

Assessment of the Company's situation, taking into account the assessment of the internal control systems, the risk management, the compliance management, the way of discharging by OEX S.A. of information obligations concerning the corporate governance as well as the assessment of the rationality of the Company's policy concerning sponsoring, charitable or similar activities

I. Brief assessment of the situation of OEX S.A. in 2018

The Supervisory Board prepared the assessment of the Company on the basis of information it had access to in relation with the ongoing discharge of its duties, the ongoing review and analysis of the affairs of the OEX Group, discussions with the Company's Management Board and review of the financial statements for the first half and for the financial year 2018, as well as the quarterly financial statements for the first and third quarters of 2018.

The Supervisory Board positively assesses OEX S.A.'s achievements of 2018, the financial and the activities undertaken by the Management Board with a view to increasing the value of the OEX Group. In 2018, the OEX S.A. Group once again closed the financial year with the highest consolidated results in its history. The consolidated sale revenue amounted to PLN 608.7 million and were higher by 7.6 per cent than last year (whereby the growth in the revenue as adjusted by the items that do not generate margin, including those related with the change to the system of phone sale settlement and liquidation of phone instalment sales, was considerably higher – it amounted to 22 per cent on a y/y basis). EBITDA amounted to PLN 36.3 million and was 1.3 per cent lower than last year (however EBITDA adjusted by the effect of the above-mentioned changes to the settlement system rose by 6.7 on a y/y basis).

The Company's Management Board effectively obtains external financing for the Group's activities and development, paying particular attention to optimise the Issuer's financial costs.

One of the examples of effective actions in this regard was the successful issue of series D shares where the Company obtained an amount of approx. PLN 18 million. The increase in the Company's share capital was made by the issue of 1,101,445 ordinary series D bearer shares.

In the assessment of the Supervisory Board, the Company's situation is good and non-threatened, considering its permanent profitability. The business perspectives based on further organic growth of the Group are positive.

II . Assessment of the internal control, risk management and compliance in the OEX Group

The Supervisory Board in cooperation with the Management Board of the Company analyses on an ongoing basis the market environment and the (financial and non-financial) risk factors the OEX Group is exposed to.

After the business diversification carried out by the Company and the separation of strategic operating segments of the OEX Group, the Management Board of the Company and the management staff pursue a permanent and multi-level supervision over particular business segments. Furthermore, the assessment of risk factors related to particular business objectives resulting from the Management Board-adopted strategy is carried out on an ongoing basis. In response to the risks identified, the Management Board and the management staff make ongoing changes to the procedures in place and internal regulations of the OEX Group.

The main elements of the internal control and risk management system make up part of the OEX Group's business processes and comprise, without limitation:

- procedures and regulations concerning, without limitation: delegation of powers and authorisations concerning decisions, assessment of business projects,
- result reporting and control processes related to particular business areas,
- control of the IT systems supporting the business processes and monitoring the operation of the systems themselves.

The internal control system of OEX S.A. is a process pursued in response to identified risks in order to ensure the performance of tasks in an effective way and in accordance with the generally applicable provisions of law and other regulations.

The Company identifies, monitors and manages on an ongoing basis the risks related to the business of the entire OEX Group.

The OEX Group's financial risk management is coordinated by the parent company - OEX S.A. - in close cooperation with the Management Boards of subsidiaries. In the risk management process, the following objectives are of the highest importance:

- performance of the financial forecasts by the performance of budgetary assumptions;
- hedging of short-term and mid-term cash flows;
- achievement of the rate of return on long-term investments and obtaining optimal sources of finance for the investing activities.

The main element of risk control and management as regards the financial reporting is the verification of the separate statements and consolidated statements by an independent external auditor. The annual and interim financial statements are reviewed and audited by a chartered statutory auditor who prepares an audit report and opinion or, respectively after a review, a review report and opinion.

Irrespective of the foregoing, the management of the potential compliance risk of the OEX Group, both as regards the legal regulations and the internal procedures and standards, is analysed by the compliance function. The system-based compliance risk management within the organisation makes part of the responsibilities of the Legal and Compliance Department of OEX (DPC), which is in charge of the coordination and formal pursuit of compliance tasks within the OEX Group. The ongoing management of the compliance risk, i.e. the observance of standards and procedures, constitutes the basic responsibilities of each employee as part of their daily tasks.

The main tasks of the Legal and Compliance Department include the supervision over the discharge of information obligations by OEX S.A. and the coordination of activities related thereto within the Group, initiation of changes and development of drafts of appropriate internal regulations concerning the flow of stock exchange information. The procedures prepared by the Legal and Compliance Department determine the basic principles for the classification of given information as confidential, introduce clear principles of handling all such information within the OEX Group and lay down the principles of cooperation between all companies of the OEX Group as regards the information obligations.

As part of its duties, the Legal and Compliance Department puts considerable emphasis on advisory and educational activities aimed at building and increasing the compliance awareness within the organisation. During the training courses and workshops (case studies), the Legal and Compliance Department explains in detail and imparts the knowledge on how to deal with confidential information within the OEX Group and discharge the information obligations. At the same time, the task of the Legal and Compliance Department is to signal within the organisation the changes in the regulatory and legal environment that are significant from the perspective of the OEX Group and the business activities of the OEX Group companies as well as to provide support related to the management of risks related to such changes.

Additionally, the Legal and Compliance Department coordinated the legal and compliance-related activities connected with organisational changes and capital transactions that are significant from the perspective of the OEX Group in the corporate area by, among other things, assistance in the preparation and adoption of resolutions of statutory governing bodies, organization of general meetings of shareholders, registration of amendments with the National Court Register.

The Legal and Compliance Department is also authorised to carry out controls related to the scope as determined in cooperation with the Management Board, which constitutes an additional control mechanism within the internal control system (institutional control).

Since 29 September 2017, the Supervisory Board of OEX S.A. has had its Audit Committee. Among its basic tasks, there are activities related to the monitoring of the Company's financial statements and the examination of efficiency of the internal control systems and risk management systems. Despite the fact that the function of the Audit Committee is mainly to analyse the actual state of affairs and give recommendations as to further activities and not to

possibly implement or pursue the same (which remains within the scope of responsibilities of the Management Board or the management staff of the Group), in the opinion of the Supervisory Board, the tasks undertaken by the Audit Committee and tasks planned for the future will ensure additional reinforcement and streamlining of the OEX Group's protection against both internal and external threats and risks.

The Supervisory Board of OEX S.A., as a permanent supervisory body, positively assesses the internal control, the risk management and the compliance systems in place in the Company as adequate to the size and business profile of the Company. The said systems support the management activities and contribute to safety growth as well as higher effectiveness of business processes within the OEX Group.

At the same time, in the assessment of the Supervisory Board, the Company does need a separated internal audit function as an independent organisational unit, which is related to the size and scope of activities pursued by the Company. The tasks of the internal audit are pursued by a number of specifically appointed persons with appropriate qualifications in selected organisational units of the Company and in the structures of subsidiaries making up the OEX Group.

III. Assessment of the discharge by OEX S.A. of information obligation concerning the corporate governance principles

The information obligations concerning the application of the corporate governance rules were defined in 2018 in the Regulations of Warsaw Stock Exchange and in the Regulation of the Minister of Finance of 19 February 2009 on current and periodical information to be disclosed by security issuers and on conditions of recognition of information required by the laws of a state that is not a member-state as equivalent (consolidated text in *Journal of Laws* Dz.U.2014.133) and, since 30 April 2018, the Regulation of the Minister of Finance of 29 March 2018 on current and periodical information to be disclosed by security issuers and on conditions of recognition of information required by the laws of a state that is not a member-state as equivalent (hereinafter referred to as the Regulation on ongoing and periodical information). The principles of provision of ongoing reports concerning the application of detailed corporate governance rules are defined in the Resolution of the Management Board of the Warsaw Stock Exchange No. 1309/2015 dated 17 December 2015.

The regulation on ongoing and periodical information clarified what information should be included in the statement on the application of corporate governance constituting a separate part of the report on activities of the issuer in the Annual Report of the Company.

Furthermore, as regards the regulations concerning the corporate governance and the rules of communication with investors and the market, the Company applies the 'Code of Good Practices of the WSE Listed Companies 2016' as adopted by the Warsaw Stock Exchange in its resolution ('WSE') No. 26/1413/2015 dated 13 October 2015.

The Supervisory Board familiarised with the statement on the application of the corporate governance attached to the Annual Report of OEX S.A. and the Annual Report of the OEX Group. The statement describes in detail the corporate governance-related matters and contains information laid down in the Regulation on current and periodical information.

The Supervisory Board is of the opinion that OEX S.A. correctly discharges its information obligations related to the application of the corporate governance rules. The information published by OEX S.A. is compliant with the requirements and reliably present the state of affairs as it concerns the application of the corporate governance rules.

IV. Assessment of the rationality of the Company's policy concerning sponsoring, charitable or similar activities

Pursuant to rule II.Z.10.4. contained in the Code of Good Practices of the WSE Listed Companies 2016, the Supervisory Board presents its assessment of the rationality of the Company's policy as mentioned in recommendation I.R.2. of the Code of Good Practices of the WSE Listed Companies 2016, i.e. in the scope related to its sponsoring, charitable or similar activities.

Activities related to the corporate social responsibility are conducted, without limitation, in the following areas: responsible employer, employee voluntary work, education and ecology.

The OEX Group companies carry out activities aimed at increasing the awareness of significant social problems and encouraging the involvement of all employees in the pursuit of social responsibility area projects. Employee volunteering plays an important role in these activities. The employees of OEX S.A. and of the OEX Group companies receive the support of the organisation in the actions they engage in or they help *pro bono* by providing work or services in their areas of competence.

Selected actions the OEX Group companies supported in 2018:

1. 'WSZYSCY DO WIOSEŁ' (*EVERYBODY LET'S PADDLE*) - The OEX Group supported the charitable initiative of the Legia Foundation, this time as its main partner. The funds collected during the action were donated to St. Christopher's Oncological Hospice in Warsaw. The OEX Group also became one of the sponsors of the Children's Day organised by the Legia Foundation;
2. 'QURIER ŚWIĘTEGO MIKOŁAJA' (*ST. CLAUS' COURIER*) - For 5 years, the OEX Group has supported the action organised by the Friend's Foundation which helps children from most remote corners of Poland to make their dreams come true. In 2018, the employees of the OEX Group companies prepared over 120 Christmas gifts for children from 3 day care centres in Brzydów, Pożary and Mingajny.
3. 'ZBIÓRKA KRWI' (*BLOOD COLLECTION*) - The OEX Group in cooperation with the Regional Blood Donation Centre in Warsaw organised a blood donation session in one of its locations. There were almost 40 people who participated in the action. Also

the tenants from the neighbouring office buildings were invited to participate in the initiative;

4. 'WOŚP' - In 2018, the OEX Group donated the corporate clothes for a charitable auction the proceeds from which will be donated to the Great Orchestra of Christmas Aid (*WOŚP*);
5. 'SZLACHETNA PACZKA' (*NOBLE PARCEL*) - Every year, during the Noble Parcel action, the OEX Group companies become engaged in the preparation of Christmas gifts for people in a difficult economic situation.

The Company publishes information about its charity-related activities on its website www.oex.pl in section 'Social Responsibility'.

The Supervisory Board of OEX S.A. hereby states that, despite the fact that currently the Company has no policy in place concerning its sponsoring and charitable activities prepared in the form of a document, the Company's activities in this area are reasonable and adequate to the financial possibilities and human resources held.