitful cooperation.

Yours faithfully,

Damian Patrowicz
Chairman of the Management Board

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1. BASIC INFORMATION ABOUT THE COMPANY

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

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

Address:

- till 30/11/2018 - Płock 09-402, ul. Padlewskiego 18C
- since 01/12/2018 - Narva mnt 5, 10117 Tallinn, Estonia
- since 05/06/2019 - Harju maakond, Tallinn, Kesklinna linnaosa, Tornimäe tn 5, 10145 Estonia.

VAT identification number (NIP):

- 5480075844 (applicable in the reporting period)

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

- Business activity applicable in the reporting period:

Other financial service activities, except insurance and pension funding not elsewhere classified (PKD 64.99.Z),

Production of electricity (PKD 35.11. Z)

Trade of electricity (PKD 35.14.Z)

Other monetary intermediation (PKD 64.19.Z),

Activities of holding companies (PKD 64.20.Z),

Other credit granting (PKD 64.92.Z),

- Since 30/11/2019 the main business activity of the Company, registered in Estonia according to EMTAK classification is „Activities of holding companies”, EMTAK code no. 64201.

Duration of the Company:

- Duration of the Company is indefinite.

Registry court of the Company:

- Till 30/11/2018 the Company had been entered to the Register of Entrepreneurs of the National Court Register kept by the District Court for the Capital City of Warsaw in Warsaw, 14th Commercial Division, under the number 0000728655 (till 19/04/2018: 0000028913).
- Since 01/12/2018 the Company has been entered in Tartu County Court Registration Department, registry code: 14617916.

Share capital of the Company:

- Till 19/04/2018 the share capital of the Company was: PLN 35.000.000,00 and it was divided into 70.000.000 shares of the nominal value PLN 0,50 per share, including: 47.500.000 ordinary bearer shares of A series and 22.500 ordinary bearer shares B series.
- Since 19/04/2018 the share capital is 7.700.000,00 EURO and it is divided into 70.000.000 shares of the nominal value 0,11 EURO per share, including: 47.500.000 ordinary bearer shares of A series and 22.500 ordinary bearer shares B series.
- According to the statute of the Company, since 30/11/2018 the share capital of the Company has amounted to EUR 7.700.000,00 and it is divided into 70.000.000 ordinary bearer shares without the nominal value.

Financial year:

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

MANAGEMENT BOARD

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

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

In the form of appropriate Resolutions of the Supervisory Board of FON SE, the Vice-Chairman of the Supervisory Board - Mr Damian Patrowicz was delegated to temporarily perform duties of the Chairman of the Management Board, last time for the period since 04.04.2018 to 29/06/2018.

On 04/07/2018, Mr Damian Patrowicz was dismissed from the function of the Supervisory Board Member of the Issuer and appointed by the Supervisory Board to the function of the Chairman of the Management Board since 05/07/2018.

Report of the Management Board on activity of FON SE in 2018



SUPERVISORY BOARD:

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

- Wojciech Hetkowski - Chairman of the Supervisory Board
- Damian Patrowicz - held function of the Vice-President of the Supervisory Board till 04/07/2018 (in the meantime he was appointed to temporarily perform the duties of the Chairman of the Management Board till 29/06/2018)
- Małgorzata Patrowicz - Secretary of the Supervisory Board
- Jacek Koralewski - Member of the Supervisory Board
- Martyna Patrowicz - Member of the Supervisory Board
- Mariusz Patrowicz - Member of the Supervisory Board (since 04/07/2018 to 11/01/2019)

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

On 11/01/2019 Mariusz Patrowicz submitted a resignation letter from function held in the Supervisory Board of the Company.

THE AUDIT COMMITTEE:

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

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

On 04/07/2019 in the current report no 33/2018 the Management Board of the Issuer informed that the Supervisory Board of the Company decided to amend the composition of the Audit Committee by dismissing Mrs Martyna Patrowicz and appointing Mrs Małgorzata Patrowicz.

On 11/04/2019 in the current report no 12/2019 the Issuer informed that the Supervisory Board of the Company adopted a resolution regarding dissolution of the Audit Committee and dismissing all of its members effective as at 11/04/2019.

2. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

Statement of compliance with rules.

The financial statement covers the period since January 1, 2018 to December 31, 2018 and the comparable period since January 1, 2017 to December 31, 2017 and it was prepared using accounting principles, in accordance with International Financial Reporting Standards approved by the European Union.

The financial statement was prepared with assumption that the Company will going concern in the foreseeable future.

The financial statement was subjected into audit by an independent, certified auditor. The report and opinion on the audit is published along with this financial statement.

Functional and reporting currency.

The financial statement was prepared in EURO. The functional currency of the Company is Polish zloty (PLN), while the reporting (presenting) currency of the Company is EURO. The financial statement is presented in thousand of EURO. The financial statement was prepared with assumption that the Company will going concern in the foreseeable future.

3. ACCOUNTING PRINCIPLES APPLIED FOR PREPARATION OF THE CONDENSED FINANCIAL STATEMENT

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

4. DECLARATION OF THE MANAGEMENT BOARD ON RELIABILITY OF PREPARED STATEMENT

The Management Board of FON SE declares that according to their best knowledge, the annual financial statements for 2018 and comparable data were prepared in accordance with applicable accounting principles and that they reflect correctly, fairly and clearly the property and financial situation of FON SE and its financial result, as well as the fact that the annual report on the Issuer's activity includes real view of development and achievements as well as situation of FON SE, including description of basic threats and risks.

Tallinn, 10/10/2019

Damian Patrowicz

Chairman of the Management Board

5. DECLARATION OF THE MANAGEMENT BOARD REGARDING SELECTION OF AN ENTITY AUTHORIZED TO REVIEW AND AUDIT OF THE ISSUER'S FINANCIAL STATEMENT

The General Meeting of FON SE on 08/07/2019 made a choice of an entity which have audited the financial statements of FON SE for 2018.

The entity selected by the General Meeting is Hansa Audit os uiling headquartered in P rnu mnt. 377, 10919 Tallinn, registry code of the company 10616667.

The Management Board of FON SE confirms that the entity authorized to audit financial statements carrying out the audit of the annual financial statements of the Issuer was selected in accordance with provisions of law and that this entity and certified auditors carrying out the audit of this financial statement, meet requirements necessary to issue impartial and independent report on audit, pursuant to applicable provisions of law and professional standards.

Tallinn, 10/10/2019

Damian Patrowicz

Chairman of the Management Board

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6. SELECTED FINANCIAL DATA INCLUDING BASIC POSITIONS OF THE ANNUAL FINANCIAL STATEMENT

SELECTED FINANCIAL DATA	EUR thousand	
	YEAR	YEAR
	2018	2017
Revenues from sales of products, goods and materials	452	574
Profit (loss) on operating activities	-577	-1 370
Pre-tax profit (loss)	-2 086	-1 568
Net profit (loss)	-2 086	-1 426
Net cash flows from operating activities	36	-67
Net cash flows from investment activities	9	-2 529
Net cash flows from financial activities	0	2 650
Changes in cash and cash equivalents	-47	55
Total assets	9 338	15 608
Short-term liabilities	14	36
Equity	9 324	15 561
Share capital	7 700	8 379
Weighted average of diluted number of shares (in pcs.)	70 000 000	49 226 027
Profit (loss) per share (EUR)	-0,03	-0,03
Book value per share (EUR)	0,13	0,32

Rules for converting items of the financial statements into EURO.

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

- Statement of financial situation items were calculated according to the exchange rate announced by the European Central Bank as at balance sheet day.
 - As at 31/12/2018 1 EUR = 4,3014
 - As at 31/12/2017 1 EUR = 4,1770

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- Items of Profit and Loss Statement and Cash flow statement were calculated according to the exchange rate being arithmetic mean of the average exchange rates announced by the European Central Bank as at the beginning and the end of the period.
 - Since 1/01/2018 to 31/12/2018 1 EUR = 4,2267
 - Since 1/01/2017 to 31/12/2017 1 EUR = 4,2937

7. 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, and rental of real estate. 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 Issuer's revenues. Revaluation of the assets held i.e. stocks and shares of entities in the Issuer's portfolio and write-offs of granted loans capital also have significant influence on presented Issuer's results.

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

8. 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, whose profitability has recently improved slightly due to the increase in prices of Energy sold and property rights related to production of Energy from renewable Energy sources i.e. „Green certificates”. However, due to the instability of the Energy marked in the scope of renewable Energy and the age of owned devices, the company decided to withdraw from this segment of activity in 2019.

9. 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.

10. SIGNIFICANT ENVIRONMENTAL AND SOCIAL INFLUENCES BEING RESULT OF THE ACTIVITIES OF THE ACCOUNTING ENTITY

Due to the specifics of the Company's operations, i.e. financial services and production of Energy from renewable Energy sources (windmills), there are no significant environmental and social impacts resulting from the Company's activity.

11. 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 point 4.10 of the Annual Financial Statement of 2018.

12. 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 point 3.5 (Note 5) of the Annual Financial Statement for 2018. 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.

13. 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 Issuer does not conduct research and development projects.

14. MAIN FINANCIAL RATIOS CONSIDERING FINANCIAL YEAR AND PREVIOUS FINANCIAL YEAR WITH THE METHODS OF CALCULATING THESE RATIOS

Ratios	31/12/2018	31/12/2017
Assets (in EUR thousand)	9 338	15 608
Return on assets (ROA)	-22,34%	-9,31%
Equity (in EUR thousand)	9 324	15 561
Return on equity (ROE)	-22,37%	-9,16%
Debt ratio	0.15%	0,30%
Net loss (in EUR thousand)	-2 086	-1 426

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Shares	31/12/2018	31/12/2017
price of the share (EUR)	0,02	0,05
Earnings per share (EUR)	-0,030	-0,020
Price-to-earnings (PE) ratio	-1,5	-2,5
Book value of the share (EUR)	0,13	0,22
Price-to-book ratio	0,15	0,23
Current liquidity ratio	46	155
Market capitalisation (in EUR thousand)	1 400	2 460

Return on assets = net profit / total assets

Return on equity = net profit/ equity

Debt ratio = liabilities / total assets

Earnings per share = net profit/ number of shares

Price to earnings (PE) ratio = price of the share / earnings per share

Book value of the share = equity / number of shares

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

Market capitalisation = close price of the share X number of shares

Current liquidity ratio = current assets/current liabilities.

15. IF ON THE BALANCE SHEET DAY, THE EQUITY OF ACCOUNTING ENTITY DOES NOT COMPLY WITH THE REQUIREMENTS ESTABLISHED IN THE COMMERCIAL CODE, THE EQUITY RESTRUCTURING PLAN SHOULD BE DESCRIBED IN THE MANAGEMENT BOARD REPORT

The entity's equity presented in the balance is complied with the requirements established in the Code of Commercial Companies.

16. IF DURING THE FINANCIAL YEAR, ACCOUNTING ENTITY ACQUIRED OR ACCEPTED OWN SHARES AS THE COLLATERAL THAN THE FOLLOWING INFORMATION REGARDING ACQUIRED OR ACCEPTED AS THE COLLATERAL OF SHARES SHOULD BE INDICATED IN THE MANAGEMENT BOARD'S REPORT AS TRANSFERRED OR NOT TRANSFERRED

1) The number of shares and their nominal value or in the case of the lack of nominal value, the book value and share of these stocks in share capital.

2) Amount of benefit paid for shares and reason for their purchase or acceptance as collateral.

In the reporting period the Company did not purchase or take over own shares as collateral.

17. 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 May 27, 1999, FON SE shares have been listed on the Warsaw Stock Exchange. As at the balance sheet date, 31/12/2018 FON SE held 70,000,000 shares issued, without nominal value. The shares are freely transferable and have no statutory restrictions.

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At the end of 2017, the price per share was PLN 0.19. At the end of December 2018, the price was PLN 0.02.

As at the balance sheet date, 31/12/2018 Issuer's shares in the amount of 47.500.000 were dematerialized bearer shares, allowed to trading on the regulated market of the Warsaw Stock Exchange. Other shares amounting to 22.500.000 are not allowed to trading on the regulated market of the Warsaw Stock Exchange.

Issuer's share capital

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

- Until 19/04/2018 the Company's share capital was PLN 35.000.000,00 and it was divided into 70.000.000 shares with a nominal value of PLN 0,50 each including 47.500.000 series A ordinary bearer shares and 22.500.000 series B ordinary bearer shares.
- On 19/04/2018 the merger of the Issuer previously operating as a joint-stock company under Polish law under the name FON SPÓŁKA AKCYJNA with its registered office in Płock at Padlewskiego Street 18C, Poland, entered into the Register of Entrepreneurs of the National Court Register kept by the District Court for the Capital City of Warsaw in Warsaw, 14th Commercial Division under the number KRS 0000028913, NIP 5480075844, REGON 070009914 with the company FON1 Polska Akciová společnost based in Ostrava, address: Poděbradova 2738/16, Moravská Ostrava, 702 00 Ostrava, Czech Republic entered in the commercial register kept by the District Court in Ostrava, section B under number 10981, identification number 06503390 (hereinafter: acquired company) was registered.

As a result of registration of the merger by the District Court for the Capital City of Warsaw in Warsaw the Issuer took the legal form of a European Company and until 30/11/2018 operated under the Company FON SE with its registered office in Płock at Padlewskiego Street 18C, Poland, entered into the Register of Entrepreneurs of the National Court Register kept by the District Court for the Capital City of Warsaw in Warsaw, 14th Commercial Division, under KRS number 0000728655.

The merger was affected by acquisition by FON S.A. of the company FON1 Polska Akciová společnost, in accordance with the provisions of Article 2 para. 1 in connection with Article 17 para. 2 letter a) and 18 of Council Regulation (EC) No. 2157/2001 of 8/10/2001 on the articles of association of the European company (SE) of 8/10/2001 (Official Journal of the EU. L No. 294, p. 1) (Next: Regulation SE).

As a result of merger Company's share capital was expressed in EURO and until 30/11/2018 amounted to: EUR 7.700.000,00 and was divided into 70.000.000 bearer shares with nominal value of EUR 0,11 including 47.500.000 series A ordinary bearer shares with a nominal value of EUR 0,11 each and 22.500.000 series B ordinary bearer shares with a nominal value of EUR 0,11 each.

- On 30/11/2018 there was a registration of a change of the Company's registered office to Estonia and an amendment of the Statute, and the share capital as at the balance sheet date 31/12/2018 was expressed in EURO and amounts to EUR 7.700.000,00 and is divided into 70.000.000 bearer shares without nominal value.

18. ANY RESTRICTIONS APPLIED BY THE COMPANY'S STATUE 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.

**19. SIGNIFICANT SHARE PACKAGES IN ACCORDANCE WITH THE PROVISIONS OF § 9 THE
SECURITIES MARKET ACT**

As at balance sheet date i.e. 31/12/2018 in accordance to the best knowledge of the Management Board there were no changes in the structure of direct shareholding compared to this presented on the date of publication date of the periodic report for the third quarter of 2018 and it was as follows:

Shareholder	Number of held shares	Contribution in the share capital (%)	Number of votes from held shares	Contribution in the total number of votes at the GMoS (%)
Patro Invest OÜ	23.123.763	33,03	23.123.763	33,03
Other	46.876.237	66,97	46.876.237	66,97
Total:	70.000 000	100,00	70 .00 000	100,00

As at balance sheet date i.e. 31/12/2018 in accordance to the best knowledge of the Management Board there were changes in the structure of indirect shareholding compared to this presented on the date of publication date of the periodic report for the third quarter of 2018 and it was as follows:

Shareholder	Number of held shares	Share in the share capital (%)	Number of votes from held shares	Share in the total number of votes at the GMoS (%)
Damian Patrowicz	23.123.763	33,03	23.123.763	33,03
Other	46.876.237	66,97	46.876.237	66,97
Total:	70.000 000	100,00	70 .00 000	100,00

**20. OWNERS OF SHARES GIVING SPECIAL SUPERVISING/CONTROL POWERS AND
DESCRIPTION OF THESE RIGHTS**

There are not any shares in the Company that give special supervision and control rights.

**21. 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
SEPARAED WITH ANY AGREEMENT WITH THE COMPANY**

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In accordance with the provisions of point 2.3 of the Company's Articles of Association, all Company's shares are of one type and give the shareholders equal rights, and each share gives one vote at the General Meeting of the Company.

There are no restrictions in the Company related to voting rights, preference shares in a scope of voting rights or system, in which monetary rights connected with securities and their ownership are separated from each other in agreement with the Company.

22. 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.

23. RESOLUTIONS AND RULS OF MAKING AN ALTERNATION IN THE ARTICLE OF ASSOCIATION SETTLED BY LAW

In accordance with point 4.8.1 of the Issuer'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.

24. 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.

25. AGREEMENTS CONCLUDED BETWEEN THE COMPANY AND THE MANAGEMENT BOARD MEMBERS OR EMPLOYEES, WHICH PROVIDE COMPENSATION IN CASE OF ACQUISITION DESCRIBED IN CHAPTER 19 OF THE SECURITIES MARKET ACT

The Company did not conclude such agreements with Management Board members or employees.

26. ALL SIGNIFICANT AGREEMENTS, IN WHICH THE COMPANY IS A PARTY AND WHICH COME INTO FORCE, ARE CHANGED OR TERMINATED, IN CASE OF AS A RESULT OF THE TAKEOVER BID, IN ACCORDANCE WITH SECTION 19 OF THE SECURITIES MARKET ACT, ANOTHER PERSON GET A SIGNIFICANT PACKAGE OF THE COMPANY'S SHARES AND THE EFFECTS OF SUCH AGREEMENTS, UNDER THE CONDITION THAT IN CONNECTION WITH ITS TYPE, ITS DISCLOSURE WILL NOT INCLUDE ANY DAMAGE TO THE COMPANY

The Company did not conclude, change or terminate that type of agreements or contracts.

27. DESCRIPTION OF THE BASIC ECONOMIC AND FINANCIAL DATA REVEALED IN THE ANNUAL FINANCIAL STATEMENT AND DESCRIPTION OF THE FACTORS AND THE MOST IMPORTANT UNTYPICAL EVENTS HAVING SIGNIFICANT INFLUENCE ON THE ACTIVITY OF THE ISSUER AND ACHIEVED PROFITS OR LOSSES IN THE FINANCIAL YEAR

The Issuer in the reporting period recorded:

- Revenues from the sale of products in the amount of PLN 1 930 thousand = 452 thousand EUR,
- Gross profit on sales in the amount of PLN 1 700 thousand = 398 thousand EUR,
- Loss from operating activities in the amount of PLN 2 461 thousand = 577 thousand EUR,
- Net loss from economic activity in the amount of PLN 8 901 thousand = 2 086 thousand EUR,
- Financial costs in the amount of PLN 6 470 thousand = 1 516 thousand EUR
- General administrative costs in the reporting period in the amount of PLN 672 thousand = 157 thousand EUR.

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

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

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

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

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

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

28. 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 point 3.5 (Note5) of the Annual Financial Statements for 2018.

29. 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 point 3.5 (Note 5) of the Annual Financial Statement for 2018.

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

As at 31/12/2018 the Company was not the party of any new significant proceedings comparing to the information presented in the periodic report for the third quarter of 2018. The most important pending proceedings are:

➤ Administrative proceedings conducted by the Polish Financial Supervision Authority against FON SE regarding the imposition of a financial penalty on FON SE pursuant to art. 97 paragraph. 1 point. 2 of the resolution of July 29, 2005 on public offer and condition of launching to the organised trading system and on public Company, towards breaching art. 69 paragraph 1 point 1 in connection with art. 87 paragraph. 5 point. 1 on the offer related to acquisition on 1 January 2012 shares of public Company Zakłady Mięsne Herman S.A. (current Investment Friends Capital SE with registered office in Płock). After receiving the above decision on 14/06/2017 the Issuer has submitted to the Polish Financial Supervision Authority a request to reconsider the case and repeal the decision in whole. On 29/05/2018 PFSA issued a decision in which it annulled in full the penalty imposed on FON SE and imposed a penalty in this case again at a lower amount, i.e. PLN thousand. In relations to the re-imposition of the penalty, the Issuer on 03/07/2018 made a complaint against the PFSA decision to the Provincial Administrative Court. On 08/01/2019 the Provincial Administrative Court pronounced a judgement of dismissal and in relations to above on 29/03/2019 the Company made a cassation appealed to Supreme Administrative Court. The case remains pending.

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

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

31. INFORMATION ON THE ISSUER'S CAPITAL RELATIONS WITH OTHER ENTITIES AND IDENTIFICATION OF ITS MAIN DOMESTIC AND FOREIGN INVESTMENTS, INCLUDING CAPITAL INVESTMENTS MADE OUT OF ITS RELATED ENTITIES GROUP AND DESCRIPTION OF ITS FINANCING METHOD

As at the balance sheet date of 31/12/2018 FON SE does not have subsidiaries and does not create its own capital group and does not consolidate financial statements.

- The Company FON SE made a loan of the 69 shares of Fon Zarządzanie Nieruchomościami Sp. z o.o. to Damf Invest S.A.
- FON SE as at 31/12/2018 held 12.899 shares of IFEA Sp. z o.o. constituting 44,58% in the capital of IFEA Sp. z o.o., which is an associate of FON SE.
- FON SE. as at 31/12/2018 owned 957.854 shares of IFERIA S.A. representing 0,49% of the share capital of IFERIA S.A.
- On 19/04/2018 the merger of the Issuer previously registered as a joint-stock company under Polish law under the name FON SPÓŁKA AKCYJNA with its registered office in Płock at Padlewskiego Street 18C, Poland, entered into the Register of Entrepreneurs of the National Court Register kept by the District Court for the Capital City of Warsaw in Warsaw, 14th Commercial Division under the number KRS 0000028913, NIP 5480075844, REGON 070009914 with the company FON1 Polska Akciová společnost based in Ostrava, address: Poděbradova 2738/16, Moravská Ostrava, 702 00 Ostrava, Czech Republic entered in the commercial register kept by the District Court in Ostrava, section B under number 10981, identification number 06503390 was registered. FON1 Polska Akciová společnost was a special purpose entity which was registered on 10/10/2017.

As a result of the registration by the District Court for the Capital City of Warsaw in Warsaw of the merger the Issuer adopted the legal form of the European Company. The merger was effected by acquisition by FON S.A. of the company FON1 Polska Akciová společnost, in accordance with the provisions of Article 2 para. 1 in connection with Article 17 para. 2 letter (a and 18 of Council Regulation (EC) No. 2157/2001 of 8/10/2001 on the articles of association of the European company (SE) of 8/10/2001 (Journal of Laws of the EU No. 294, p. 1) The merger was approved by the Issuer's General Meeting on 3/01/2018 by Resolution No. 9.

- ***Issuer's personal and organizational ties:***

Capital-related entities (significant shareholders of the Issuer):

Patro Invest OÜ – direct significant shareholder

Mr. Damian Patrowicz – indirect significant shareholder

To the best of the Management Board's knowledge, the dominant direct shareholder is Patro Invest OÜ with its registered office in Tallinn, which had a 33,03% share of the share capital and 33,03% of votes at the Issuer's General Meeting.

Relations between members of the Issuer's governing bodies

In the reporting period, the following organizational connections occurred between the members of the Issuer's management and supervisory bodies:

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- a) Wojciech Hetkowski - The Chairman of the Supervisory Board was a Member of the Supervisory Board in: Atlantis SE, DAMF Inwestycje S.A., Elkop S.A., Investment Friends SE, Investment Friends Capital SE, Resbud SE,
- b) Jacek Koralewski - a member of the Supervisory Board was the Chairman of the Management Board in Elkop S.A., and member of the Supervisory Board in Atlantis SE, DAMF Inwestycje S.A., Investment Friends SE, Investment Friends Capital SE, Resbud SE,
- c) Małgorzata Patrowicz - a member of the Supervisory Board was the Chairman of the Management Board in DAMF Invest S.A. under liquidation, Patro Invest Sp. z o.o., IFEA Sp. z o.o., the Management Board of IFERIA S.A., and the Member of the Supervisory Board in: Atlantis SE, DAMF Inwestycje S.A., Elkop S.A., Investment Friends SE, Investment Friends Capital SE, Resbud SE,
- d) Damian Patrowicz - formerly a Member of the Supervisory Board of FON SE, presently the Chairman of Management Board of FON SE was a member of the Supervisory Board in: Atlantis SE, DAMF Invest S.A. under liquidation, DAMF Inwestycje S.A., Elkop S.A., IFERIA S.A., Investment Friends SE, Resbud SE, is a shareholder of FON Zarządzanie Nieruchomościami Sp. z o.o., Nova Giełda Inwestycje LPS, shareholder and Chairman of the Management Board of Nova Giełda Inwestycje Sp. z o.o., was the Chairman of the Management Board of FON1 Polska a.s. and Investment Friends Capital 1 Polska a.s. based in Ostrava Czechy, is the Chairman of the Management Board of Investment Friends Capital SE, Nowy Wiatr Sp. z o.o., Patro Invest OÜ based in Tallinn in Estonia, of which he is the sole shareholder and is a shareholder of the Company Patro Inwestycje Sp. z o.o.,
- d) Martyna Patrowicz - the Member of the Supervisory Board was a Member of the Supervisory Board in: Atlantis SE, DAMF Invest S.A. under liquidation, DAMF Inwestycje S.A., Elkop S.A., IFERIA S.A., Investment Friends Capital SE, Resbud SE,
- e) Mariusz Patrowicz - the Member of the Supervisory Board was the Member of the Supervisory Board in: Investment Friends Capital SE, Elkop S.A., Damf Invest S.A. under liquidation.

32. INFORMATION ON TRANSACTIONS CONCLUDED BY THE ISSUER OR A SUBSIDIARY OF THE ISSUER 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 Issuer 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 item 3.5 (Note 5) and in item 3.32 (Note 32) of the Company's Annual Financial Statements for 2018.

33. INFORMATION ON CONTRACTS ABOUT CREDITS AND LOANS TAKEN OUT AND TERMINATED IN A GIVEN YEAR, WITH GIVEN AMOUNT AND THE INTEREST RATE, CURRENCY AND DUE DATE

In the financial year 2018, the Issuer did not have any loans or borrowings drawn and terminated.

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

Loans granted by the Issuer were specified in item 3.5 (Note 5) of the Company's Annual Financial Statements for 2018.

35. INFORMATION ABOUT SURETIES AND GUARANTEES GRANTED AND RECEIVED IN A GIVEN FINANCIAL YEAR, WITH PARTICULAR CONSIDERATION OF SURETIES AND GUARANTEES GRANTED TO THE RELATED ENTITIES OF THE ISSUER.

In the reporting period of 2018, the Company granted the following surety.

In the periodic report for the first half of 2018 the Issuer informed that it granted a guarantee up to PLN 590.000,00 for Investment Friends SE headquartered in Płock.

On 18/04/2018 the Issuer has entered into an agreement with Investment Friends SE regarding the transfer of funds for repayment of receivables of Investment Friends SE with its registered office in Płock due to that company towards TOP MARKA S.A. (KRS 0000292265) and secured by a mortgage up to the amount of PLN 15.000.000,00 on the property in Poznań at Kopanina Street 54/56 described in the current report of the Issuer No. 67/2013 and the abovementioned report 10/2018.

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

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

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

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

After the balance sheet date, i.e. 01/04/2019 the Issuer paid PLN 590.000,00 to the Investment Friends SE in venture of liabilities realization from Warranty Agreement of 18/04/2018. Having paid above mentioned sum, all the claims of Investment Friends SE against the Issuer in venture of Warranty Agreement were satisfied.

**36. IN CASE OF ISSUANCE OF SECURITIES IN THE PERIOD COVERED BY THIS REPORT-
DESCRIPTION OF USAGE OF REVENUES FROM ISSUANCE OF SECURITIES BY THE ISSUER
TILL THE MOMENT OF PREPARATION OF THE REPORT ON ACTIVITY**

In the reporting period the Company has not issued new securities.

**37. EXPLANATION OF DIFFERENCES BETWEEN FINANCIAL RESULTS DISCLOSED IN THE
ANNUAL REPORT AND PREVIOUSLY PUBLISHED FORECASTS FOR THE PARTICULAR YEAR**

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

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

In the reporting period, apart from indicated in the note no. 5 of the financial statement, 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 Issuer 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 Issuer's results have the valuations of owned tokens, financial instruments (stocks, shares) being in the Company's portfolio as well as loans granted, and liquidity of these instruments which make them possible to be sold at the satisfying price level.

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 Issuer, resulting from concluded loan agreements.

For revenues obtained from renewable energy sources, the significant factors in the reporting period were also law regulations regarding this segment and the weather conditions (windiness) and breakdowns of the wind turbines, which have direct influence on effectiveness obtained by the wind farms and the market price level of the „green certificates” and electricity.

Because of the fact that as at 30/11/2018 there were registration of the Company's headquarter and transfer of the Issuer to Tallinn in the Republic of Estonia made, functioning of the Issuer in the new economic circumstances and local law system will be important for the further operating of the Issuer.

The Issuer's activity after transfer of its headquarter is continued and still the leading activity of the Company is financial activity, i.e. financial service activity. In the future, the Company intends to finish its activity related to production of electricity in the renewable source of energy as well as to sale owned turbines and the infrastructure connected to them. The Management Board, according to their best knowledge does not foresee any changes in the Company's activity profile.

39. 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 Issuer 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 or funds gained from sale of owned assets. In case of necessity to get additional financing, the Issuer does not exclude a possibility of issuance of shares and debt instruments.

40. 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 the Note 5 of the Financial Statement for 2018, there have not occurred any other, especially atypical, factors and events which could have a significant influence on assessment and change of the property and financial situation of the Company and on ability to fulfill its obligations. The significant

influence on the Issuer's results have the valuations of owned tokens, financial instruments (stocks, shares) being in the Company's portfolio as well as loans granted, and liquidity of these instruments which make them possible to be sold at the satisfying price level.

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

According to the best knowledge of the Management Board, as at the date of publication of this periodical report, the Issuer's operating after transferring its seat will be continued and still the main activity will be financial services, i.e. financial service activity.

41. CHARACTERISTIC OF EXTERNAL AND INTERNAL FACTORS SIGNIFICANT FOR DEVELOPMENT OF THE ENTERPRISE OF THE ISSUER AND DESCRIPTION OF PERSPECTIVES FOR DEVELOPMENT OF THE ISSUER'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 ISSUER

Taking into account the Issuer's leading activity, including financial service activities in the field of granting non-consumer cash loans and renting owned apartment, as well as considering owned by the Company stocks and shares of public and non-public market entities, in the Issuer'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 Issuer,
- 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,
- results and condition of the companies being in the Issuer's portfolio, having influence on their valuation and liquidity, including further level of valuation of owned by the Issuer shares of non-public entity IFEA Sp. z o. o.

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.

42. CHANGES IN THE BASIC RULES OF THE ISSUER'S ENTERPRISE MANAGEMENT AND ITS CAPITAL GROUP

In the reporting period there have not occurred any significant changes in the basic rules of the Issuer's enterprise management.

The Issuer has realized the procedure of merger of entities and gained the European Company statute and transferred its seat to Tallinn in the Republic of Estonia.

Report of the Management Board on activity of FON SE in 2018



43. ANY AGREEMENTS BETWEEN THE ISSUER 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 ISSUER

The Issuer has not concluded such an agreements with the managing staff.

44. VALUE OF REMUNERATIONS, REWARDS OR BENEFITS PAID OUT OR DUE FOR THE MANAGING AND SUPERVISING PEOPLE OF THE ISSUER IN 2018

Remuneration of the Management and Supervisory Board	12 months ended 31 December 2018	12 months ended 30 December 2017
Members of the Supervisory Board	12	15
Management Board	0	0

45. INFORMATION ON AN AVERAGE EMPLOYMENT

In the reporting period 2017 the Company employed on average 2,0 people under an employment contract. The annual average employment during the period to since 01/01/2018 to 30/12/2018 was 1,8 people under the employment contract.

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

- **Members of the Management Board**

As at the balance date 31/12/2018 and as at the date of publication of this periodical report, the Chairman of the Management Board Mr. Damian Patrowicz owns indirectly the Issuer's shares. According to the best knowledge of the Management Board, Mr. Damian Patrowicz owns indirectly, via his subsidiary Patro Invest OÜ, 23.123.762 shares of FON SE, constituting 33,03% of the share capital of the Company and entitling to 23.123.763 votes what constitute 33,03% of the votes at the General Meeting of the Company.

- **Members of the Supervisory Board**

According to the knowledge of the Management Board of FON SE, Members of the Management 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 Issuer.

47. INFORMATION ON KNOWN FOR THE ISSUER AGREEMENTS AS A RESULT OF WHICH THERE COULD OCCUR CHANGES IN PROPORTIONS OF OWNED SHARES BY THE CURRENT SHAREHOLDERS

The Issuer has not any knowledge about this kind of agreements.

48. INFORMATION ON SYSTEM OF CONTROL OF EMPLOYEE SHARES SCHEME

The Issuer does not introduce employee shares scheme.

49. INFORMATION ON ANY LIABILITIES RESULTING FROM PENSIONS AND BENEFITS OF SIMILAR CHARACTER FOR PEOPLE WHO WERE MANAGERS, PERFORMED SUPERVISING FUNCTIONS, OR WERE MEMBERS OF ADMINISTRATIVE ORGANS, AND ON COMMITMENTS MADE IN CONNECTION WITH THESE PENSIONS SPECIFYING THE VALUE FOR EACH ORGAN; IF RELEVANT INFORMATION WERE PRESENTED IN THE FINANCIAL STATEMENT - THIS OBLIGATION IS DEEMED TO BE FULFILLED BY INDICATION OF ITS POSITION IN THE FINANCIAL STATEMENTS

This kind of obligation does not exist in the Company.

50. INFORMATION ON OWN SHARES

In the period covered by this report the Company has not owned own shares.

51. INFORMATION ABOUT BRANCHES OF THE COMPANY

The Company has not any branches.

52. INFORMATION ON FINANCIAL INSTRUMENTS IN TERMS OF:

- a) risks: prices' change, credit, significant interruptions of cash flows and loosing of financial liquidity, to which the entity is exposed
- b) 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.

53. INFORMATION REGARDING AN AGREEMENT AND AN ENTITY AUTHORIZED TO AUDIT FINANCIAL STATEMENTS OF THE ISSUER

The governing body entitled to choose a certified auditor, according to the Company's Article of Association is the General Meeting of Shareholders. On 08/07/2019 the General Meeting of Shareholders of FON SE made a selection of an entity authorized to carry out an audit of financial statement of the Company as at 31/12/2018 and 31/12/2019. An entity selected by the General Meeting is Hansa Audit osäühing headquartered in Pärnu mnt. 377, 10919 Tallinn, registry code of the company: 10616667, Certified Auditor Alar-Ants Smirnov, licence no. 97. Remuneration for the Auditor will be paid according to the Agreement concluded between the Company and Hansa Audit osäühing, which was established on market conditions.

Tallinn, 10/10/2019

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Damian Patrowicz – Chairman of the Management Board