OEX GROUP

CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM 01 JANUARY 2018 TO 31 DECEMBER 2018

Warsaw, 09 April 2019

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all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	31/12/2018	31/12/2017
Non-current assets			
Goodwill	3	116,545	116,545
Intangible fixed assets	4	16,764	11,630
Tangible fixed assets	5	25,413	23,238
Investments in associates	2	34	
Investments in other parties		500	250
Receivables and loans	7	1,285	952
Long-term prepayments	17	1,667	1,476
Deferred income tax assets	8	5,492	4,111
Non-current assets		**167,700**	**158,202**
Current assets			
Inventories	9	8,629	22,782
Trade Receivables and Other Receivables	10	137,099	121,794
Current income tax assets		33	431
Loans	7	21	12
Short-term prepayments	17	15,031	10,803
Cash and cash equivalents	11	26,580	11,447
Fixed assets classified as held for sale			
Current assets		**187,393**	**167,269**
Total assets		**355,093**	**325,471**

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TOTAL EQUITY & LIABILITIES	Note	31/12/2018	31/12/2017
Equity			
Equity - share of the parent company shareholders:			
Share capital	13	1,598	1,378
Share premium	13	63,004	44,960
Other Capitals	13	1,459	1,459
Retained profits:	13	74,960	59,425
- retained profit from previous years		59,425	43,042
- net profit for the parent company's shareholders		15,535	16,383
Equity - share of the parent company shareholders	**13**	**141,021**	**107,222**
Non-controlling shares		2,475	1,723
Equity		**143,496**	**108,945**
Liabilities			
Long-term liabilities			
Loans, credits	7	48,248	1,406
Finance lease	7	6,227	5,494
Bonds			20,550
Deferred tax liabilities	8	10,383	10,207
Employee benefit liabilities	14	121	121
Other long-term provisions	15	31	31
Long-term prepayments		4,192	3,478
Long-term liabilities		**69,202**	**41,287**
Short-term liabilities			
Trade liabilities and other liabilities	16	79,005	83,093
Factoring liabilities	16	11,312	4,983
Liabilities related to the purchase of shares			34,733
Current tax liabilities	16	1,734	1,146
Loans, credits, other debt instruments	7	36,850	35,130
Finance lease	7	3,557	3,189
Employee benefit liabilities	14	7,259	10,757
Other short-term provisions	15	116	280
Short-term prepayments		2,562	1,928
Liabilities related to fixed assets held for sale			
Short-term liabilities		**142,395**	**175,239**
Total provisions		**211,597**	**216,526**
Total equity and liabilities		**355,093**	**325,471**

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Book value	143,496	108,946
Number of shares as at the balance sheet day	7,989,984	6,888,539
Diluted number of shares as at the balance sheet day	7,989,984	6,888,539

BOOK VALUE PER ORDINARY SHARE (PLN)

	31/12/2018	31/12/2017
Book value of one share	17.96	15.82
Diluted book value per one share	17.96	15.82

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	from 01/01 to 31/12/2018	from 01/01 to 31/12/2017
Continued activities			
Sale revenues	**18**	**608,747**	**565,638**
Revenue from the sale of services		465,776	385,228
Revenue from the sale of goods and materials		142,971	180,410
Cost of sales		**510,135**	**474,648**
Costs of services sold	18	377,505	301,273
Cost of goods and materials sold	18	132,630	173,375
Gross profit (loss) on sales		**98,612**	**90,990**
Selling costs		32,143	26,801
Administrative expenses		36,687	34,130
Other operating revenue	18	4,712	2,437
Other operating expenses	18	6,764	3,490
Profit (loss) on the sale of subsidiaries (+/-)		0	0
Operating profit (loss)		**27,730**	**29,006**
Financial income	19	310	129
Financial costs	19	6,999	8,520
Share in the profit (loss) of entities measured using the equity method (+/-)		3	0
Profit (loss) before taxation		**21,045**	**20,615**
Income tax	20	4,758	4,478
Net profit (loss) on continued activities		**16,287**	**16,137**
Discontinued Activity			
Net profit (loss) on discontinued operations			
Net profit (loss) - share of:		**16,287**	**16,137**
- the parent company shareholders		15,535	16,383
- non-controlling shares		752	-246

Average weighted number of ordinary shares (items)	7,244,623	6,888,539
Average weighted diluted number of ordinary shares (items)	7,519,229	6,888,539

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

NET PROFIT (LOSS) PER ORDINARY SHARE (PLN)

	Note	from 01/01 to 31/12/2018	from 01/01 to 31/12/2017
on continued operations	**21**		
- basic		2.14	2.38
- diluted		2.07	2.38
on continued and discontinued operations			
- basic		2.14	2.38
- diluted		2.07	2.38

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	from 01/01 to 31/12/2018	from 01/01 to 31/12/2017
Net profit (loss)		
Other comprehensive income	**16,287**	**16,137**
Items not carried as financial profit or loss		
Items carried as financial profit or loss		
Comprehensive income	**16,287**	**16,137**
Comprehensive income - share of:	**16,287**	**16,137**
- the parent company shareholders	15,535	16,383
- non-controlling shares	752	-246

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Parent company shareholding					**Non-controlling shares**	**TOTAL EQUITY**
	Share capital	**Share premium**	**Other Capitals**	**Retained profits**	**Total**		
As at 01/01/2018	**1,378**	**44,960**	**1,459**	**59,425**	**107,222**	**1,723**	**108,946**
Changes in accounting policies							
Adjustment after the IFRS 9 adoption							
Balance after changes	**1,378**	**44,960**	**1,459**	**59,425**	**107,222**	**1,723**	**108,946**
Changes in equity in the period from 01/01 to 31/12/2018							
Issue of shares	220	18,504			18,725		18,725
Costs of share issue		-461			-461		-461
Option measurement (share-based payment programme)							
Changes in the group structure (transactions with non-controlling parties)							
Dividends							
Financial result recognised as equity							
Total transactions with shareholders	**220**	**18,043**			**18,264**		**18,264**
Net profit for the period from 01/01 to 31/12/2018				15,535	15,535	752	16,287
Other comprehensive income after taxation in the period from 01/01 to 31/12/2018							
Total comprehensive income				**15,535**	**15,535**	**752**	**16,287**
As at 31/12/2018	**1,598**	**63,003**	**1,459**	**74,961**	**141,021**	**2,475**	**143,496**

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

	Parent company shareholding						
	Share capital	**Share premium**	**Other Capitals**	**Retained profits**	**Total**	**Non-controllin g shares**	**TOTAL EQUITY**
As at 01/01/2017	**1,378**	**44,960**	**1,459**	**43,042**	**90,840**	**1,969**	**92,809**
Changes in accounting policies							
Error Correction							
Balance after changes	**1,378**	**44,960**	**1,459**	**43,042**	**90,840**	**1,969**	**92,809**
Changes in equity in the period from 01/01 to 31/12/2017							
Issue of shares							
Business combination							
Option measurement (share-based payment programme)							
Changes in the group structure (transactions with non-controlling parties)							
Dividends							
Financial result recognised as equity							
Total transactions with shareholders							
Net profit for the period from 01/01 to 31/12/2017				16,383	16,383	-246	16,137
Other comprehensive income after taxation in the period from 01/01 to 31/12/2017							
Total comprehensive income				**16,383**	**16,383**	**-246**	**16,137**
As at 31/12/2017	**1,378**	**44,960**	**1,459**	**59,425**	**107,222**	**1,723**	**108,946**

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CONSOLIDATED CASH FLOW STATEMENT

	Note	from 01/01 to 31/12/2018	from 01/01 to 31/12/2017
Cash flow from operating activity			
Profit (loss) before taxation	**22**	**21,045**	**20,615**
Adjustments:	**22**		
Depreciation and amortisation of fixed assets		8,562	7,749
Profit (loss) on the sale of non-financial fixed assets		39	238
Interest expense		4,474	3,190
Interest and dividend income			-104
Other adjustments		-28	
Total adjustments		**13,047**	**11,073**
Change in inventories		14,153	2,690
Change in receivables		-15,280	-50,713
Change in liabilities		-12,637	24,688
Change in provisions and prepayments		-2,224	-3,010
Consolidation adjustments		0	732
Changes in working capital		**-15,988**	**-25,613**
Taxes paid		-5,402	-4,912
Net cash flows provided by operating activities		**12,702**	**1,163**

Cash flow from investing activity

Expenses to purchase fixed assets		-6,859	-7,257
Inflows from the sale of fixed assets		1,017	234
Net expenses to purchase subsidiaries less cash of such subsidiaries		-34,733	-16,288
Net inflows from the sale of subsidiaries			0
Received repayments of loans granted		1,654	1,508
Loans granted		-1,813	-20
Expenses to purchase other financial assets		-281	-250
Inflows from the sale of other financial assets			7
Interest income		5	118
Net cash flows provided / (used) by investing activities	**22**	**-41,010**	**-21,948**

Cash flow from financial activity

Inflows from the issue of shares		18,725	
Costs of share issue		-461	
Inflows from debt securities in issue			20,000
Redemption of debt securities		-20,000	
Inflows from loans and credits contracted		81,605	19,445
Repayment of loans and advances		-32,337	-6,420
Repayment of financial lease liabilities		-4,718	-4,331
Interest paid		-4,702	-2,355
Factoring inflows		40,604	780
Repayment of factoring liabilities		-34,250	

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Loan commissions paid		-1,025	
Dividends paid			
Net flows provided / (used) by financing activities	**22**	**43,441**	**27,119**
Total net cash flows		**15,133**	**6,334**
Net change in cash and cash equivalents		**15,133**	**6,334**
Cash and cash equivalents at period beginning		11,447	5,113
Cash and cash equivalents at period end		**26,580**	**11,447**

SUPPLEMENTARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General information

a) Basic information about the Parent Company

The parent company of the OEX Group [hereinafter referred to as the 'Group'] is OEX Spółka Akcyjna [hereinafter referred to as the 'Parent Company'].

The parent company was established in consequence of a transformation of Tell Sp. z o.o. on the basis of a Resolution of the Extraordinary General Meeting of Shareholders No. 1 of 15 November 2004. The Company is entered into the register of companies of the National Court Register maintained by the District Court for the capital city of Warsaw in Warsaw, XIII Commercial Division of the National Court Register, under number KRS 0000222514. The Company received the following statistical number (REGON): 630822208.

'OEX S.A.' is a new business name of a company previously trading as 'TELL S.A.', changed by virtue of resolution of the Extraordinary General Meeting of Shareholders dated 30 September 2015. The change was registered by the District Court for Poznań — Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register on 30 December 2015.

The shares of the parent company are listed at the Warsaw Stock Exchange.

The principal place of business of the Parent Company is in Warsaw, at ul. Franciszka Klimczaka 1.

The objects of the business of OEX S.A. comprises the activity of holding companies, consisting in the provision for the benefit of companies from its Group, a number of services supporting their operational business such as, without limitation, HR and payroll services, legal and compliance support services, as well as services concerning the strategic consulting, controlling, finance, and public relations.

b) Composition of the Management Board and the Supervisory Board of the Parent Company

Composition of the Company's Management Board as at the day these financial statements have been approved:

- Jerzy Motz - President of the Management Board,
- Rafał Stempniewicz – Member of the Management Board,
- Robert Krasowski – Member of the Management Board,
- Artur Wojtaszek – Member of the Management Board,
- Tomasz Słowiński – Member of the Management Board.

In 2018 and until the date these financial statements were approved for publication, there have been the following changes in the composition of the Management Board of OEX S.A.:

- on 31 January 2018 Mr Tomasz Kwiecień – Member of the Management Board of OEX S.A. resigned from his function,
- effective as of 6 March 2018, Mr Tomasz Słowiński was appointed a Member of the Management Board of OEX S.A.

Composition of the Parent Company's Supervisory Board as at the day these financial statements have been approved:

- Piotr Beaupre – Chairman of the Supervisory Board,
- Michał Szramowski – Member of the Supervisory Board,

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- Tomasz Mazurczak – Member of the Supervisory Board,
- Piotr Cholewa – Member of the Supervisory Board,
- Tomasz Kwiecień – Member of the Supervisory Board.

In 2018 and until the date these financial statements were approved for publication, there have been the following changes in the composition of the Supervisory Board of OEX S.A.:

- on 14 February 2018, member of the Supervisory Board of OEX S.A., Mr Tomasz Słowiński, resigned from his function effective as of 5 March 2018,
- by virtue of resolution of the Extraordinary General Meeting of Shareholders of the Parent Company dated 5 March 2018, Mr Tomasz Kwiecień, was appointed a Member of the Supervisory Board of the Company effective as of 5 March 2018.

c) Information about the Group

As at 31 December 2018, the consolidated financial statements of the OEX S.A. Group comprised the parent company and the following subsidiaries:

Name of the Company	Registered office	% of shares/ participations held directly	% of shares/ participations held indirectly
Tell Sp. z o.o.	ul. Forteczna 19A, 61-362 Poznań	100	
Europhone Sp. z o.o.	ul. Forteczna 19A, 61-362 Poznań	100	
PTI Sp. z o. o.	ul. Forteczna 19A, 61-362 Poznań	100	
OEX Cursor S.A.	ul. Równoległa 4A, 02-235 Warszawa	100	
Divante Sp. z o.o.	ul. Dmowskiego 17, 50-203 Wrocław	51.03	
Merservice Sp. z o.o.	ul. Równoległa 4A, 02-235 Warszawa	100	
Pro People Sp. z o.o.	ul. Równoległa 4A, 02-235 Warszawa	100	
ArchiDoc S.A.	ul. Niedźwiedziniec 10, 41-506 Chorzów	100	
Archidoc MED Sp. z o.o.	ul. Niedźwiedziniec 10, 41-506 Chorzów		100
Voice Contact Center Sp. z o.o.	ul. Równoległa 4A, 02-235 Warszawa	100	
OEX E-Business Sp. z o.o.	ul. Równoległa 4A, 02-235 Warszawa	100	
OEX24 Sp. z o.o.	ul. Klimczaka 1, 02-797 Warszawa	100	

The Group also comprises Connex Sp. z o.o. in liquidation seated in Poznań. This company is no longer active and is not subject to consolidation. As regards the shares in this company, OEX S.A. made impairment charges equal to 100% of their value.

Furthermore , as at 31 December 2018, the Group also comprises an associate company – Face and Look S.A. with registered office in Warsaw.

Detailed information about the changes in the Group's structure in 2018 is given in Note 2.

As at 31 December 2018 and 31 December 2017, the share in the total number of voting rights held by the Group in its subsidiaries was equal to the Group's share in their capital.

Acquisitions and changes in the Group's structure were described in Note 2.

d) Reporting Period and Scope

The consolidated financial statements of the Group concern the financial year ended on 31 December 2018 and comprise comparative data for the year ended on 31 December 2017.

The published consolidated financial data of the Group of 31 December 2017 were presented as comparative data.

e) Approval for publication

The consolidated financial statements made for the year ended on 31 December 2018 (including comparable data) have been approved for publication by the Parent Company's Management Board on 09 April 2019.

f) Declaration of the Management Board of the Parent Company

Pursuant to the regulation of the Minister of Finance of 29 March 2018 on ongoing and periodical information to be given by issuers of securities and on conditions of recognition as equivalent of information required by the laws of a state that is not a member-state, the Management Board of the Parent Company hereby states and declares that, to the best of its knowledge, these consolidated financial statements and comparable data have been prepared in accordance with the accounting policies binding on the Group and they present the economic and financial situation of the Company as well as its financial result in a true, reliable and fair manner and that the report on the activities of the issuer present a true picture of the development, achievement and situation of the issuer, including a description of basic risks and threats.

The Management Board hereby declares that the entity authorised to audit the financial statements that audited the consolidated financial statements has been appointed in accordance with the legal regulations and that this entity as well as the chartered auditors in charge of the audit, meet the requirements allowing them to issue an impartial and independent opinion on the audit as per the applicable laws and professional standards.

In accordance with the corporate governance riles adopted by the Management Board, the chartered auditor was appointed by the Supervisory Board by virtue of the resolution of 20 June 2018 on the appointment of a chartered auditor. PKF Consult Sp. z o.o. was selected. Sp. k. with registered office in Warsaw entered into the list of entities authorised to audit financial statements under number 477 was selected to be the auditor.

The Supervisory Board made the above appointment so as to guarantee full independence and objectivity of the appointment process as well as the performance of his duties by the statutory auditor.

Drawing up basis and accounting rules

a) Basis for the preparation of the consolidated financial statements

These financial statements were prepared in accordance in accordance with the International Financial Reporting Standards and the interpretations issued by the International Accounting Standards Board as approved by the European Union on the basis of the IFRS Regulation (European Commission 1606/2002), hereinafter referred to as the ‘EU IFRS’.

The reporting currency of the Parent Company and the presentation currency of these consolidated financial statements is Polish zloty (PLN) and all the amounts are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated).

The consolidated financial statements were prepared in accordance with the going concern principle. As at the date of the approval of these consolidated financial statements for publication there are no circumstances which may pose a risk to the going concern assumption with regard to the Group companies.

b) Change of Standards and Interpretations

When preparing the 2018 financial statements, the Group follows the same accounting rules (policies) as the ones applied when preparing the financial statements for 2017, with the exception of amendments to standards as well as new standards and interpretations approved by the European Union that are effective for reporting periods beginning on or after 01 January 2018:

- IFRS 15 *Revenue from Contracts with Customers.* IFRS 15 introduced a new five-step model framework of measurement and recognition of sale revenue in accordance with which the revenue should be recognised in the amount of the consideration to which the entity expects to be entitled to and when and as they reflect the Group's performance obligation or delivery of goods. Depending on the satisfaction of the criteria defined in the standard, the revenue may be recognised at a point in time (when the control over goods and services is transferred onto the customer) or over time as the performance obligation is satisfied.

- IFRS 9 *Financial Instruments* replaced IAS 39. The Standard introduced a model foreseeing three categories of classification of financial assets: measured at fair value through profit or loss, measured at fair value through other comprehensive income and measured at amortised cost. The classification is made at the time the financial asset is initially recognised and depends on the financial asset management model adopted by the entity as well as the characteristics of the contractual cash flows from these instruments. IFRS 9 introduced a new model of determining the impairment loss charges – expected credit loss model. Most requirements of IAS 39 concerning the classification and measurement of financial liabilities were transferred to IFRS 9 unchanged. The key change consists in the obligation to present in other comprehensive income the effects of changes of own credit risk due to financial liabilities designated as at fair value through profit or loss.

- Explanations to IFRS 15 *Revenue from Contracts with Customers.* Explanations to IFRS 15 *Revenue from Contracts with Customers* provide additional information and clarifications concerning the main assumptions made in IFRS 15 with regard to, without limitation, the identification of separate obligations, determination whether or not an entity plays the role of an intermediary (agent) or it is the main provider of goods and services (principal) as well as the way of registration of revenue from licences. Apart from additional clarifications, there are also exemptions and simplifications for first time adopters.

- Amendments to IFRS 2: *Classification and Measurement of Share-based Payment Transactions.* The amendment to IFRS 2 introduces, without limitation, guidance on the measurement in fair value of liabilities for cash-settled share-based payment transactions, guidance on change of classification from cash-settled share-based payment transactions to equity-settled share-based payment transactions as well as guidance on the guidance on the recognition of a tax obligation of an employee related to share-based payment transactions.

- Amendments to IFRS 4: *Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'.* Amendments to IFRS 4 *Insurance Contracts* address the question of application of the new standard IFRS 9 *Financial Instruments*. The published amendments to IFRS 4 supplement the options already existing in the standards and aim to prevent temporary fluctuations of results of the insurance sector entities in relation with the adoption of IFRS 9.

- Improvements to IFRSs 2014 - 2016 Cycle. The Annual Improvements to IFRSs 2014 -2016 Cycle amend 3 standards: IFRS 12 *Disclosure of Interests in Other Entities*, IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 28 *Investments in Associates*. The improvements provide clarifications and amendments to the scope of the standards, recognition and measurement as well as contain terminological and editing changes. The amendments to

IFRS 12 are effective for annual periods beginning on 1 January 2017. The remaining amendments are mandatory effective as of 1 January 2018.

- Amendments to IAS 40: *Transfers of Investment Property.* The amendments to IAS 40 clarify transfers of property to, or from, investment property.
- IFRIC 22: *Foreign Currency Transactions and Advance Consideration.* IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The impact of adoption of IFRS 15 and IFRS 9 on the OEX Group's Financial Statements was presented below.

In these consolidated financial statements, the Group did not decide to apply the following published standards, interpretations or amendments to the existing standards anticipatively before their effective dates:

- Amendments to IFRS 9: *Prepayment Features with Negative Compensation*. IFRS 9 is effective for annual periods beginning on or after 01 January 2019 with an option of an earlier application. In consequence of the amendment to IFRS 9, entities will be allowed to measure the prepayment features with negative compensation at amortised cost or at fair value through other comprehensive income, if a defined condition has been satisfied - instead of measurement at fair value through profit or loss. The Group will implement the above-mentioned amendments as of 1 January 2019. The Group expects that upon initial recognition the amendments will not have a significant impact on the Group's consolidated financial statements.
- IFRS 17 *Insurance Contracts.* IFRS 17 *Insurance Contracts* was published by the International Accounting Standards Board on 18 May 2017 and is effective for annual periods beginning on or after 01 January 2021. Ne new IFRS 17 *Insurance Contracts* replaced the existing IFRS 4 standard which allowed for a varied practice as to the settlement of insurance contracts. IFRS 17 will substantially change the accounting of all entities that deal with insurance contracts and investment contracts. The Group shall apply IFRS 17 after its endorsement by the European Union. As at the date of these consolidated financial statements, the amendment had not been approved by the European Union.
- Amendments to IAS 28 *Investments in Associates and Joint Ventures.* The amendment is effective for annual periods beginning on or after 01 January 2019. Amendments to IAS 28 *Investments in Associates and Joint Ventures* clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied. Additionally, the Board also published an example to illustrate the application of the requirements of IFRS 9 and IAS 28 to long-term interest in an associate or joint venture. The Group will implement the above-mentioned amendments as of 1 January 2019. The Group expects that upon initial recognition the amendments will not have a significant impact on the Group's consolidated financial statements.
- IFRIC 23: *Uncertainty over Income Tax Treatments.* IFRIC 23 clarifies the requirements concerning the treatment and measurement contained in IAS 12 in the situation of uncertainty over income tax treatments. The guidelines are effective for annual periods beginning on or after 01 January 2019. The Group will implement the above-mentioned amendments as of 1 January 2019. The Group expects that upon initial recognition the amendments will not have a significant impact on the Group's consolidated financial statements.
- Annual Improvements to IFRSs 2015 - 2017 Cycle. In December 2017, the International Accounting Standards Board issued *Annual Improvements to IFRSs 2015-2017 Cycle*, which amend 4 standards: IFRS 3 *Business Combinations*, IFRS 11 *Joint Arrangements*, IAS 12 *Income Tax* and IAS 23 *Borrowing Costs*. The improvements provide explanations and clarify the guidelines of the standards with regard to recognition and measurement. The Group will implement the above-mentioned amendments as of 1 January 2019. The Group expects that upon

initial recognition the amendments will not have a significant impact on the Group's consolidated financial statements.

- IAS 19 *Employee Benefits.* The amendments to IAS 19 are effective for annual periods beginning on or after 01 January 2019. The amendments to the standard define requirements concerning the recognition of the defined benefit plan amendment, curtailment or settlement. The Group will implement the above-mentioned amendments as of 1 January 2019. The Group expects that upon initial recognition the amendments will not have a significant impact on the Group's consolidated financial statements.
- IFRS 14 *Regulatory Deferral Accounts.* The standard permits entities which are first-time adopters of International Financial Reporting Standards (on or after 01 January 2016) to continue to account for regulatory deferral account balances in accordance with its previous GAAP. To improve comparability with entities who already adopted the International Financial Reporting Standards and do not disclose such balances, pursuant to the IFRS 14 published, the regulatory deferral account balances should be presented separately both in the statement of financial position, the statement of profit or loss and the statement of other comprehensive income. By virtue of decision of the European Union, IFRS 14 will not be endorsed.
- Amendments to IFRS 10 and IAS 28 *The sales or contributions of assets between an investor and its associate/joint venture.* The amendments resolve the current conflict between the requirements of IFRS 10 and IAS 28. The recognition depends on the fact whether the non-cash assets sold or contributed to an associate or joint venture constitute a business. When the non-cash assets constitute a business, the investor recognises the full gain or loss resulting from the transaction. If the assets do not meet the definition of a business, the investor recognises a gain or loss only to the extent of unrelated investors' interests. The amendments were published on 11 September 2014. The effective date concerning the amended regulations has not been determined by the International Accounting Standards Board.

In the Group's assessment, the above-mentioned standards, interpretations and amendments to standards would not have a significant impact on the financial statements, if they were applied by the Group as at the balance sheet day.

Impact of IFRS 16 *Leases* on the OEX Group's Financial Statements

IFRS 16 *Leases* is effective for annual periods beginning on or after 01 January 2019. The new standard specifies how to recognise, measure, present and disclose leases. All lease transactions result in the acquisition by the lessee of the right to use the asset and a liability related to the payment obligation. Consequently, IFRS 16 eliminates the classification of an operating lease and a financial lease as per IAS 17 and introduces a single model for the book-keeping recognition of lease by the lessor. The lessee will be obliged to recognise: (a) assets and liabilities for all lease transactions made for a period of time exceeding 12 months, with the exception of situations when the given asset is of low value and (b) depreciation (amortisation) of the leased asset separately from the interest on the lease liability in the statement of profit or loss. IFRS 16 to a considerable extent repeats the regulations of IAS 17 concerning the book recognition of lease by the lessor. In consequence, the lessor continues the classification into operating lease and financial lease and differentiates the book recognition.

At the lessor's side, the lease is classified as financial lease, when substantially there is a transfer of all the risks and rewards of ownership of the given assets. Otherwise, the lease is classified as operating lease.

The Group intends to implement the changes resulting from the new standard as of 1 January 2019. The Group catalogued the contracts that will be covered in essence by the new standard and is at the stage of implementation of procedures that will be used to manage those contracts and of assessment of the impact on the financial statements.

The Group decided to use the modified retrospective application (with the aggregate effect of the first application) as per IFRS 16:C5(b). Therefore, the Group will not convert the comparable data but will recognise the accumulated IFRS 16 adoption effect as an adjustment of the shareholder's equity (retained profit) as at the date of the first standard adoption. Upon the first IFRS 16 adoption, the liability under lease is measured at the present value of the outstanding lease payments as discounted using the lessee's incremental borrowing rate of interest on the first adoption day. Upon the first IFRS 16 adoption, the right to use the asset is measured at the amount equal to the liability under lease as adjusted by the amounts of all downpayments or accrued lease payments concerning the given lease, as recognised in the statement of financial position directly preceding the date of the first adoption. No changes are foreseen as regards the operating lease agreements in which the agreement validity as at 1 January 2019 is up to 12 months and lease agreements concerning low value assets. In those cases, the Group decided to recognise the lease costs using the straight line method. The Group excluded from the estimation the intercompany agreements due to their expected immaterial influence on the financial statements.

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

Estimated impact of the adoption of the new standard on the Group's consolidated statements for 2019	
increase in the right-of-use assets and liabilities	107,703
fall in operational costs related to costs of lease and rental	27,435
rise in the costs of depreciation	24,826
rise in the result on operating activity	2,609
rise in EBITDA	27,435
rise in interest costs	4,847
fall in the gross pre-tax result	(2,239)

In the longer perspective, the changes to the structure and amounts of depreciation costs, costs of rental and interest costs having a negative impact on the financial result of 2019 will be offset. The application of the IFRS 16 standard during the entire asset right-of use period is neutral from the point of view of the financial result.

In relation with the fact that a part of the lease contracts entered into by the Group's companies foresee EUR payments, of significant impact on the IFRS 16 adoption will be exchange rates related to the necessity to measure lease obligations as at each balance sheet date.

Material subjective judgements and estimates made as at the IFRS 16 adoption date

The implementation requires subjective judgements to be made when preparing estimates and assumptions, all of which influenced the measurement of financial lease liabilities and the rights to use the assets:

- when determining the remaining lease period with regard to the agreements made for an indefinite period of time and executed before 1 January 2019, a 5-year time horizon has been adopted as their outstanding duration,
- when determining the lessee's incremental borrowing rate of interest to be applied when discounting future cash flows, the rate fixed centrally at the level of OEX SA, was adopted,
- when indicating the useful lives and amortisation rates for the rights-of-use assets recognised as at 01 January 2019, periods adequate to the assumed outstanding lease period were adopted.

Impact of IFRS 15 *Revenue from Contracts with Customers* on the OEX Group's Financial Statements

IFRS 15 introduced a new five-step model framework of measurement and recognition of sale revenue in accordance with which the revenue should be recognised in the amount of the consideration to which the entity expects to be entitled to and when and as they reflect the Group's performance obligation or delivery of goods. Depending on the satisfaction of the criteria defined in the standard, the revenue may be recognised at a point in time (when the control over goods and services is transferred onto the customer) or over time as the performance obligation is satisfied.

The Group companies analysed particular categories of revenues and the contracts executed in terms of the impact of the application of IFRS 15 on the way of recognition of the revenue, including in particular the moment and amount of revenue recognised, as well as verified the correctness of presentation of particular categories of revenue. On the basis of the analysis made it was found that the application of IFRS 15 would not have a significant impact on the Group's financial statements upon the first adoption of the standard, i.e. in the period beginning on 1 January 2018.

The Group has applied IFRS 15 since its effective date without a conversion of comparable data, using a simplified approach as per C7–C8 of IFRS 15.

Impact of IFRS 9 *Financial Instruments* on the OEX Group's Financial Statements

IFRS 9 *Financial Instruments* introduced amendments to the classification of financial assets, measurement methods (at amortised cost and at fair value), principles of financial asset impairment (the expected loss model to be used in lieu of the incurred loss model) and classification of financial instruments, as well as amends the approach to hedge accounting. In accordance with the new principles of impairment of financial assets, the Group is obliged to make impairment charges on the basis of expected credit losses for a full lifetime of the given instrument, however is the credit risk related to the instrument did not rise significantly as at the reporting date, the Group measures a loss impairment on that instrument at an amount equal to the 12-month expected credit losses.

The Group took a decision on the application of the Standard as of 1 January 2018 without adjustment of comparable data, which means that the data for 2017 and 2018 are not comparable since they were prepared in accordance with different accounting rules.

The introduction of a new impairment model did not result in a change of impairment charges on the Group's receivables as at 1 January 2018 when compared to the level resulting from the existing policies in this respect.

<u>Trade receivables:</u>

As regards the trade receivables, it was determined that impairment charges as per IFRS 9 should be set up, i.e. in accordance with the expected loss model in place of the Group's previous methodology of impairment charges made in accordance with the loss incurred. The Group used an impairment matrix on the basis of historical data covering a period of 3 years. The matrix was created for each company of the Group. As regards the trade receivables, the Group applies a retention model for recovery purposes.

<u>Loans granted:</u>

Considering the low materiality of this item, the Group resigned from its measurement as per IFRS 9.

<u>Interest in other entities:</u>

As regards interest in other entities (excluding consolidated companies), it was determined that there is a necessity to assess whether or not the acquisition cost corresponds to the fair value and, if not, to estimate the possible difference and, depending of its expected amount, to determine whether or not a measurement by an external expert is required as well as to determine whether the group intends to recognise the change in fair value as profit or loss or as other comprehensive income. Due to the fact that the transaction of the purchase of shares in other companies took place in 2017 and 2018, the Group assumed that the acquisition price constitutes the fair value of shares as at the balance sheet day.

As regards the financial liabilities, no possible differences were identified with regard to the existing practices under IAS 39.

The table below presents the impact of the IFRS 9 application on the change in the classification of financial assets:

Categories of financial instruments	**Classification**	
	As per IAS 39	**As per IFRS 9**
Loans and receivables	Loans and receivables	Financial Assets Carried at Amortised Cost
Cash and cash equivalents	Loans and receivables	Financial Assets Carried at Amortised Cost
Deposits	Loans and receivables	Financial Assets Carried at Amortised Cost

c) Accounting Rules (Policies)

The consolidated financial statements were drawn up using the historical cost principle, with the exception of derivative financial instruments, which were carried at fair value.

The historical cost is determined on the basis of fair value of the payment made for goods or services.

The Parent Company and the subsidiaries keep books of account in accordance with IFRSs.

Presentation of the Financial Statements

The presented consolidated financial statements are compliant with IAS 1. The Group presents a separate 'Consolidated statement of profit or loss' that directly follows the 'Consolidated statement of profit or loss and other comprehensive income'.

The 'Consolidated Statement of Profit or Loss' is presented in the functional classification, and the 'Consolidated Cash Flow Statement' has been prepared using the indirect method.

In case of a retrospective introduction of amendments to the accounting policies or adjustment of errors, the Group additionally presents a statement of financial position made as at the beginning of the comparative period.

Operating segments

As of 1 January 2017, the OEX Group has had 4 operating segments, which are subject to a detailed assessment by the governing bodies:

- Retail Sale Network Management Segment
- Sale Support Segment
- E-business Segment
- BPO segment - (previous name - 'Back office and customer service')

Retail Sale Network Management Segment

The retail sale network management segment comprises comprehensive services related to the sale of the client's products and services in a network of stores and retail outlets, and in particular the creation and management of retail sale outlet networks and the sale and sale force management. The OEX Group concentrates on the management of the mobile phone service distribution network, whereby the experience and unique competences related to sale network building may be used in other sectors on the basis on a similar distribution model. At present, the OEX Group is the provider of these services to three mobile phone operators in Poland – Orange, T-Mobile and Plus. The sale of the T-Mobile network services is ensured by Europhone Sp. z o. o., the sale of the PLUS network services is ensured by PTI Sp. z o. o., and the sale of the Orange network services until 31 January 2016 was ensured by OEX S.A., and as of 1 February 2016, by Tell Sp. z o.o. The Group achieved its position by a gradual and consistent increase of the number of its own stores and acquisition of smaller store operators.

Sale Support Segment

Operations of this segment are carried out by OEX Cursor S.A., Merservice Sp. z o.o. and Pro People Sp. z o.o. Services provided by the companies as part of their business support the sale of clients' products and services and contribute to the improvement of digital distribution. The services also comprise activities aimed at building and increasing consumer loyalty to the brands promoted. The services are mainly pursued using the outsourcing model, which consists in the take over from the clients of the sale support processes in whole or in part. The cooperation includes the process design, preparation of procedures and operating instructions, adjustment of IT systems to project requirements. The provision of services also comprises the provision of human resources (teams of salesmen or sale advisers), as well as working tools (car fleet and IT systems). The cooperation may concern the team management as well as the management of entire sale and marketing processes of clients and may entail that the remuneration for the services rendered is linked to the performance of the KPIs assumed at the appropriate level.

Field activities are pursued in accordance with dedicated models (the team works exclusively for the given client) or shared models (the team purses orders for a few or a few dozen clients at the same time).

The basic services offered to clients under this segment comprise:

- outsourcing of sales representatives
- merchandising
- examination of goods exposure and availability and communication standards
- product promotion services
- human resources management services

The outsourcing of sales representatives consists in the provision of a field team of sales representatives, provision of all the necessary working tools for that team and the supervision over its proper activities. The tasks of the team is, depending on the given project pursued, the acquisition of new or the support of the existing consumers of the client's goods and services. The sales representative outsourcing service is addressed to the entire market (modern, traditional and specialist sales). The activities are carried out in accordance with the ISO 9001:2008 standards.

Merchandising consists in the service related to the exposure of goods in commercial networks by on-site teams as well as the service provided to retail outlets by mobile teams (provided with appropriate vehicles). The service is rendered using IT tools. The work takes place in accordance with the ISO 9001:2008 compliant standards.

The examination of goods exposure and availability and consumer communication standards supplements the merchandising offer. The examination is carried out in the form of audits made in commercial networks and retail outlets. Their purpose is to obtain information from the market, verify the arrangements made between the retail outlet and the producer and control the effectiveness of sales structures of the client. An element supplementing the process is the construction and update of databases. The data acquisition process takes place using IT tools, which guarantee the quality and reliability of materials collected. The offer also comprises the analyses and presentations of data.

Product promotion services comprise activities related to a direct contact with the consumer. They concern project related to the provision to the producers of teams defined as 'Client Advisers' who stimulate the sale in modern or traditional sale outlets or in commercial networks by ensuring additional information about the product, allowing the clients to try product samples or realize individual orders of consumers. Such activities are reinforced by organisation of consumer programmes such as lotteries or contests.

HR services - in this segment, also the HR management services, recruitment services and personnel lease services, i.e. object of the business of Pro People Sp. z o.o., are rendered.

E-business Segment

In the E-business segment provides services dedicated to e-commerce, including the areas of technology, marketing and fulfilment. The segment encompasses the business of Divante Sp. z o.o. (area related to IT), as well logistic operations and purchasing process services carried out by OEX E-Business Sp. z o. o. (transferred as of 1 September 2017 from OEX Cursor S.A.). The E-business segment comprises also the business of OEX 24 Sp. z o.o. established in 2018. The company was created in order to carry out support processes for the modern domestic and international trade and to connect sellers by means of technology. The Company manages the eCommerceB2B platform - a global B2B marketplace platform which supports producers and distributors in the digitalisation of sale channels. It enables and facilitates international sales, providing access to clients at selected markets. It also provides a wide range of sale support services, e.g. e-marketing.

The services for e-commerce provided by companies from the E-business segment are comprehensive services for companies involved in online sales or those which have offline sales but plan to expand to the online sale. The provision of such services may follow the end to end model and may comprise strategic consulting on the Internet commerce, creation of business plans, e-shop platform designing and creation on the basis of various technologies, e-marketing and traffic generation, platform usability optimisation (UX – user experience) as well as the logistic support for the e-sales, including warehousing, packaging, deliveries and sale registration for tax purposes as well as handling of returns and the help line. The services may also be rendered as individual components of the entire chain.

Fulfilment is the product logistics consisting in the product warehousing, preparation for dispatch at the client's or the consumer's order and delivery of the package to the designated address. The fulfilment services may be rendered as logistics for e-commerce (comprising both the area of b2b and b2c) and as logistics of the sale support products, i.e. a solution related to the management and distribution of marketing materials as well as the support of loyalty programmes and consumer promotions. Workshops and consultations on optimal process management, construction and provision of product and material ordering supporting the sale and order delivery processes and management IT solutions integrated with the clients' systems are ensured as part of the services. As part of the loyalty and consumer programme logistic support, OEX E-Business is responsible for the project strategy as well as the tactics: selection of products and prizes, negotiations with suppliers, collection of personal data, prize personalization and communication, distribution, tax registration settlements.

Services related to product, marketing materials and packaging purchase processing as well as those related to the search for and purchase of products for loyalty programmes and purchase organisation for the B2B segment clients consist in the market survey, recommendation of product purchase selection criteria, optimisation of the purchase costs and the administrative support of the process. In case of orders executed on foreign markets, the services comprise the analysis of the supplier's potential, verification of the quality of raw materials (standard observance, quality standard certificates, including, but not limited to FDA, CE, EN 71), supervision over the performance of prototypes and ensuring the consistency of product batches.

OEX E-Business Sp. z o.o. manages an extended warehouse infrastructure with an area of almost 44.000 sq.m. and capacity of 71.000 pallet places - based on WMS (warehouse management system). The operation quality consistency is ensured by ISO 9001:2008.

BPO Segment

The main services of the BPO (Business Process Outsourcing) Segment include document registration, sorting and processing. In effect, the client's systems have the available data, document scans, mail copies and call registrations in an electronic archive and the original documents are stored too. The central archive of paper documents located in Chorzów is managed by the proprietary system INDO and is one of the most modern in Poland. The second area of business in this segment comprises activities related to the services of all end client contact channels. These services are rendered by Voice Contact Center Sp. z o. o.

The services provided by the BPO Segment include, but are not limited to:

1. Traditional archiving, scanning, digitalisation and electronic archiving (i.e. fast paper document processing and conversion into electronic documents on the basis of own software solutions of ArchiDoc S.A. They ensure a limitation of the risk of loss of important data, guaranteeing smooth access to both the originals, digital copies and to the data therein contained.

2. Electronic document flow, i.e. a service aimed at automation, optimisation and improvement of document flow processes, as well as procedure arrangement and document flow control assurance. This service comprises an analysis of the client's needs, construction of dedicated solutions, implementation of the same and provision of support services. The projects include the performance of such tasks as inflowing document digitalisation or acceptance path process pursuit. The electronic document flow is implemented most often in processes related to the flow of orders, complaints and invoices that need to be handled on time.

3. Business process support. The offer of these services is personalised to suit the needs of specific branches, including: banks and insurance undertakings, telecoms, power engineering companies and companies providing services to the general population, public administration and large b2b enterprises. As part of this service, the client may entrust all the back-office processes to the contractor. The services will be provided in the location indicated by the client or in the contractor's location using the INDO software and own infrastructure.

The projects pursued as part of the business process support include, but are not limited to the following:

- for insurance undertakings - loss registration support, including event registration and assistance in emergencies, helpline, documentation support, incoming document office support;
- for financial institutions and public sector companies - digitalisation, incoming document office support, archiving, digital archive creation and management.

The document management and back office services are provided in modern operational centres located in Chorzów and Warsaw or in locations indicated by the clients or in a mixed model. The data are collected in two mutually independent data centres managed by Archidoc S.A. The added value is the offer concerning the performance of projects using the unique know-how and proprietary IT solutions. The system may be integrated with the INDO platform, which simplifies the back-office processes. The services are provided using restrictive security standards, which ensures maximum data and document protection level.

4. Client support services. The services are provided by Voice Contact Center Sp. z o.o. and comprise the handling of calls, text messages, e-mails, chats, social media, as well as traditional correspondence and personal contact. These activities aim at, among other things, acquiring and maintaining the clients' loyalty, and upselling. Another area of activity is the client satisfaction

survey, market survey and opinion polling as well as the survey of client service quality on the basis of our own research centre and a team of carefully selected and trained interviewers. Main services offered to clients are the following: client support centre management, helplines, image campaigns, phone traffic surplus servicing.

The projects pursued as part of the client support includes, but are not limited to the following:

- for medical companies - appointment scheduling, assistance in selecting a physician, commercial service upselling, remote diagnostics support;
- for retail and distribution companies - phone surveys, services supporting the sales, such as product and service helplines; selling, customer loyalty creation and maintenance, lead generation, reception and registration of agreements from various sale channels, data inputting, formal and legal support concerning returns, verification and validation of agreements, correspondence management, etc.

  The services are provided in modern operational centres in Warsaw, Łodz and Lublin, where there are over 600 professional contact centre work stations.

Consolidation

The consolidated financial statements comprise the financial statements of the parent company and the financial statements of companies controlled by the Group, i.e. subsidiaries, made as at 31 December 2018. The control is understood as the possibility to influence the financial and operating policies of the subsidiary in order to gain economic benefits from its business.

The financial statements of the Parent Company, subsidiaries subject to consolidation and the associate company are made as at the same balance sheet date, i.e. 31 December. If necessary, the financial statements of subsidiaries are adjusted as appropriate in order to standardise the accounting policies used by the subsidiary with the policies used by the Group.

Subsidiaries are consolidated using the full consolidation method.

The full consolidation method consists in the compiling the financial statements of the parent company and of subsidiaries by adding up particular items of assets, liabilities, equity, revenue and costs. In order to present the Group in a manner as if it constituted a single economic entity, the following exclusions are made:

- as at the moment of acquisition of control, the goodwill or profits are recognised in accordance with IFRS 3,
- non-controlling shares are defined and presented separately,
- balances of settlements and transactions between the Group companies (revenues, costs, dividends) are excluded in whole,
- excluded are profits and losses on transactions made within the Group, which are recognised in such balance sheet asset items as inventories and fixed assets. Losses on Group's internal transactions are analysed in terms of the impairment of assets from the Group's perspective,
- recognised is the deferred tax on temporary differences resulting from the exclusion of profits and losses on Group's internal transactions (in accordance with IAS 12).

In accordance with the Group’s accounting rules (policies), the associated company is recognised in the consolidated financial statements in accordance with the equity method.

Interest in associated parties

The Group classifies as associates those entities over which the Parent Company exercises significant influence and which are not its subsidiaries or joint ventures.

The financial statements of associate companies constitute the basis for the measurement of the shares held by the Parent Company using the equity method. The accounting rules (policies) applied and the financial year of the associates and of the Parent Company are the same. Before the calculation of the share in the net assets of associates, an appropriate adjustment is made in order for the financial data of such entities to be consistent with the IFRSs applied by the Group. Investments in associates are recognised in the statement of financial position at cost increased by later changes of the Parent Company's share in net assets of the associates and decreased by possible impairment loss. The share in profits or losses of associates is reflected in the consolidated profit or loss. An adjustments to the carrying amount may also result from changes in the proportionate interest in the associate company arising from changes in other comprehensive income of that company. The Group's share in such changes is recognised as profit or loss. As at each balance sheet date, the investment in the associate is tested for impairment or impairment reversal, when the impairment loss recognised in previous years is no longer justified.

In the reporting period, the Group had one associate company Face and Look S.A., 31% of shares in which were acquired on 10 November 2018.

Business Combinations

Business combination transactions covered by IFRS 3 are settled using the acquisition method.

As at the day of taking control, the acquiree's assets and liabilities are substantially carried at fair value and in accordance with IFRS 3 the assets and liabilities are identified, irrespective of the fact whether or not they have been disclosed in the financial statements of the entity prior to the acquisition.

The payment made in exchange for the control comprises the acquired assets, liabilities incurred as well as equity instruments issued - carried at fair value as at the acquisition day. The payment element is also a conditional payment measured at fair value as at the acquisition day. Costs related to the acquisition (advisory, appraisal etc.) do not constitute a payment for the acquisition but are recognised as cost on the day they have been incurred.

The goodwill (profit) is calculated as a difference between two values:

- the total payment made in exchange for the control, non-controlling shares and the fair value of shares held in the acquiree before the acquisition date, and
- the fair value of identifiable acquired net assets of the entity.

The surplus of the total calculated in the above-mentioned manner over the fair value of the identifiable acquired net assets of the entity is recognised in the assets of the consolidated statement of financial position as goodwill. The goodwill corresponds to the payment made by the acquirer in expectation of future economic benefits from the assets that cannot be identified individually or recognised separately. After the initial recognition, the goodwill is carried at cost less accumulated impairment loss.

In case the above-mentioned total is lower than the fair value of identifiable acquired net assets of the entity, the difference is immediately recognised as profit or loss. The Group recognises the profit on acquisition in other operating income.

By 1 January 2010, with regard to business combinations the Group applied the acquisition method in the manner as defined in the IFRS 3 version (2004).

Interests in other entities

Interests in other entities comprise equity instruments of other entities that do not entitle to control, joint control or significant influence on such entities.

Interests in other entities are initially recognised at fair value plus transaction costs. After the initial recognition, the Group measures all investments in equity instruments at fair value. For all investments held, the Group assumed the option of presenting the profit and loss from changes in fair value as financial profit or loss.

Dividends from such investments are recognised as financial profit or loss at the moment the Group's right to receive such payments has been determined.

Transactions in Foreign Currencies

The functional currency of the parent company and its subsidiaries is the Polish zloty (PLN). The presentation currency of the Group is the Polish zloty.

Transactions expressed in currencies other than the functional currency are converted into PLN in accordance with the exchange rate of the transaction date.

As at the balance sheet date, the cash assets and liabilities in currencies other than the functional currency are converted into PLN in accordance with the applicable mean exchange rate of the National Bank of Poland in force as at the end of the reporting. The exchange differences arising from the conversion are recognised as financial income (expenses) or capitalised as part of assets. The non-cash assets and liabilities are recognised at historical exchange rate as at the transaction date. Non-cash assets and liabilities recognised at fair value are converted into PLN at the exchange rate as at the measurement date.

Borrowing costs

The borrowing costs that can be directly allocated to the acquisition, construction or generation of an adjusted asset, are activated as part of the cost of such an asset. The borrowing costs comprise interest and exchange difference gains or losses up to the amount corresponding to the adjusted interest expense.

Goodwill

The goodwill is initially recognized in accordance with IFRS 3 (cf. the above item concerning business combinations). The goodwill is not subject to amortisation, however it is annually tested for impairment as per IAS 36 (cf. the item concerning the impairment of non-financial fixed assets).

Intangible fixed assets

The intangible fixed assets comprise licences, software as well as other intangible assets that meet the recognition criteria defined in IAS 38. This item also contains intangible assets which have not been put to use yet (intangible fixed assets in production).

The intangible fixed assets as at the balance sheet day are recognised at cost less accumulated depreciation and accumulated impairment charge. The intangible fixed assets with a determined useful life are amortized in accordance with the straight-line method over their entire useful economic life. The useful lives of particular intangible assets are subject to annual verification and, if need be, are adjusted as of the beginning of the next financial year.

The intangible fixed assets in construction are not subject to amortisation and are only tested for impairment at the end of each year.

The estimated useful lives for particular groups of intangible assets are as follows:

Group	Period
Licences	5 years
Software	5 years
Other intangible assets	5 years

The Group does not have intangible fixed assets with unspecified useful life.

The costs related to the maintenance of software incurred in later periods are recognised as cost of the period in which they are incurred.

Gains or losses on the disposal of intangible fixed assets are determined as a difference between the revenue from the sale and the net value of such intangible assets and are recognised as profit or loss in the item other operating revenue or costs.

Research and Development Works

Expenditure on internally generated intangible assets, save expenditure on development work, are not activated and are recognised as expense of the period when incurred. The R&D costs are charged as profit or loss upon their incurring.

The costs of development activities are activated if they may be considered recoverable in the future. After the initial recognition, the costs of development activities are carried at cost less accumulated amortisation and impairment loss. Any expenditure transferred to the next period is amortised over the estimated period of revenue from the given business.

The costs of development activities are tested for impairment on an annual basis – if an asset has not been put to use yet, or more frequently – when there is an indication that the carrying amount may not be recoverable.

Tangible fixed assets

The tangible fixed assets are initially recognised at cost. The acquisition price is increased by all costs directly related to the purchase and adjustment of the asset to its use.

After initial recognition, the tangible fixed assets, with the exception of lands, are recognised at cost less accumulated depreciation and accumulated impairment charge. The tangible fixed assets in construction are not depreciated before the end of the construction or assembly and before being put to use.

The depreciation is made in accordance with the straight-line method over the estimated useful life of the given asset. Such lives for particular groups of assets are the following:

Group	Period
Machinery and equipment	2-5 years
Vehicles	2 - 5 years
Other fixed assets	2-10 years

The depreciation starts in the month in which the given fixed asset is available for use. The useful economic lives and the depreciation methods are verified annually, leading to depreciation charge adjustments, if any, in subsequent years.

The tangible fixed assets are divided into component parts constituting items of material value, to which separate useful economic lives can be assigned. Component parts are also the costs of general overhauls as well as significant spare parts and accessories, if they will be used for a period of time longer than one year. The current maintenance costs incurred after the date an asset has been put to use, such as repair and maintenance costs, are charged as profit or loss upon their incurring.

A given tangible fixed asset may be derecognised when disposed of or when no future economic benefits from further use of the given asset are expected. Gains or losses on the sale/liquidation or discontinuance of the use of fixed assets are determined as a difference between the revenue from the sale and the net value of such assets and are recognised as profit or loss, in other cases - as operating income or costs.

Leased assets

Lease contracts on the basis of which the lessee substantially retains all the risks and rewards incidental to ownership are operating lease contracts. The lease payments under operating lease are recognised in profit or loss on the straight-line basis over the lease term.

Impairment of non-financial fixed assets

The following assets are subject to the annual test for impairment:

- goodwill, whereby the first test for impairment is made at the end of the period during which the combination took place,

The remaining intangible assets and tangible assets are tested for indications of impairment. In case any events or circumstances may indicate difficulties in recovering the carrying amount of the given asset, it is tested for impairment.

For the purposes of the impairment test, the assets are grouped at the lowest level at they generate cash flows independent of other cash flows by other assets or groups of assets (so-called cash-generating units). The assets that independently generate cash flows are tested independently.

The goodwill is allocated to those cash generating unit from which the benefits of synergy resulting of business combination are expected, whereby the cash-generating units are at least operating segments.

If the carrying amount exceeds the estimated recoverable amount of assets of cash generating units to which the assets belong, the carrying amount is lowered to the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use. In measuring the value in use, the estimated future cash flows are discounted to the present value using the discount rate reflecting the actual market assessment of the time value of money and risk related to the given asset.

The impairment loss is first allocated to goodwill. The remaining charge proportionally lowers the carrying amount of assets comprised in the cash generating unit.

The impairment loss is recognised as profit or loss in the "Other operating costs" item.

The goodwill impairment is not reversed in subsequent periods. In case of other assets, the evidence indicating the possibility of reversing the impairment charge is reviewed at subsequent balance sheet dates. The charge reversal is recognised as profit or loss in the "Other operating income" item.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

As at the balance sheet date, the financial assets and liabilities are measured in accordance with the principles presented below.

Financial assets

Accounting policies applied as of 1 January 2018

As of 01 January 2018, the Group classifies its financial assets as follows:

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

The classification is made as at the initial recognition of the assets.

The classification of financial assets depends on the business model of the financial assets management and on the characteristics of the contractual cash flows for the given financial asset.

Financial assets are recognised when the Group becomes a party to the instrument's contractual provisions. Financial assets are derecognised when the right to obtain cash flows from financial assets have expired or were transferred and the Group has substantially transferred all the risk and rewards of ownership of the given assets.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, the transaction costs that are directly attributable to the acquisition of the financial asset. The transaction costs concerning financial assets carried at fair value through profit or loss are recognised as financial profit or loss.

Measurement after initial recognition:

1. Financial Assets Carried at Amortised Cost

Debt instruments held to collect, which comprise solely the payments of principal and interest, are measured at amortised cost. The interest income is calculated using the effective interest rate method and recognised in as profit or loss in item "*Interest income*'. Impairment loss is recognised as per the rule described in item "*Impairment of financial assets*'.

In particular, the following is classified in this category by the Group:

- trade receivables,
- loans that, in accordance with the business model, are recognised as held to collect cash flows,
- cash and cash equivalents.

2. Financial assets measured at fair value through other comprehensive income

Debt instruments in which the flows comprise solely principal and interest, and which are held to collect and sell, are measured at fair value through other comprehensive income. Changes in the carrying amount are recognised through other comprehensive income with the exception of impairment gains and losses, interest income and exchange differences that are recognised as financial profit or loss. In case of derecognition of a given financial asset, the total gains or losses previously recognised in other comprehensive income are transferred from equity to financial profit or loss and recognised as other gains/losses. Interest income on such financial assets is calculated using the effective interest rate method and recognised as financial income.

As at 1/01/2018 and 31/12/2018, the Group did not have any financial assets classified into this category.

3. Financial assets measured at fair value through profit or loss

Assets that do not meet the criteria of measurement at amortised cost or at fair value through other comprehensive income are carried at fair value through profit or loss. In particular, the following is classified in this category by the Group:

- Loans that do not meet the SPPI (Solely Payments of Principal and Interest) test, when the flows from such loans do not comprise solely principal and interest.

Gains or losses on the measurement of debt investments at fair value are carried as profit or loss in item '*Gains or losses on changes of fair value of financial assets*' in the period in which they arose. The gains/losses on measurement at fair value comprise the interest received from financial assets classified into this category.

Accounting policies applied until 1 January 2018

For the purpose of the measurement after the initial recognition, the financial assets other than the hedging derivatives are classified by the Group as follows:

- loans and receivables,
- financial instruments at fair value through profit or loss,
- held-to-maturity investments.

These categories determine the measurement principles as at the balance sheet date and the recognition of measurement gains or losses in the financial income or in other comprehensive income. The profits or losses recognized in the financial result are presented as financial income or expense, except for the trade receivables impairment charges that are presented as other operating expenses.

All financial assets except those carried at fair value through profit or loss are tested for indications of impairment at each balance sheet date. A financial asset is subject to a write-down when there is any objective evidence of its impairment. The impairment indications are analysed separately for each category of financial assets as presented below.

Loans and receivables are financial assets, not classified as derivatives, which have determined or determinable payments and which are not quoted on an active market. Loans and receivables are measured at amortised cost using the effective interest method. The short-term receivables are measured at required payment amount due to the insignificant discount effects.

Financial assets qualified to the loans and receivables category are disclosed in the balance sheet as:

- long-term assets in the item "Receivables and loans" and
- short-term assets in the items "Loans", "Trade receivables and other receivables" and "Cash and cash equivalents".

The provisions for bad receivables are set up when the recovery of a full amount is no longer probable. Significant receivables balances are subject to individual review in case of defaulting debtors or when there is objective evidence that the debtor may not be able to discharge his obligations (e.g. difficult financial position of the debtor, court case pending against the debtor, changes in the economic environment that are unfavourable to the debtor). In case of receivables not subject to individual review, the indications of impairment are analysed in groups of assets determined on the basis of credit risk (resulting from, for example: the sector, region or structure of clients). The impairment rate for particular groups is based on trends in repayment difficulties experienced by debtors and observed in recent past.

Financial liabilities

Accounting policies applied as of 1 January 2018

Financial liabilities are initially recognised at fair value less transaction costs and then at amortised costs using the effective interest method, with the exception of derivative financial instruments which after the initial recognition are carried at fair Value.

In case of modification of the contractual terms and conditions of a financial liability which does not lead to a derecognition of an existing liability, the gains or losses are recognised as current profit or loss. The gains or losses are calculated as a difference between the present values of the modified and the original cash flows as discounted using the original effective interest rate of liability.

Accounting policies applied until 1 January 2018

Financial liabilities other than hedging derivatives are disclosed in the following balance sheet items:

- loans, credits, other loan instruments,
- trade liabilities and other liabilities.

After the initial recognition the financial liabilities are measured at amortised cost using the effective interest method, with the exception of financial liabilities for trading or designated at fair value through profit or loss. The category of financial liabilities carried at fair value through profit or loss includes derivatives other than hedging instruments. Short-term trade liabilities are measured at required payment amount due to the insignificant discount effects.

The gains and losses on financial liability measurement are recognised as profit or loss from financial activities.

Impairment of financial assets

Accounting policies applied as of 1 January 2018

IFRS 9 introduced a new approach to the estimation of financial assets carried at amortised cost or at fair value through other comprehensive income. The impairment model is based on the calculation of expected loss as opposed to the model applied before 2018 as per IAS 39 which was based on the concept of incurred loss. The most significant financial assets in the Group's financial statements, which are subject to the new principles of calculation of expected credit loss, are the trade receivables.

In order to determine the impairment loss, the Group applies a simplified approach. In the simplified approach, the Group does not monitor the changes to the credit risk level during the lifetime of an instrument and estimates the expected credit loss until the instrument maturity.

In order to estimate the expected credit loss, the Group uses a provision matrix estimated on the basis of historical levels of repayments for each Group company. In order to determine the general default factor, the following age-bands are applied: up to 30 days past due, 30 to 60 days past due, 60 to 90 days past due, 90+ days past due.

For the calculation of the expected credit loss, the Group determines the loss rate parameter estimated on the basis of an analysis of trade receivable balance outstanding over the period of the last three years and the default interest estimated on the basis of the trade receivable balance outstanding over the last three years. The expected credit loss is calculated upon the initial recognition of the receivables in the statement of financial position and is updated as at each day on which the reporting period ended, depending on the number of days the given receivables are pas due.

The change in the rules governing the creation of provisions for receivables did not have a significant effect on the amounts of impairment charges concerning receivables.

Inventories

The inventories are measured at the lower of the cost or net realisable price. The cost comprise the acquisition costs and other costs incurred in order to ensure that the inventories are at their present location and in their present state.

The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Cash and cash equivalents

Cash and cash equivalents are cash on hand and cash in bank, demand deposits as well as short-term, highly liquid investments (up to 3 months) readily convertible to cash, which are subject to an insignificant risk of changes in value.

Equity

The share capital is recognised in the nominal value of shares issued, in accordance with the Articles of Association of the Parent Company and the entry in the National Court Register.

The treasury shares of the Parent Company - purchased and retained by the Parent Company - decrease the shareholders' equity. The treasury shares are measured at cost.

The share premium arises from the surplus of the issue price over the nominal value of shares less the costs of issue.

Retained profits contain the results from previous years (also those transferred to the capital on the basis of shareholders' resolutions) as well as the financial result of the current year.

All transactions with the shareholders of the Parent Company are presented separately in the "Consolidated Statement of Changes in Equity".

Short-term employee benefits

The value of short-term employee benefits is determined without discount and disclosed in the balance sheet in their due amount.

Provisions for accrued holidays

The Group sets up a provision for the costs of accumulated payable holidays which it will have to pay in result of the employee's failure to use their entitlement accrued as at the balance sheet day. The provision for accrued holidays is a short-term provision and is not subject to discounting.

Provisions, contingent liabilities and assets

The Group recognises a provision on its balance sheet when it has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The date of incurring and the amount to be settled may be uncertain.

Provisions are created for the following purposes, without limitation:

- court proceedings in course and matters in dispute.

No provisions are set up for future operating losses.

Provisions are recognised in the amounts of estimated expenditures necessary to fulfil the present obligation on the basis of the most reliable evidence available as at the date of the consolidated financial statements, including those concerning the risk and degree of uncertainty. When the time value of money is material, the provision is measured by discounting the estimated future cash flows to the present value by applying the discount rate reflecting the actual assessment of the time value of money and the possible risk related to the given liability. When a discounting method has been applied, the provision increase with the passage of time is recognised as financial expense.

When the Group expects that the provision-covered costs will be returned, e.g. on the basis of insurance contract, the return is recognised as a separate asset, but only when it is practically sure that the return will effectively take place. However, the value of this asset may not exceed the amount of provision.

In case the outflow of resources to settle the present obligation is not probable, the contingent liability is not recognised, with the exception of contingent liabilities identifiable in the process of business combinations as per IFRS 3.

Information about contingent liabilities is disclosed in the descriptive part of the consolidated financial statements in Note No. 24. The Group also presents information about contingent liabilities from payments under operating lease contracts (Note No. 6).

The possible inflows of resources embodying economic benefits for the Group, which do not meet yet the recognition criteria as assets, constitute contingent assets, which are not recognised in the balance sheet. The information about contingent assets is disclosed in the supplementary notes.

Accruals

The Group discloses prepaid costs concerning future reporting periods, mainly lease rents, in the "Prepayments" item.

Sale revenues

The Group applies IFRS 15, taking into consideration the 5-step model:

- Identify the contract(s) with a customer

A contract with a customer meets its definition if all the following conditions are met:

  - the contract has been approved by the parties to the contract;
  - the Group is able to identify the rights of each of the parties concerning the goods or services to be transferred;
  - the Group is able to identify the terms of payment for the goods or services to be transferred;
  - the contract has commercial substance and it is probable that the Group will receive consideration to which it is entitled in exchange for the goods or services transferred to the client.
- Identify the performance obligations in the contract

At the inception of the contract, the Group assesses the goods or services that have been promised to the customer, and identifies as a performance obligation a good or service (or bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

- Determine the transaction price

When making a determination of the transaction price, the Group considers the contractual terms and conditions and past customary business practices. The transaction price is the amount to which the Group expects to be entitled to in exchange for the transfer of promised goods and services to the client, with the exclusion of amounts collected on behalf of third parties (e.g. some taxes and fees). The consideration defined in the contract with the client may contain fixed elements, variable elements or both.

- Allocate the transaction price to the performance obligations in the contract

The Group allocates the transaction price to each performance obligation (or to a distinct good or distinct service) in the amount that reflects the consideration amount to which, in accordance with the Group's expectations, it is entitled in exchange for the transfer of goods or services to the customer.

- Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises the revenue when (or during) the performance obligation is fulfilled by the transfer of the promised goods or services (i.e. an asset) to the client (the client obtains control of the asset). Revenue is recognised in an amount equal to the transaction price that was assigned o a performance obligation. The Group passes control over the goods or services over time and, consequently, satisfies the performance obligation and recognises revenue over time, if one of the following conditions is met:

  - the customer simultaneously receives and consumes all of the benefits provided by the Group as the Group performs;
  - the Group's performance creates or enhances an asset that the customer controls as the asset is created; or
  - the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Rendering of Services

The OEX Group companies carry out their respective business as described in operating segments.

It ensure a correct interpretation of the financial results obtained by the companies: TELL Sp. z o.o., Europhone Sp. z o.o. and PTI Sp. z o.o. it is necessary to explain different ways of recognition in the books of the Companies of subsidies for the sale of mobile phones sold with post-paid activations by particular mobile phone operators. Irrespective of a different way of mobile phone sale settlement by particular operators, the result on such operations is neutral.

ORANGE

In the second quarter of 2018, there was a change in the settlement system concerning the telecommunications equipment. Instead of the current system, where Tell Sp. z o.o. acquired the equipment on its own account from Orange Polska S.A. an consignment system has been implemented since 21 May 2018.

Until 20 May 2018, Tell Sp. z o.o. would acquire phones from the Operator at market prices. After the purchase, the company incurred a liability in an amount equal to the market price of the phone. At the same time, the company recognised in its assets an inventory stock valued at the phones' market prices. The Company would sell such phones in two variants:

- a sale of the phone directly to the client in a sale outlet

In this case, the sale was made at the promotional price (allowing for a subsidy at the level agreed with the Operator). Thus, the Company made a temporary loss on that particular transaction. However, immediately after the promotional sale, in accordance with the procedures agreed with the Operator in the contract , the Operator issued corrective invoices decreasing the original phone purchase price for the Company to the promotional price (allowing for the subsidy level). Thus, in effect, the transaction had a neutral effect on the Company's financial result.

- sale of the phone to a sub-agent, who then sells it to a client in a sale outlet

In that case, the sale was made at the original Operator's purchase price and then the process was analogous as in the first case, whereby it was the Company that issued a corrective invoice to the sub-agent, adjusting the original selling price.

Since 21 May 2018, Tell Sp. z o.o. has been receiving the phones on the consignment system basis (and, consequently, does not recognise their values in its financial statements). The sale is made on behalf of and for the Operator and the systems and electronic cash registration devices of Orange Polska S.A. are used. If the sale is made in accordance with the valid procedures in force, the phone is considered settled.

T-Mobile

The Company receives phones to be sold together with subscription services from the Operator on a trust basis. If the sale is made in accordance with the valid procedures in force, the phone is considered settled. In case of some offers, it is necessary that the equipment is purchased at request and an invoice is issued with a 7-day term of payment. The phone may still be sold to the client together with a subscription offer.

PLUS

PTI Sp. z o.o. acquires the phones from the operator's distribution company by purchase and on the basis of the so-called consignment. In the former case, the purchase is made at market prices. Consequently, the company incurs a liability in an amount equal to the market price of the phone. At the same time, the company recognises in its assets an inventory stock valued at the phones' market prices.

In the latter case, the Company receives phones from the operator's distribution company on the consignment basis. Consequently, there is no liability on the side of the company and no inventory stock. The sale of a consignment phone is an external sale.

The sale of phones to clients may take place in the form of a cash sale or instalment sale. It is effected in the outlet.

In case of a cash sale, the transaction is made at the promotional price (allowing for a subsidy at the level agreed with the operator). Thus, the Company makes a loss on this particular transaction. However, immediately after the promotional sale, as agreed with the Operator in the contract, the Operator grants the company a commission in an amount equal to the value of loss incurred at the given transaction. In effect, the transaction has a neutral effect on the company's financial result. It is the company's own sale.

In case of an instalment sale of a phone owned by the Company, a correction is issued by the operator to the purchase invoice and, at the same time, the Company's liability is decreased and so is the inventory stock. In this case, an external sale transaction is effected.

The Company also sells the phones to salesmen operating on the business market who resell them to their clients. In this case, the sale is made at the original price of purchase from the operator's distribution company, but then the process is similar to a cash sale transaction, whereby it is the Company that sets off the salesmen's loss on the mobile phone sale transaction to a client by paying an appropriate commission (received earlier from the operator).

Interest and dividends

Interest income is recognized gradually upon accrual using the effective interest method. The dividends are recognised when the shareholder's right to receive payment is established.

Operating expenses

The costs constitute a decrease in the economic benefits made in the financial year in the form of an outflow or a fall in the value of assets or an occurrence of liabilities that ultimately lead to a decrease in equity. The operating costs include all costs by type, mainly such as: the value of goods and materials sold, payroll costs, costs or contracted services and costs of materials and energy used.

The operating costs are recognised as profit or loss in accordance with the principle of matching of costs with revenues. The Group presents the costs in the consolidated financial statements as per the places they were generated.

Income tax (including the deferred tax)

The taxation on the financial result comprises the current income tax as well as the deferred income tax that has not been recognised in other comprehensive income or directly in equity.

The current tax is calculated on the basis of the tax result (taxation basis) of the given financial year. The tax profit (loss) is different from the gross book profit (loss) in relation with the temporary shift of taxable income and tax deductible costs of subsequent periods as well as exclusion of non-taxable costs and revenue. The taxes are calculated on the basis of tax rates in force in the given financial year.

The deferred tax is measured for all taxable temporary differences as at the balance sheet date between the carrying value of assets and liabilities and their taxable value.

The deferred tax liability is recognised for all taxable temporary differences and the deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the recognized deductible temporary differences can be utilised. No assets or liabilities are recognised when the temporary difference results from the initial recognition of the asset or liability in a transaction that is not a business combination and that, when occurred, does not have any influence on the tax result or the book result. No deferred tax liability is recognised on the goodwill, which is not amortisable in accordance with the tax regulations.

The deferred tax is measured using the tax rates that are expected to apply to the period when the asset is realized or a liability is settled based on the tax rates (and tax laws) that have been enacted at the balance sheet date.

The deferred tax asset is analysed as at each balance sheet date and when the expected future taxable profit will not be sufficient to realize an asset or its part, it is impaired.

Subjective Assessments of the Management Board and Uncertainty of Estimates

When preparing these consolidated financial statements, the Parent Company's Management Board uses its best judgement to make the estimates and assumptions that influence the accounting policies (rules) applied and the presented values of assets, liabilities, revenue and costs. The actually realised values may differ from the estimates made by the Management Board. Information about the estimates and assumptions made that are significant for the consolidated financial statements is presented below.

Provisions for employee benefits

Provisions for employee benefits comprise provisions for accrued holidays and provisions for bonuses. The provisions for accrued holidays are calculated on the basis of average remunerations and the number of holidays from past periods that were not used until 31/12/2018. The provisions for bonuses are estimated on the basis of contractual terms and conditions as agreed with persons entitled.

Deferred tax assets

The probability of settling a deferred tax asset by future tax profits is based on the budgets of Group companies as approved by the Management Board of the Parent Company. If the anticipated financial results suggest that the Group companies will generate taxable income, the deferred tax assets are recognised in full.

Impairment of Non-financial Assets

In order to determine the value in use, the Management Board estimates the forecast cash flows as well as the rate by which the flows are discounted to their present value (cf. item concerning the impairment of non-financial assets). During the measurement of the present value of future flows, assumptions concerning the forecast financial results are made. These assumptions concern future events and circumstances. The actually realised values may differ from the estimates, which may lead, in subsequent reporting periods, to significant adjustments of the value of Group's assets.

Goodwill Measurement

The assumptions for the goodwill impairment test were presented in Note 3. The main assumptions concern the discount rate, future cash flows realised and the growth rate.

Impairment loss on trade receivables

The calculation and measurement of expected credit losses on trade receivables is an area requiring a considerable judgement as regards the selection of an appropriate methodology, model and input data. A detailed description of the methodology of measurement of extended credit loss as applied by the Group can be found in item '*Impairment of financial assets*'. The Group companies use in their models the historical information from their accounting systems.

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

1. Operating segments

Revenues and results of operating segments:

	Sale network management	Sale Support	E-business	BPO	Not allocated	Total
For the period from 01/01 to 31/12/2018						
Revenue from external customers	208,992	160,097	166,143	73,472	42	608,747
Revenue from the sales between segments	27	2,463	2,903	90	6,175	11,658
Total revenue	209,019	162,560	169,047	73,562	6,217	620,405
Segment's operating result	**16,702**	**3,737**	**5,983**	**6,643**	**-5,336**	**27,730**
Amortisation and depreciation	2,165	2,071	2,139	1,963	223	8,562
EBITDA	**18,867**	**5,808**	**8,122**	**8,606**	**-5,113**	**36,292**
Financial income						310
Financial costs						6,999
Gross profit						21,045
Net profit						16,246
For the period from 01/01 to 31/12/2017						
Revenue from external customers	248,516	128,181	127,561	61,293	87	565,638
Revenue from the sales between segments	95	973	1,349	14	4,949	7,380
Total revenue	248,611	129,154	128,910	61,307	5,036	573,018
Segment's operating result	**16,858**	**6,632**	**1,953**	**7,228**	**-3,665**	**29,006**
Amortisation and depreciation	2,136	1,844	1,707	1,996	66	7,749
EBITDA	**18,994**	**8,476**	**3,660**	**9,224**	**-3,600**	**36,755**
Financial income						129
Financial costs						8,520
Gross profit						20,615
Net profit						16,137

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The Group has one counterparty whose share in the Group's turnover exceeded 10%. The Group made 11.1% of its turnover with that entity. The revenue from this counterparty are generated by a company from the 'Sale Network Management' segment.

Geographical areas - revenues:

	01/01 to 31/12/2018	01/01 to 31/12/2017
Poland	539,345	520,313
Europe	67,396	45,012
Asia	1,466	53
Africa	104	36
North America	436	224
Total	**608,747**	**565,638**

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2. Investments in related parties

The OEX S.A. Group comprises:

- the parent company - OEX S.A.

- subsidiaries as presented in the following table:

Name of the Company	**Registered office**	**% of shares/participations held**
Tell Sp. z o.o.	ul. Forteczna 19A, 61-362 Poznań	100
Europhone Sp. z o.o.	ul. Forteczna 19A, 61-362 Poznań	100
PTI Sp. z o. o.	ul. Forteczna 19A, 61-362 Poznań	100
OEX Cursor S.A.	ul. Równoległa 4A, 02-235 Warszawa	100
Divante Sp. z o.o.	ul. Dmowskiego 17, 50-203 Wrocław	51.03
Merservice Sp. z o.o.	ul. Równoległa 4A, 02-235 Warszawa	100
Pro People Sp. z o.o.	ul. Równoległa 4A, 02-235 Warszawa	100
ArchiDoc S.A.	ul. Niedźwiedziniec 10, 41-506 Chorzów	100
Archidoc MED Sp. z o.o.	ul. Niedźwiedziniec 10, 41-506 Chorzów	100
Voice Contact Center Sp. z o.o.	ul. Równoległa 4A, 02-235 Warszawa	100
OEX E-Business Sp. z o.o.	ul. Równoległa 4A, 02-235 Warszawa	100
OEX 24 Sp. z o.o.	ul. Klimczaka 1 02-797 Warszawa	100
Connex Sp. z o. o. in liquidation	ul. Forteczna 19A, 61-362 Poznań	100

- associate company

Face and Look S.A.	ul. Klimczaka 1 02-797 Warszawa	31

The following companies are subject to full consolidation:

- Europhone Sp. z o.o.
- PTI Sp. z o.o.
- OEX Cursor S.A.
- Divante Sp. z o.o.
- Tell Sp. z o.o.
- Pro People Sp. z o.o.
- Merservice Sp. z o.o.
- ArchiDoc S.A.
- Voice Contact Center Sp. o.o.
- OEX E-Business Sp. z o.o.
- Archidoc MED Sp. z o.o.
- OEX 24 Sp. z o.o.

Connex Sp. z o.o. is not subject to consolidation and OEX S.A. made 100% impairment charges on the shares in this company.

The associate is consolidated using the equity method.

The object of the business of the Group companies is to provide services for the business.

<u>Changes in the structure of the OEX Group in 2018</u>

In February 2018, the District Court for Gdańsk-Północ in Gdańsk, VI Commercial Division, by virtue of decision dated 19 February 2018 declared the bankruptcy of TOYS4BOYS Sp. z o.o. with registered office in Gdańsk. The OEX Group held 30 % of shares in the said Company. All the shares were covered by impairment charges in previous financial years. TOYS4BOYS Sp. z o.o. was not subject to consolidation within the OEX Group.

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On 10 April 2018, a new company was established - Archidoc MED Sp. z o.o. with registered office in Chorzów. 100% of its shares is held by ArchiDoc S.A. The share capital of Archidoc MED Sp. z o.o. amounts to PLN 50 thousand. ArchiDoc MED Sp. z o.o. offers solutions allowing an efficient management of electronic and hardcopy medical documentation. The company supports the health care entities on their path to digital transformation. It improves the flow of medical information and the patient support by shortening the time necessary to access the data. The company makes part of the BPO operational segment of the OEX Group.

On 9 November 2018, a new company was established: OEX 24 Sp. z o.o. with registered office in Warsaw. The Group holds 100% of shares in the company. The share capital of the newly established company is PLN 1,000 thousand. The Group holds 100% of shares in the company. OEX24 Sp. z o.o. was created in order to carry out support processes for the modern domestic and international trade and to connect sellers and buyers by means of technology. The Company manages the eCommerceB2B platform which supports producers and distributors in the digitalisation of sale channels. It enables and facilitates international sales, providing access to clients at selected markets. It also provides a wide range of sale support services, e.g. e-marketing. The company makes part of the E-Business operational segment of the OEX Group.

Acquisition of an associate company in 2018

On 10 November 2018, an OEX Group company acquired 31% of shares in Face and Look S.A.
Face and Look S.A. has been active on the market since 2012. The company operates a website and an Internet shop as well as publishes a printed magazine. The revenue is generated on the sale of cosmetic products in the B2C/B2B segment and on marketing activities under the F&L Club loyalty programme. Face&Look is building its own consumer base to which a lifestyle-related content is communicated.

Key items of the 2018 preliminary financial statements of Face and Look S.A. with registered office in Warsaw, ul. Klimczaka 1 are as follows (in k PLN):

Non-current assets	-
Current assets	255
Equity	15
Liabilities and provisions for liabilities	240
Net result for 2018	62
Net result in the period when member of the OEX Group	10

The share capital of Face and Look S.A. is kPLN 100 and is divided into 10,000,000 shares of PLN 0.01 each.

Changes in the structure of the OEX Group in 2017 (comparable period)

Acquisition of Control over Subsidiaries in 2017

Below are presented the entities taken over by the Group in 2017 and the established amounts of goodwill resulting from the takeovers settled in 2017:

Acquired entity	Date on which the control was acquired	Price paid	Additional payment to the price	Total of the price paid and the additional payment estimated	Net assets of the acquired entity (fair value)	Goodwill
Voice Contact Center Sp. z o.o.	2017.01.10	1,000	6,352	7,352	2,494	4,858
ArchiDoc S.A.	2017.01.19	17,861	28,082	45,943	9,151	36,526

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- **Voice Contact Center Sp. z o.o.**

On 9 January 2017, OEX S.A. signed an agreement on the basis of which it acquired 100% of shares in Voice Contact Center Sp. z o.o. (Polish limited liability company) with registered office in Warsaw. Pursuant to the agreement, the Parent Company acquired 10,000 (ten thousand) shares constituting 100% of the share capital for the price of PLN 1,000,000.00, whereby GAD S.A. sold to the Issuer 8,500 shares constituting 85% of the share capital and Neo Business Process Outsourcing S.à r.l. sold to the Issuer 1,500 shares constituting 15% of the share capital. OEX S.A. was obliged to make a certain defined additional payment to the selling price in accordance with the terms and conditions as defined in the Agreement and as per the model provided in the Agreement. On 24 April 2018, an annex to the agreement on the acquisition of shares in Voice Contact Center Sp. z o.o. was signed which confirmed the value of additional payments to the price as per the terms and conditions defined in the agreement and dependent on the financial performance of Voice Contact Center Sp. z o.o. in the years 2016 and 2017, which amounted to PLN 6,352,094.11. Consequently, the total value of the price for the acquisition of 100% shares in Voice Contact Center Sp. z o.o. by OEX S.A., including the additional payment as mentioned above, amounted to PLN 7,352,094.11.

In result of the analyses and measurements made in 2017 with regard to the acquired assets and liabilities of Voice Contact Center Sp. z o.o. with registered office in Warsaw, a fair value of the identifiable assets and liabilities as well as contingent liabilities were determined.

The accounting figures concerning the Company's assets and liabilities were updated to the fair value. The values of identified assets and liabilities of the Company taken over recognised in the consolidated financial statements are as follows:

Assets	**Fair values at the takeover date**
Intangible fixed assets	1,084
Tangible fixed assets	785
Long-term receivables and loans	120
Long-term prepayments	617
Receivables and loans	2,725
Accruals and prepayments	15
Cash	496
Total assets	5,842
Liabilities	
Deferred income tax liabilities	257
Loans, credits, leases	560
Trade liabilities	735
Other liabilities	1,791
Accruals	6
Total provisions	3,348
Net asset fair value	2,494
Price paid and the additional payment	7,352
Goodwill	4,858

- **ArchiDoc S.A.**

On 19 January 2017, OEX S.A. signed an agreement on the basis of which it acquired 100% of shares ArchiDoc S.A. (Polish joint-stock company) with registered office in Chorzów from Teronita Holdings Limited with registered office in Larnaca (Cyprus). OEX S.A. acquired 4,250,000 shares constituting 100% of the share capital of ArchiDoc S.A. for the price of PLN 17,861,000, with a reservation concerning additional payment to the price. On 24 April 2018, an annex to the agreement on the acquisition of shares in ArchiDoc S.A. was signed which confirmed the total value of additional payments to the price as per the terms and conditions defined in the agreement and dependent on the financial performance of ArchiDoc S.A. in the years 2016 and 2017, which amounted to PLN 28,081,335.20. Consequently, the total value of the price for the acquisition of 100% shares in ArchiDoc S.A. by OEX S.A., including the additional payment, amounted to PLN 45,942,335.20.

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

In result of the analyses and measurements made in 2017 with regard to the acquired assets and liabilities of Archidoc S.A., a fair value of the identifiable assets and liabilities as well as contingent liabilities were determined.

The accounting figures concerning the assets and liabilities were updated to the fair value.

The values of identified assets and liabilities of the Company taken over recognised in the consolidated financial statements are as follows:

Assets	**Fair values at the takeover date**
Intangible fixed assets	194
Tangible fixed assets	6,200
Long-term receivables and loans	1,536
Long-term prepayments	1,732
Receivables and loans	7,907
Accruals and prepayments	1,774
Cash	2,071
Total assets	21,414
Liabilities	
Deferred income tax liabilities	1,057
Loans, credits, leases	3,268
Trade liabilities	1,103
Other liabilities	2,944
Accruals	3,625
Total provisions	11,997
Net asset fair value	9,417
Price paid and the additional payment	45,943
Goodwill	36,526

The objective of acquisition transactions was to reinforce the Group's position on the market of back office and customer support services. In case of this type of services, the determinant of the market value of companies is to a much larger extent their market position – market share (reflected in the level of sales effected), perspectives for sale increases in the future rather than the value of net assets acquired. The payment of the market price is related to an activation in the balance sheet of goodwill to bring economic benefits to the Group in the future. The goodwill that arose is, in accordance with the provisions of IAS 36, subject to annual tests for impairment.

The equity acquisitions made in 2017 were to reinforce the Group's position in the sector of services for business. An indication of the company's market value is the upward character of the sector and the market share of the companies acquired and, to a lesser extent, the value of net assets acquired. The payment of the market price is related to an activation in the balance sheet of goodwill to bring economic benefits to the Group in the future.

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

<u>Business Divisions in 2017</u>

On 30 May of the current year, OEX Cursor S.A. (then trading as Cursor S.A.) and OEX E-Business Sp. z o.o. (then trading as E-Logistics Sp. z o.o.) agreed and signed a plan of division of OEX Cursor S.A., which was prepared in accordance with the provisions of the Polish Code of Commercial Companies. On 13 July 2017, the governing bodies of the above-mentioned companies, i.e. the Extraordinary General Meeting of Shareholders of OEX Cursor S.A. and the Extraordinary General Meeting of Shareholders of OEX E-Business Sp. z o.o., adopted, respectively, resolutions on the division of OEX Cursor S.A. The said division was carried out as per the procedure provided in Art. 529 §1 item 4 of the Code of Commercial Companies (partial division) by the transfer to OEX E-Business Sp. z o.o. of an organised part of business of OEX Cursor S.A. (separate in organisational, financial and functional terms) comprising the following objects of business:

- marketing materials logistics,
- comprehensive e-commerce support,
- logistical support of loyalty programmes,
- comprehensive support of purchase processes concerning products, packaging and product components, including, but not limited to, the organisation and optimisation of the processes of purchasing, logistics, design, production supervision, marking, product delivery, technological consulting, quality verification, certification and lab tests,

hereinafter referred to as the 'Logistical Activities'.

The division of OEX Cursor S.A. was registered on 1 September 2017. In result of the division, the registration court registered an increase in the share capital of OEX E-Business Sp. z o.o. from PLN 10,000 to PLN 1,700,000, i.e. by the amount of PLN 1,690,000 by a creation of 33,800 shares of the nominal value of PLN 50 each, which were subscribed in whole by OEX S.A. OEX E-Business Sp. z o.o. took over all the rights and obligations related to the Logistical Activities on the partial division date.

'OEX Cursor S.A.' is a new business name of a company previously trading as 'Cursor S.A.', changed by virtue of resolution of the Extraordinary General Meeting of Shareholders dated 31 August 2017. The change was registered by the District Court for the capital city of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, on 14 September 2017.

'OEX E-Business Sp. z o.o.' is a new business name of the company previously trading as 'E-Logistics Sp. z o.o.', changed by virtue of resolution of the Extraordinary General Meeting of Shareholders of 31 August 2017. The change was registered by the District Court for the capital city of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, on 28 September 2017.

The division of OEX Cursor S.A. did not impact the values recognised in the consolidated financial statements of the Group.

3. Goodwill

Changes in the carrying amount of goodwill in periods covered by the consolidated financial statements are presented in the table below:

	from 01/01 to 31/12/2018	from 01/01 to 31/12/2017
Gross value		
As at period beginning	75,161	75,161
Take over of control over the subsidiaries	41,384	41,384
Gross value at period end	116,545	116,545
Impairment loss	-	-

Goodwill at period end	**116,545**	**116,545**

The goodwill presented in the assets of the consolidated statement of financial position results from the acquisition of shares or participations in the companies by the parent company and the acquisition by the subsidiaries of organised parts of business:

	31/12/2018	**31/12/2017**
Taurus	1,202	1,202
Havo	20,096	20,096
Europhone Sp. z o.o.	8,732	8,732
Solex	10,611	10,611
Cel-R	2,876	2,876
PTI Sp. z o.o.	10,061	10,061
Maksimum	6,879	6,879
OEX Cursor S.A. *	4,238	4,238
OEX e-Business Sp. z o.o.*	4,786	4,786
Divante Sp. z o.o.	1,864	1,864
Pro People Sp. z o.o.	4	4
Merservice Sp. z o.o.	3,813	3,813
ArchiDoc S.A.	36,526	36,526
Voice Contact Center Sp. z o.o.	4,858	4,858
Total goodwill	**116,545**	**116,545**

*- The goodwill that arose upon the take over of the control by the Group over Cursor S.A. concerns both the activities pursued after the division of the said company between OEX Cursor S.A. and OEX E-Business Sp. z o.o. The division of the goodwill into the value allocated to OEX Cursor S.A. and OEX e-Business took place in 2018 on the basis of an average of the following two values: - share of particular companies in EBIT and share of the equity of these companies.

The Group conducted internal goodwill impairment tests as at the balance sheet date. The test procedures did not indicate any goodwill impairment. The recoverable amount of particular cash generating units was established on the basis of calculated value in use.

Cash generating unit

The value in use was calculated in each instance on the basis of cash flow forecasts based on the financial budgets covering the period of 5 years. The forecasts reflect the management's existing experience related to the business and an analysis of external indications. The material assumptions concerning the discount rate and the assumed growth rate after the detailed forecast period are presented in the table below:

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

No.	Name of the company	Euro-Phone, Solex, Cel-R	PTI, Maksimus	Taurus, Havo	Cursor	E-Business	Divante	Merservice	Archidoc	VCC
1.	Forecast period	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years
2.	Discount rate	8.55%	8.55%	8.55%	10.31%	9.61%	9.96%	10.31%	9.96%	10.26%
3.	Growth rate after the budget period	0%	0%	0%	2%	2%	2%	0%	1%	0%

Other key assumptions used for the calculation of the value in use:

The estimation of the value in use of a cash generating unit is sensitive to the following variables:

• cash flows;

• discount rated;

• growth rate applied when estimating cash flows outside the scope of budgeted periods.

Cash flows – are made on the basis of values achieved in the periods preceding the budget period and on the prudent estimates concerning the future derived from them.

Discount rate – reflects the estimation of risk made by the management. This is an indication used by the management in order to estimate the operational effectiveness (results) and future investment proposals.

The discount rate and the growth rate of future cash flows assumed for the determination of the recoverable amount were expressed in real values, i.e. disregarding the inflation. The cash flows and the discount rate are compliant with the IAS 36 methodology.

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Assumptions concerning the market shares – these assumptions are material because the management assesses the ways in which the economic and financial position of OEX S.A. may change during the budget period with respect to competitors. The management expects that the market share of OEX S.A. will be stable in the budget year.

The estimated growth rate after the period of detailed forecast – assumed for subsidiaries Divante Sp. z o.o., Archidoc S.A., OEX Cursor S.A. and OEX E-Business (as regards the remaining entities, there were no assumptions for prudence).

Specific risk factor - An analysis of verifiability of result forecast presented before and an assessment of the result forecasts presented versus the results made in the reference period were made for each company/cash generating unit. The specific risk factor is a resultant of the corrections indicated below and the total of the following factors:

- adjustment on account of the degree of performance of the 2018 operating profit forecast - this adjustment results from the validity of allowing for the IAS guidelines in accordance with which the asset impairment tests (based on the forecasts made by the Management Board) must allow for the historic accuracy of forecasts of the Management Board. Following those guidelines, it was assumed in the impairment tests that the lower the degree of performance of the 2018 forecasts (this concerns the forecasts the impairment tests as at the end of 2017 were based on), the higher the risk related to the actual financial forecasts of the Management Board (i.e. forecasts the tests as at the end of 2018 were based on).
- adjustment on account of the assumed future (i.e. concerning 2019-2022) operational profitability of the segment related to the "goodwill' tested - this adjustment results from the validity of allowing for the empirical dependence between the future profitability assumed and the investment risk (the higher the expected profitability when compared to the historic profitability, the higher the risk that the profitability level assumed may not be achieved).

An additional expert's element of the specific risk, which adjusts its level, is the stability and predictability of the segment the tested entity (cash-generating unit). With regard to those companies from the 'Sale Network Management' segment that are more stable in terms of business (Tell Sp. z o.o., PTI Sp. z o.o., Euro-Phone Sp. z o.o.), a risk factor of 0.0% should be applied. With regard to the entities operating in the remaining areas (e-business, BPO, sale support), it is reasonable to indicate a higher ratio of 1-2%.

Sensitivity to changes of assumptions

In case of the estimation of the value in use, the management is convinced that no reasonably possible change of any key assumption made above would result in exceeding by the carrying amount of such unit of its recoverable amount adjusted by the book value of net assets.

The 'goodwill' impairment tests comprised a simulation of the recoverable amount, assuming the levels of discount rates in 2019-2022 changed by 1%.

No.	Name of the company	Euro-Phone, Solex, Cel-R	PTI, Maksimus	Taurus, Havo	Cursor	E-Business	Divante	Merservice	Archidoc	VCC
1.	Discount rate	8.55%	8.55%	8.55%	10.31 %	9.61%	9.96%	10.31%	9.96%	10.26%
2.	Adjusted discount rate	9.55%	9.55%	9.55%	11.31 %	10.61%	10.96%	10.31%	10.96%	11.26%
3.	Test results	no impairment	no impairment	no impairment	no impairment	no impairment	no impairment	no impairment	no impairment	no impairment

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4. Intangible fixed assets

The intangible fixed assets used by the Group comprise licences, computer software as well as other intangible assets.

	Licences and software	Other intangible assets	Trademarks	In production	Total
As at 31/12/2018					
Gross carrying amount	7,978	9,378	487	7,456	25,299
Accumulated depreciation/amortisation and impairment charges	-5,009	-3,227	-299		-8,535
Net carrying amount	**2,969**	**6,151**	**188**	**7,456**	**16,764**
As at 31/12/2017					
Gross carrying amount	7,003	6,670	487	4,067	18,227
Accumulated depreciation/amortisation and impairment charges	-3,811	-2,516	-269		-6,596
Net carrying amount	**3,192**	**4,153**	**218**	**4,067**	**11,630**

	Licences and software	Other intangible assets	Trademarks	In production	Total
for the period from 01/01 to 31/12/2018					
Net carrying amount as at 01/01/2018	3,192	4,153	218	4,067	11,630
Increase (acquisition, production, lease)	1,034	2,748		7,436	11,219
Disposal by a sale of a subsidiary (-)					
Decrease (disposal, liquidation) (-)		-5		-4,048	-4,053
Revaluation to fair value (+/-)					
Depreciation and amortisation (-)	-1,256	-745	-30		-2,032
Impairment losses					
Reversal of impairment charges					
Net exchange differences on conversion (+/-)					
Net carrying amount as at 31/12/2018	**2,970**	**6,151**	**188**	**7,455**	**16,764**
for the period from 01/01 to 31/12/2017					
Net carrying amount as at 01/01/2017	2,498	2,911	250	2,388	8,048
Acquisition by a business combination	245	1,470			1,715
Increase (acquisition, production, lease)	1,372	489		2,920	4,781
Disposal by a sale of a subsidiary (-)					
Decrease (disposal, liquidation) (-)	-18		-3	-1,241	-1,261
Revaluation to fair value (+/-)					
Depreciation and amortisation (-)	-906	-716	-30		-1,652
Impairment losses					
Reversal of impairment charges					
Net exchange differences on conversion (+/-)					
Net carrying amount as at 31/12/2017	**3,192**	**4,153**	**218**	**4,067**	**11,630**

31/12/2018	**31/12/2017**

Amortization of intangible assets recognised in:		
Selling costs	521	160
Administrative expenses	230	407
Cost of sales	1,281	1,085
Total amortisation of intangible assets	**2,032**	**1,652**

As at 31 December 2018, the most significant other intangible fixed assets of the OEX Group were the fees for the take-over of rights and obligations resulting from the agency agreements.

As at 31 December 2018, the most significant intangible fixed assets in construction of the OEX Group are the sale platform, the software created for projects, the system for servicing e-commerce projects and the software to service the merchandising projects to be accepted in 2019.

In both periods presented:

- the Group did not have intangible fixed assets with limited titles,
- there were no contractual commitments for a future acquisition of intangible assets.

In the OEX Group, the intangible fixed assets with an unspecified useful life is the value of distribution network amounting to PLN 2,000 thousand.

The Management Board concluded that analyses of all the significant factors indicated that there was no foreseeable time limit within which one may expect that the asset would cease to generate net cash inflows. No specified useful life of the network value reflects the character of this asset in the generation of future values for the Group.
The latest network valuation took place as at 31 December 2018.

The test showed that the recoverable amount of the network is higher than its book value.

5. Tangible fixed assets

	Machinery and equipment	Vehicles	Other fixed assets	Tangible fixed assets in production	Total
As at 31/12/2018					
Gross carrying amount	15,346	11,262	20,052	1,163	47,823
Accumulated depreciation/amortisation and impairment charges	-9,086	-4,912	-8,676	0	-22,674
Net carrying amount	**6,260**	**6,350**	**11,376**	**1,163**	**25,149**
As at 31/12/2017					
Gross carrying amount	13,741	9,319	19,140	770	42,970
Accumulated depreciation/amortisation and impairment charges	-7,391	-4,813	-7,528		-19,732
Net carrying amount	**6,349**	**4,506**	**11,612**	**770**	**23,238**

The difference between the balance sheet value of tangible fixed assets of kPLN 25,413 and the balance shown in the movement table constitutes the value of advances for the purchase of tangible fixed assets in the amount of PLN 264 thousand.

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

	Machinery and equipment	Vehicles	Other fixed assets	Tangible fixed assets in production	Total
for the period from 01/01 to 31/12/2018					
Net carrying amount as at 01/01/2018	6,349	4,506	11,612	770	23,238
Increase (acquisition, production, lease)	2,530	5,396	1,678	2,697	12,301
Disposal by a sale of a subsidiary (-)					
Decrease (disposal, liquidation) (-)	-474	-551	-321	-2,101	-3,446
Other changes in the value		-211		-203	-413
Depreciation and amortisation (-)	-2,146	-2,790	-1,593	0	-6,530
Impairment losses					
Reversal of impairment charges					
Net exchange differences on conversion (+/-)					
Net carrying amount as at 31/12/2018	**6,259**	**6,350**	**11,376**	**1,164**	**25,149**
for the period from 01/01 to 31/12/2017					
Net carrying amount as at 01/01/2017	3,226	3,411	6,399	1,009	14,046
Acquisition by a business combination	1,956	771	4,099	25	6,851
Increase (acquisition, production, lease)	3,351	2,687	2,911	2,301	11,250
Disposal by a sale of a subsidiary (-)					
Decrease (disposal, liquidation) (-)	-39	-462	-303	-2,566	-3,370
Revaluation to fair value (+/-)	203	354			557
Depreciation and amortisation (-)	-2,348	-2,255	-1,494		-6,097
Impairment losses					
Reversal of impairment charges					
Net exchange differences on conversion (+/-)					
Net carrying amount as at 31/12/2017	**6,349**	**4,506**	**11,612**	**770**	**23,238**

	31/12/2018	**31/12/2017**
Depreciation of tangible assets recognised in:		
Selling costs	803	603
Administrative expenses	1,094	1,069
Cost of sales	4,632	4,425
Total depreciation of tangible assets	**6,530**	**6,097**

In both periods presented:

- the Group did not have tangible fixed assets with limited titles,
- there were no contractual commitments for a future acquisition of tangible assets.

Tangible fixed assets in production are not depreciated, but they are tested for impairment on an annual basis.

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

6. Leased assets

6.1 Finance lease

Lease is classified as finance lease when the contract transfers the significant risks and rewards of ownership on the lessee. All other lease types are treated as operating lease. Assets used on the basis of finance lease contracts are treated equally as the Group's assets and are measured at fair value upon acquisition, not higher than the present value of minimum lease payments. The finance lease liability arising in this regard towards the lessor is presented in the statement of financial position in item *Finance lease liability*.

The lease payments are apportioned between the financial charge and the reduction of outstanding lease liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. The fixed assets used on the basis of financial lease contracts are depreciated over the shorter of the estimated useful life of the asset and the lease period.

The fixed assets under finance lease are depreciated in accordance with the principles applicable to owned assets. If there is no certainty whether the Group will receive the title after the termination of the lease agreement, the assets are depreciated over the shorter of the lease period and the useful life.

Net value of fixed assets under finance lease:

	31/12/2018	31/12/2017
Machinery and equipment	1,933	2,034
Vehicles	5,636	3,698
Other fixed assets	4,480	5,752
Total	**12,049**	**11,484**

6.2 Operating Lease

The Group uses tangible fixed assets as a lessee on the basis of operating lease agreements. The operating lease agreements concern commercial premises in which the Group companies conduct their business.

7. Financial Assets and Liabilities

7.1 Categories of financial assets and liabilities

In the 2018 financial data, the value of financial assets presented in the consolidated statement of financial position relates to the following categories of financial instruments determined in IFRS 9:

1 – financial assets measured at amortised cost (MOC)	4 - hedging derivatives (HD)
2 – financial assets measured at fair value through profit or loss (MFVPL)	5 - assets outside the scope of IFRS 9 (Non IFRS 39)
3 - financial assets measured at fair value through comprehensive income (MFVCI)	

In the 2017 financial data, the value of financial assets presented in the consolidated statement of financial position relates to the following categories of financial instruments determined in IAS 39:

1 – loans and receivables (L&R)	5 - available-for-sale financial assets (AFS)
2 - financial assets carried at fair value through profit or loss - held for trading (FVA-T)	6 - hedging derivatives (HD)

3 - financial assets carried at fair value through profit or loss - allocated to measurement at fair value at initial recognition (FVA-M)	7 - assets outside the scope of IAS 39 (Non IAS 39)
4 - held-to maturity investments (HMI)	

Name of the group:	*OEX S.A. Group*		
Period covered by the financial statements:	*01/01/2018 – 31/12/2018*	Reporting currency:	*Polish zloty (PLN)*
Rounding up/down level:	*all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated*		

As at 31/12/2018

	Note	Categories of financial instruments as per IFRS 9					Total
		MOC	MFVPL	MFVCI	HD	Non IFRS 9	
Non-current assets							
Receivables and loans	7.2	1,285	0	0	0	0	1,285
Other long-term financial assets		0	500	0	0	0	500
Current assets							
Trade Receivables and Other Receivables	10	126,968	0	0	0	0	126,968
Loans	7.2	21	0	0	0	0	21
Cash and cash equivalents	11	26,580	0	0	0	0	26,580
Total financial assets		**154,854**	**500**	**0**	**0**	**0**	**155,354**

As at 31/12/2017

	Note	Categories of financial instruments as per IAS 39							Total
		L&R	FVA-T	FVA-M	HMI	AFS	HD	Non IAS 39	
Non-current assets									
Receivables and loans	7.2	952							952
Other long-term financial assets			250						250
Current assets									
Trade Receivables and Other Receivables	10	116,404						373	116,777
Loans	7.2	12							12
Cash and cash equivalents	11	11,447							11,447
Total financial assets		**128,815**	**250**					**373**	**129,438**

In the 2018 financial data, the value of financial liabilities presented in the consolidated statement of financial position relates to the following categories of financial instruments determined in IFRS 9:

1 – financial liabilities measured at amortised cost (LMOC)	3 - hedging derivatives (HD)
2 – financial liabilities measured at fair value through profit or loss (LMFVPL)	4 - liabilities outside the scope of IFRS 9 (Non IFRS 39)

In the 2017 financial data, the value of financial assets presented in the consolidated statement of financial position relates to the following categories of financial instruments determined in IAS 39:

1 - financial liabilities carried at fair value through profit or loss - held for trading (FVL-T)	4 - hedging derivatives (HD)

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

2 - financial liabilities carried at fair value through profit or loss - allocated to measurement at fair value at initial recognition (FVL-M)	5 - liabilities outside the scope of IAS 39 (Non IAS 39)
3 - financial liabilities measured at amortised cost (ACL)	

As at 31/12/2018

	Note	*Categories of financial instruments as per IFRS 9				Total
		LMOC	LMFVPL	HD	Non IFRS 9	
Long-term liabilities						
Loans, credits, other debt instruments	7.3	48,248				48,248
Lease liabilities		6,227				6,227
Other liabilities						
Short-term liabilities						
Trade liabilities and other liabilities	16	59,281	49			59,330
Loans, credits, other debt instruments	7.3	36,850				36,850
Factoring liabilities		11,312				11,312
Lease liabilities		3,557				3,557
Total financial liabilities		**165,474**	**49**			**165,523**

As at 31/12/2017

	Note	*Categories of financial instruments as per IAS 39					Total
		FVL-T	FVL-M	ACL	HD	Non IAS 39	
Long-term liabilities							
Loans, credits, other debt instruments	7.3			21,956			21,956
Lease liabilities				5,494			5,494
Other liabilities				0			0
Short-term liabilities							
Trade liabilities and other liabilities	16			67,875			67,875
Loans, credits, other debt instruments	7.3			35,130			35,130
Factoring liabilities				4,983			4,983
Lease liabilities				3,189			3,189
Liabilities related to the purchase of shares						34,733	34,733
Total financial liabilities				**138,627**		**34,733**	**173,360**

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

7.2 Receivables and loans

For the purposes of presentation, in its consolidated statement of financial position the Group separated the class of receivables and loans. In the long-term part, the receivables and loans are presented in the statement in a single heading. In the short-term part, the Group - in compliance with the requirements of IAS 1 - presents the trade receivables and other receivables separately. The classes of receivables and loans are presented in the table below. Disclosures concerning the receivables are made in Note No. 10.

	31/12/2018	31/12/2017
Fixed assets:		
Receivables	1,134	952
Loans	151	
Long-term receivables and loans	**1,285**	**952**
Current assets:		
Trade receivables and other receivables	137,132	122,225
Loans	21	12
Short-term receivables and loans	**137,153**	**122,237**
Receivables and loans, including:	**138,438**	**123,189**
Receivables (Note No. 10)	**138,266**	**123,177**
Loans (Note No. 7.2)	**172**	**12**

Loans granted are measured at amortised cost using the effective interest method. The carrying amount of loans is considered to be the reasonable estimation of the fair value (cf. Note No. 7.5. concerning the fair value).

The change in the carrying amount of loans, including impairment charges, is as follows:

	from 01/01 to 31/12/2018	from 01/01 to 31/12/2017
Gross value		
As at period beginning	**12**	**11**
Increase in result of business combination (+)	0	1,705
Amount of loans granted in the period	213	20
Interest calculated using the effective interest rate method	2	1
Repayment of loans with interest (-)	-55	-1,723
Gross value at period end	**172**	**12**
Impairment loss		
As at period beginning		
Loss expensed as cost in the period		
Reversal of impairments carried as revenue in the period (-)		
Provisions used (-)		
Other changes (net exchange differences on conversion)		
Impairment loss at period end		
Carrying amount at period end	**172**	**12**

The loans are measured by the Group at due amounts in view of the insignificant discount effects.

Profits and losses recognised in the financing activities concerning the financial assets category are presented in Note No. 19.

The net carrying amount of trade receivables and loans reflects the maximum exposure to credit risk.

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

7.3 Loans, credits, other debt instruments

The value of loans, credits and other debt instruments recognised in the consolidated financial statement of financial position is presented in the table below:

	Short-term liabilities		Long-term liabilities	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Financial Liabilities carried at amortised cost				
Loan facilities	13,872	844	48,248	1,406
Overdraft facilities	22,960	34,268		
Loans	18	18		
Debt securities				20,550
Total financial liabilities carried at amortised cost	**36,850**	**35,130**	**48,248**	**21,956**
Loans, credits, other debt instruments, total	**36,850**	**35,130**	**48,248**	**21,956**

On 14 December 2017, the Parent Company and all subsidiaries signed a credit agreement with ING Bank Śląski S.A. and Santander Bank Polska S.A. (formerly Bank Zachodni WBK S.A.), factoring agreements with Santander Polska Faktor sp. z o.o. and ING Commercial Finance Polska S.A. as well as additional agreements related to the agreements signed, and in particular agreements related to an establishment of agreed collaterals and securities. The above-mentioned agreements were concluded in order to refinance the debts existing as at 14 December 2017, standardise and improve the borrowing conditions for the OEX Group entities and obtain long-term financing for the settlement of transactions related to the acquisition of assets made in 2016–2017. Based on the said agreements, the financing provided was in the total amount of up to PLN 141,600 in the form of:

- overdraft facilities, guarantee lines and factoring lines up to the total of kPLN 75,000 to be used to finance the daily activities of the borrowers, the financing was granted for the period of two years;
- conversion of a part of the existing overdraft facilities to term loans in the total amount of kPLN 6,500; the above-mentioned loans are repaid in quarterly instalments over the period of 5 years, starting on the day the Credit Agreement was executed;
- a term loan to refinance the investment loan extended to the OEX S.A. in 2016 to purchase shares in MerService sp. z o.o. in the amount of kPLN 2,600, the above-mentioned loan is repaid in quarterly instalments over the period of 5 years, starting on the day the Credit Agreement was executed;
- a term loan in the amount of kPLN 20,000 allocated to redeem series A bonds of OEX S.A. The repayment of the above-mentioned loan will be made over the period of 5 years after the Loan Agreement execution, whereby it will start on 31 January 2020. The loan will be repaid in equal monthly instalments and on the last day of the lending period OEX S.A. shall additionally repay the remaining debt in the amount of PLN 8,000 thousand.
- a term loan in the maximum amount of kPLN 30,500 earmarked to finance the additional payments to the price of purchase of shares in ArchiDoc S.A. – the actual amount drawn was kPLN 28,081 and was equal to the amount of additional payment mentioned in item 2;
- a term loan in the maximum amount of kPLN 7,000 earmarked to finance the additional payments to the price of purchase of shares in Voice Contact Center Sp. z o.o. – the actual amount drawn was kPLN 6,352 and was equal to the amount of additional payment mentioned in item 2;

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

Financial liabilities measured at amortised cost

The Group does not include any instruments from the loan and credit class to financial liabilities carried at fair value through profit or loss. All loans, credits and other debt instruments are measured at amortised cost using the effective interest method. The fair value of loans, credits and other debt instruments is presented in Note No. 7.6.

Information concerning the character and scope of risk the Group is exposed to in relation with the loans, credits and other debt instruments contracted is presented in the table below (cf. also Note No. 25 concerning risks):

	Currency	Interest rate	Maturity date	Credit limit		Liability	
				in foreign currency	in PLN	short-term	long-term
As at 31/12/2018							
ING Bank Śląski S.A. – term loan	PLN	WIBOR 1M + margin	12.2022	PLN	29,682	4,660	24,322
Santander Bank Polska S.A. – term loan	PLN	WIBOR 1M + margin	12.2022	PLN	28,982	4,660	24,322
Santander Bank Polska S.A. – term loan	PLN	WIBOR 1M + margin	12.2019	PLN	1,299	1,299	
ING Bank Śląski S.A. – term loan	PLN	WIBOR 1M + margin	12.2019	PLN	6,500	1,797	
Overdraft facility with Santander Bank Polska S.A.	PLN	WIBOR 1M + margin	12.2019	PLN	18,800	12,822	
Overdraft facility with ING Bank Śląski	PLN	WIBOR 1M + margin	12.2019	PLN	14,000	7,042	
Santander Bank Polska S.A. - working capital loan	PLN	WIBOR 1M + margin	02.2019	PLN	3,000	861	
Santander Bank Polska S.A. - project loan	PLN	WIBOR 1M + margin	12.2019	PLN	2,550	2,550	
ING Bank Śląski - project loan	PLN	WIBOR 1M + margin	12.2019	PLN	1,450	1,450	
commission costs						-309	-396
Loan	PLN	WIBOR 6M + margin	-	PLN	18	18	
					106,281	**36,850**	**48,248**

	Currency	Interest rate	Maturity date	Value		Liability	
				in foreign currency	in PLN	short-term	long-term
As at 31/12/2017							
Overdraft facilities - Credit Agricole	PLN	WIBOR 1M + margin	08.2018		23,500	13,624	
Investment loan – mBank	PLN	WIBOR 1M + margin	08.2020		3,375	844	1,406
Overdraft facilities - mBank	PLN	WIBOR ON + margin	07.2018		14,000	13,976	

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

Loan - mBank	PLN	WIBOR 1M + margin	02.2018		1,368	1,368	
Loan - mBank	PLN	WIBOR 1M + margin	02.2018		1,995	1,995	
Overdraft facilities - Alior Bank S.A.	PLN	WIBOR 1M + margin	07.2018		2,000	1,242	
Overdraft facilities - ING Bank Śląski S.A.	PLN	WIBOR 1M + margin	01.2018		3,500	0	
Loan - mBank	USD	WIBOR 1M + margin	02.2018	149	544	544	
Loan - mBank	USD	WIBOR 1M + margin	02.2018	58	206	206	
PLN loan - mBank 38/151/17/Z/LE	PLN	WIBOR 1M + margin	01.2018		506	506	
Overdraft facilities - mBank S.A.	PLN	WIBOR 1M + margin	06.2018		500	500	
Overdraft facilities - Bank Millennium S.A.	PLN	WIBOR 1M + margin	09.2018		3,080	5	
Overdraft facilities - mBank	PLN	WIBOR 1M + margin	08.2018		800	302	
Loan	PLN	WIBOR 6M + margin			18	18	
					55,392	**35,130**	**1,406**

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

7.4 Liability payment guarantee

The loan, factoring and financial lease liabilities of the Group are covered by the following collaterals:

- The liabilities under the Credit Agreement are covered by the following repayment collaterals:

  a) registered pledges and financial pledges on all the shares and participations in the Companies: Tell Sp. z o.o., Europhone Sp. z o.o., PTI Sp. z o.o., Merservice Sp. z o.o., Pro People Sp. z o.o., OEX E-Business Sp. z o.o., Voice Contact Center Sp. z o.o., Archidoc MED Sp. z o.o., OEX Cursor S.A., Archidoc S.A.

  b) registered pledge and financial pledge on 592 shares in Divante Sp. z o.o.,

  c) pledge on a collection of assets or rights constituting the business of the following companies: Tell Sp. z o.o., Europhone Sp. z o.o., PTI Sp. z o.o., Merservice Sp. z o.o., Pro People Sp. z o.o., OEX E-Business Sp. z o.o., Voice Contact Center Sp. z o.o., Archidoc MED Sp. z o.o., OEX Cursor S.A., Archidoc S.A., Divante Sp. z o.o.,

  d) registered pledge on the inventories of OEX E-Business Sp. z o.o.,

  e) registered pledges and financial pledges on bank accounts of the following companies: OEX S.A., Tell Sp. z o.o., Europhone Sp. z o.o., PTI Sp. z o.o., Merservice Sp. z o.o., Pro People Sp. z o.o., OEX E-Business Sp. z o.o., Voice Contact Center Sp. z o.o., Archidoc MED Sp. z o.o., OEX Cursor S.A., Archidoc S.A., Divante Sp. z o.o.

  f) assignment of rights from insurance contracts and policies to secure the debt as taken out by the following Companies: Europhone Sp. z o.o., PTI Sp. z o.o., Merservice Sp. z o.o., Pro People Sp. z o.o., OEX E-Business Sp. z o.o., Voice Contact Center Sp. z o.o., Divante Sp. z o.o., OEX Cursor S.A., Archidoc S.A.

  g) statements consenting to be subject to enforcement proceedings in accordance with Art. 777 (1) (5) of the Civil Procedure Code. made by the following Companies: OEX S.A.,, Tell Sp. z o.o., Europhone Sp. z o.o., PTI Sp. z o.o., Merservice Sp. z o.o., Pro People Sp. z o.o., OEX E-Business Sp. z o.o., Voice Contact Center Sp. z o.o., Archidoc MED Sp. z o.o., OEX Cursor S.A., Archidoc S.A., Divante Sp. z o.o.

- The liabilities under the factoring agreements are covered by the following repayment collaterals:

  - promissory note - Annex No. 3 to factoring agreement No. 91/2015 made by and between Merservice Sp. z o.o. and ING Commercial Finance Polska S.A.,
  - promissory note to the Factoring agreement made by and between OEX Cursor S.A. and Santander Factoring,
  - power of attorney to use the funds at the bank accounts of Merservice Sp. z o.o.
  - statement of OEX Cursor S.A. on consent to be subject to enforcement proceedings in accordance with the provisions of the Code of Civil Procedure,
- The liabilities under the financial lease agreements are covered by the following repayment collaterals:

  - blank promissory notes to lease agreements signed with PKO Leasing, Raiffeisen-Leasing Polska S.A., EFL and Grenke Leasing Sp. z o.o.

As at 31/12/2018 and 31/12/2017, the following assets of the Group (in their carrying amounts) constituted collaterals and guarantees for the repayment of liabilities:

	31/12/2018	**31/12/2017**
Intangible fixed assets	43	
Tangible fixed assets, including leased assets	25,413	19,497
Inventories	2,505	22,760
Movable property:		
Trade receivables and other receivables		101,636
Cash	26,555	7,476
Total carrying amount of assets constituting a liability collateral	**54,515**	**151,369**

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

Additionally, the payments are secured by shares and participations in the Group's subsidiaries in the value of kPLN 125,296 (as at 31/12/2017; kPLN 50,183).

7.5 Debt securities

On 18 January 2017, OEX S.A. placed an issue of 20,000 ordinary series A bearer bonds of the nominal value of PLN 1,000 each and the total nominal value of PLN 20,000 thousand. The bonds mature on 17 January 2020. The bonds were issued in accordance with the Resolution of the Management Board of OEX S.A. dated 2 December 2016 concerning the Bond Issue Programme, which may be pursued between 2017-2019 up to the total maximal amount of PLN 56,000 thousand and the Resolution of the Management Board of OEX S.A. dated 21 December 2016 on the series A bond issue. The bonds will yield variable interest determined on the basis of the 6M WIBOR rate plus a margin. The bond issue took place in accordance with the procedure provided for in Art. 33 (2) of the Bonds Act. The bond acquisition proposals were made to individually designated addressees whose number was not higher than 149 persons. On 15 May 2017, the series A bonds were introduced to the trading in an alternative trading system organised by, respectively, the Warsaw Stock Exchange and BondSpot S.A. as part of the Catalyst market. The series A bonds were quoted in the alternative trading system - Catalyst since 26 May 2017, in the continuous trading system under the name of 'OEX0120'.

On 14 December 2017, The Group signed a credit agreement with ING Bank Śląski S.A. and Santander Bank Polska S.A. (formerly Bank Zachodni WBK S.A.) in order to refinance the Group's existing debt, including the redemption of the series A bonds. Pursuant to the Series A Bond Issue Terms and Conditions, OEX S.A. had a pre-emptive right to series A bonds. All 20,000 bonds of the A series were redeemed on 17 January 2018.

7.6 Other information on financial instruments

Information on the fair value of financial instruments.

The comparison of the carrying amount of financial assets and liabilities with their fair value is as follows:

Class of financial instrument	Note No.	31/12/2018		31/12/2017	
		Fair value	Carrying amount	Fair value	Carrying amount
Assets:					
Loans	7.2	172	172	12	12
Trade receivables and other receivables	10	128,101	128,101	117,729	117,729
Non-listed shares		500	500	250	250
Cash and cash equivalents	11	26,580	26,580	11,447	11,447
Liabilities:					
Loan facilities	7.3	62,119	62,119	2,250	2,250
Overdraft facilities	7.3	22,960	22,960	34,267	34,267
Loans	7.3	18	18	18	18
Debt securities	7.5			20,550	20,550
Trade liabilities and other	16	59,330	59,330	67,875	67,875
Liabilities related to the purchase of shares				34,733	34,733

In item shares in unlisted companies, the Group recognises the value of 20% of shares in NextBuy Sp. z o.o. it acquired. (31/12/2017 – 10%). NextBuy designed and created an IT system supporting and automating purchasing processes in companies. This SaaS model based platform provides modules allowing a digitalisation of such processes in purchasing departments as: eCatalogues, requisitioning and purchase orders, eTenders and eSourcing, supplier bases, contract management and vendor management, comprehensive reporting data. The system architecture allows a full process automation, flexible configuration adjustable to the structure of each given company, integration with systems already in use and access from each place and device. NextBuy efficiently supports the SMEs as well as large corporations representing various branches of industry. The Company has been active on the market since 2011. NextBuy supplements the offer of the E-Business segment.

For the purposes of these consolidated statements, the Management Board analysed whether or not it exercises a significant influence over NextBuy Sp. z o.o., in particular in the context of provisions of Art. 5-6 of IAS 28. According to the Management Board of OEX S.A., the investment in that Company has a passive character (no interference with the day-to-day management of the Company). Thus, despite holding a 20% share in the share capital, the Group does not have a significant influence over Nextbuy Sp. z o.o and this investment is not measured in the consolidated financial statements using the equity method.

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The fair value is defined as an amount for which an asset could be exchanged or a liability settled in an arm's length transaction between buyers and settlers in the marketplace on the measurement date.

The Group measures the fair value of financial assets and financial liabilities in such a was so as to take into consideration to the largest extent possible market factors.

The Group did not measure the fair value of trade receivables and liabilities - their carrying amount has been deemed to be the reasonable approximation of the fair value.

8. Deferred tax assets and liabilities

The deferred tax assets and liabilities have the following influence on the consolidated financial statements:

	Note	**31/12/2018**	**31/12/2017**
As at period beginning:			
Deferred income tax assets		4,111	2,062
Deferred tax liabilities		-10,207	-8,747
Deferred tax at period beginning		-6,096	-6,685
Change in the period influencing:			
Result (+/-)	20	1,206	522
Other comprehensive income (+/-)			
Deferred tax at period end, including:		-4,890	-6,096
Net deferred income tax assets from business combination			740
Deferred income tax liabilities from business combination			-672
Balance as at period end:			
Deferred income tax assets		5,492	4,111
Deferred tax liabilities		-10,383	-10,207

Deferred income tax assets:

Temporary differences	As at period beginning	Change:		Settlement of the combination	At period end
		Result	other comprehensive income		
As at 31/12/2018					
Assets:					
Intangible fixed assets	39	41			80
Tangible fixed assets					
Investment properties					
Inventories	131	125			256
Trade receivables	557	240			797
Other assets	135	177			313
Investment properties					
Financial derivatives	34	-13			21
Liabilities:					
Employee benefits liabilities	1,107	-2			1,105
Provisions for employee benefits	436	283			720
Other provisions and other liabilities	147	304			451
Financial derivatives					
Trade liabilities	52	84			136

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

Temporary differences	As at period beginning	Change: Result	Change: other comprehensive income	Settlement of the combination	At period end
Loans, credits, other debt instruments	106	-75			31
Other liabilities	1,100	-295			805
Other:					
Unsettled tax losses	267	511			778
Total	**4,111**	**1,390**			**5,492**
As at 31/12/2017					
Assets:					
Intangible fixed assets					
Tangible fixed assets	30	9			39
Investment properties					
Inventories	117	14			131
Trade receivables	315	242			557
Other assets	56	79			135
Investment properties					
Financial derivatives		34			34
Liabilities:					0
Employee benefits liabilities	227	587		293	1,107
Provisions for employee benefits	350	51		35	436
Other provisions and other liabilities	201	-104		50	147
Financial derivatives					
Trade liabilities	33	-6		25	52
Loans, credits, other debt instruments	5	95		6	106
Other liabilities	624	195		281	1,100
Other:					
Unsettled tax losses	104	114		49	267
Total	**2,062**	**1,310**		**739**	**4,111**

Deferred income tax liabilities:

Temporary differences	As at period beginning	Change: Result	Change: other comprehensive income	Settlement of the combination	At period end
As at 31/12/2018					
Assets:					
Intangible fixed assets	7,853	181			**8,034**
Tangible fixed assets	1,273	151			**1,424**
Investment properties					
Financial derivatives					
Trade receivables	47	-25			**22**
Construction contracts	0	0			**0**
Other assets	595	-191			**404**
Liabilities:					
Financial derivatives					
Trade liabilities					
Loans, credits, other debt instruments		4			**4**
Other liabilities	439	56			**495**
Total	**10,207**	**176**			**10,383**
As at 31/12/2017					
Assets:					

Temporary differences	As at period beginning	Change:		Settlement of the combination	At period end
		Result	other comprehensive income		
Intangible fixed assets	7,520	160		173	7,853
Tangible fixed assets	599	204		470	1,273
Investment properties					
Financial derivatives					
Trade receivables	107	-60			47
Construction contracts					
Other assets	478	100		17	595
Liabilities:					
Financial derivatives					
Trade liabilities					
Loans, credits, other debt instruments		-11		11	
Other liabilities	43	395		1	439
Total	**8,747**	**788**		**672**	**10,207**

9. Inventories

The consolidated financial statements of the Group comprise the following inventories:

	31/12/2018	31/12/2017
Materials		
Semi-products and work in progress		
Finished goods		
Goods	9,961	23,473
Impairment charge	-1,348	-691
Advances for supplies	16	
Total carrying amount of the inventories	**8,629**	**22,782**

In 2018, the Group recognised in the operating activities of the consolidated statement of profit or loss the costs of inventories sold in the total amount of kPLN 134,059 (2017: kPLN 173,375).

The inventories Impairment charges made in 2018 in other operating costs of the consolidated statement of profit or loss amounted to kPLN 660 (2017: kPLN 75).

As at 31/12/2018, the inventories in the carrying amount of kPLN 2,505 (2017: kPLN 22,760) constituted collaterals for the Group's liabilities. Information about the collaterals for liabilities is presented in Note No. 7.4.

10. Trade Receivables and Other Receivables

The trade receivables and other receivables recognised by the Group as part of the class of receivables and loans(cf. Note No. 7.2) are as follows:

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

Long-term receivables:

	31/12/2018	31/12/2017
Retained amounts (deposits) under building services contracts		
Deposits received under other titles	1,084	863
Other receivables	50	89
Impairment of receivables (-)		
Long term receivables	**1,134**	**952**

Short-term receivables:

	31/12/2018	31/12/2017
Financial assets (IAS 39 in 2017 and IFRS 9 in 2018):		
Trade receivables	128,808	119,016
Impairment of trade receivables (-)	-5,088	-3,982
Net trade receivables	**123,720**	**115,034**
Receivables from the sale of fixed assets		
Retained amounts (deposits) under building services contracts		
Deposits received under other titles	217	221
Other receivables	3,798	1,933
Impairment of other financial receivables (-)	-766	-415
Net other financial receivables	**3,249**	**1,743**
Financial receivables		
Non-financial assets (outside IAS 39 in 2017 and IFRS 9 in 2018):		
Other tax and other benefit receivables	9,760	2,835
Income tax receivables	33	431
Advances and prepayments	19	5
Other non-financial receivables	813	2,177
Impairment of non-financial receivables (-)	-462	
Non-financial receivables	**10,163**	**5,448**
Total short-term receivables	**137,132**	**122,225**

The carrying amount of trade receivables is recognised by the Group as the reasonable approximation of their fair value (cf. Note No. 7.6).

The Group tested the receivables for impairment in accordance with its accounting principles (cf. item c) in the item "Drawing up basis and accounting rules"). The receivables impairment charges, which in 2018 were made in other operating costs of the consolidated statement of profit or loss amounted to:

- with regard to short-term financial receivables kPLN - 1,612 (2017: kPLN 304),
- with regard to short-term financial receivables kPLN - 650 (2017: kPLN 1,090).

The financial receivables impairment charges (i.e. trade receivables and other financial receivables):

	from 01/01 to 31/12/2018	from 01/01 to 31/12/2017
State as at period beginning	**4,397**	**3,457**
Charge on the combination		490
Loss expensed as cost in the period	2,262	1,394
Reversal of impairments carried as revenue in the period (-)	-69	-368
Provisions used (-)	-274	-576
State as at period end	**6,315**	**4,397**

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

A further credit risk analysis concerning the receivables, including the age analysis of past due receivables not subject to the impairment charge, is presented in Note No. 25.

11. Cash and cash equivalents

	31/12/2018	31/12/2017
Cash at bank in PLN	24,912	8,296
Cash at bank in foreign currency	1,427	1,156
Cash at hand	240	707
Short-term deposits		93
Other	1	1,195
Total cash and cash equivalents	**26,580**	**11,447**

For the purposes of this consolidated cash flow statement, the Group classifies cash in the manner as applied for the presentation in the statement of financial position.

12. Non-current Assets Held for Sale and Discontinued Operations

There are no non-current assets held for sale and discontinued operations.

13. Equity

13.1. Share capital

As at 31/12/2018, the share capital of the Parent Company amounted to PLN 1,598 thousand. (2017: kPLN 1,378) and was divided into 7,989,984 shares (31/12/2017: 6,888,539) of the nominal value of PLN 0.20 each. All shares have been fully paid up.

All shares equally participate in the dividend distribution. The shares are divided into ordinary bearer shares, which entitle to one vote at the General Meeting of Shareholders, and preferential shares, where 1 preferential share entitle to two votes.

The change in the number of shares in the period covered by the financial statements results from the following transactions with the shareholders:

On 14 June 2018, the Extraordinary General Meeting of Shareholders of OEX S.A. took a resolution on the increase of the share capital of the Company from PLN 1,377,707.80 by an amount not lower than PLN 0.20 and not higher than PLN 220.289, i.e. up to the amount not lower than PLN 1,377,708.00 and not higher than PLN 1,597,996.80. The Company's share capital increase was effected by the issue of not more than 1,101,445 ordinary series D bearer shares of the nominal value of PLN 0.20 each.

The Series D Shares were taken exclusively for cash contributions before the registration of the share capital increase made by the Series D Share issue. The Series D Share issue was carried out by private subscription.

By virtue of Resolution of the Management Board of OEX S.A., the issue price of ordinary series D bearer shares was set at PLN 17,00 per one Offered Share and the final number of Offered Shares was set by the Management Board at 1,101,445.

On 6 June 2018, the Company's Management Board adopted a resolution on the allocation of a total of 1,101,445 ordinary series D bearer shares of the nominal value of PLN 0.20 Peach and the issue value of PLN 17 each and the total issue value of PLN 18,724,565.00, issued in accordance with the Issue Resolution to investors who signed agreements on the subscription of Offered Shares and made payments for the Offered Shares as per the Offered Share subscription agreements executed. The total costs of share issue was PLN 461 thousand.

The newly issued and paid series D shares were registered by the National Court Register on 5 September 2018.

	from 01/01 to 31/12/2018	from 01/01 to 31/12/2017

Shares issued and fully paid up for:		
Number of shares at the period beginning	6,888,539	6,888,539
Issue of shares in relation with the option exercise (share-based payment programme)		
Issue of shares	1,101,445	
Redemption of shares (-)		
Number of shares at the period end	**7,989,984**	**6,888,539**

As at the balance sheet date, no shares in the Parent Company were held by the Parent Company itself or any of its subsidiary companies.

13.2. Other equity

	31/12/2018	**31/12/2017**
Share premium	63,004	44,960
Other Capitals	1,459	1,459
Retained profits, including the reserve capital of the Group's companies	74,955	59,425
Non-controlling interests	2,475	1,723
State as at period end	**141,893**	**107,567**

13.3. Non-controlling interests

	31/12/2018	**31/12/2017**
Non-controlling interests at period beginning	1,723	1,969
Share recognition as at the control take-over day - Divante Sp. z o.o.	0	
Dividends for the non-controlling interests	0	
Share in the profit of the period	752	-246
Non-controlling interests at period end	**2,475**	**1,723**

The capital of the non-controlling interests as at 31/12/2018 and 31/12/2017 is related to the settlement of the acquisition of control over Divante Sp. z o.o. The OEX Group holds 51.03% of shares in Divante Sp. z o.o.

Information concerning non-controlling interests and abbreviated financial information for Divante Sp. z o.o.:

	31/12/2018	**31/12/2017**
Non-controlling interest (%)	48.97%	48.97%
Non-controlling interest as at the period end	2,475	1,723
Financial result attributable to non-controlling interest	752	-246
Current assets	6,920	5,517
Non-current assets	4,133	3,153
Short-term liabilities	5,036	4,440
Long-term liabilities	547	607
Sale revenues	27,573	20,044
Financial result	1,847	-398

14. Employee Benefits

14.1. Costs of Employee Benefits

	from 01/01 to 31/12/2018	**from 01/01 to 31/12/2017**

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

Payroll costs	155,586	127,823
Social insurance costs	22,561	18,859
Costs of future befits (provisions, retirement benefits)	439	416
Other benefits	848	1,675
Total costs of employee benefits	**179,436**	**148,774**

14.2. Employee benefit liabilities

The employee benefit liabilities recognised in the consolidated statement of financial position comprise:

	Short-term liabilities and provisions		**Long-term liabilities and provisions**	
	31/12/2018	**31/12/2017**	**31/12/2018**	**31/12/2017**
Short-term employee benefits:				
Payroll liabilities	2,049	3,384		
Liabilities under social insurance	1,406	4,186		
Other employee liabilities	1,925	1,434		
Provisions for accrued holidays	1,879	1,753		
Short-term employee benefits	**7,259**	**10,757**		
Other long-term employee benefits:				
Provisions for jubilee bonuses				
Provisions for retirement benefits			**121**	**121**
Other provisions				
Other long-term employee benefits				
Total employee benefit liabilities and provisions	**7,259**	**10,757**	**121**	**121**

The following items influenced changes in long-term employee benefits:

	Provisions for other long-term employee benefits			
	jubilee bonuses	**retirement benefits**	**other**	**total**
for the period from 01/01 to 31/12/2018				
State as at period beginning		121		121
Changes recognised as profit or loss:				
- Current and past service costs				
- Interest costs				
- Actuarial profits (-) or losses (+)				
Changes without impact on the statement of profit or loss:				
- Benefits paid out (-)				
- Increase in result of business combination (+)				
Present value of provisions as at 31/12/2018		**121**		**121**
for the period from 01/01 to 31/12/2017				
State as at period beginning		82		82
Changes recognised as profit or loss:				
- Current and past service costs		5		5
- Interest costs				
- Actuarial profits (-) or losses (+)				
Changes without impact on the statement of profit or loss:				
- Benefits paid out (-)				

- Increase in result of business combination (+)		34		34
Present value of provisions as at 31/12/2017		**121**		**121**

15. Other provisions

The value of provisions recognised in the consolidated financial statements and changes thereto in particular periods have been as follows:

	Short-term provisions		Long-term provisions	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Provision for cases in court	35			
Provisions for loss on building services contracts				
Provision for restructuring costs				
Other provisions	81	280	31	31
Total other provisions	**116**	**280**	**31**	**31**

	Provisions for:				
	litigations in Court	loss on building services contracts	restructuring costs	other	total
for the period from 01/01 to 31/12/2018					
State as at period beginning				312	312
Provision increase carried as expense in the period	35				35
Provision increase carried as income in the period (-)				-96	-96
Utilisation of provisions (-)				-104	-104
Increase in result of business combination					
Other changes (net exchange differences on conversion)					
Provisions as at 31/12/2018	**35**			**112**	**147**
for the period from 01/01 to 31/12/2017					
State as at period beginning					
Provision increase carried as expense in the period				212	212
Provision increase carried as income in the period (-)					
Utilisation of provisions (-)				-33	-33
Increase in result of business combination				132	132
Other changes (net exchange differences on conversion)					
Provisions as at 31/12/2017				**311**	**311**

16. Trade liabilities and other liabilities

The trade liabilities and other liabilities (cf. also Note No. 7) are as follows:

Short-term liabilities:

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

	31/12/2018	31/12/2017
Financial liabilities (IAS 39 in 2017 and IFRS 9 in 2018):		
Trade liabilities	57,613	67,581
Liabilities under the purchase of fixed assets	1,665	582
Factoring liabilities	11,312	4,983
Liabilities related to the purchase of shares		34,733
Other financial liabilities	40,459	38,327
Financial liabilities	**111,049**	**146,206**
Non-financial liabilities (outside IAS 39 in 2017 and IFRS 9 in 2018):		
Other tax and other benefit liabilities	19,659	25,332
Income tax liabilities	1,734	1,146
Advances received for building services		6
Other non-financial liabilities	9,952	2,549
Non-financial liabilities	**31,394**	**29,033**
Total short-term liabilities	**142,395**	**175,239**

The carrying amount of trade liabilities is recognised by the Group as the reasonable approximation of their fair value (cf. Note No. 7.6).

17. Accruals

	Short-term accruals and prepayments		Long-term accruals and prepayments	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Assets - accruals and prepayments:				
Prepaid expenses	15,031	10,803	1,667	1,476
Assets - total prepayments	15,031	10,803	1,667	1,476

Specification of prepayments and accruals as at 31 December 2018

	Long-term prepayments	Long-term prepayments
Project costs	685	11,444
Insurance costs		249
Licence fees		149
IT services	4	435
Rental costs	761	725
Transport services	142	465
Costs of other services	75	1,564

18. Operating revenue and costs

18.1. Revenue from the sale of goods and services

	from 01/01 to 31/12/2018	from 01/01 to 31/12/2017
Revenue from the sale of services	465,776	385,228
Revenue from the sale of goods and materials	142,971	180,410
Sale revenues	**608,747**	**565,638**

18.2. Costs by type

	Note	from 01/01 to 31/12/2018	from 01/01 to 31/12/2017
Amortisation and depreciation	4.5	8,562	7,749
Employee benefits	14	179,185	148,774
Consumption of materials and energy		28,693	25,097

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

Contracted services		216,113	171,382
Taxes and fees		3,966	3,508
Other costs by type		8,765	6,030
Total costs per type		**445,284**	**362,540**
Value of goods and materials sold		134,059	173,375
Change in products and work in progress (+/-)		-379	8
Own cost of the sale, selling costs and administration costs		**446,335**	**362,205**

18.3. Other operating revenue

	Note	from 01/01 to 31/12/2018	from 01/01 to 31/12/2017
Profit from the sale of non-financial fixed assets		82	113
Reversal of impairment of financial receivables		69	68
Reversal of impairment of non-financial receivables			18
Reversal of impairment of inventories	9		4
Write-back of unused provisions	14.15		
Penalties and indemnities received		743	1,051
Other revenue		3,793	1,183
Total other operating revenue		**4,712**	**2,437**

18.4. Other operating expenses

	Note	from 01/01 to 31/12/2018	from 01/01 to 31/12/2017
Loss on the sale of non-financial fixed assets			320
Impairment of financial receivables	10	2,262	304
Impairment of non-financial receivables			1,090
Impairment of inventories	9	660	75
Set-up of provisions	14.15	44	35
Penalties and indemnities paid		1,139	321
Other costs		2,659	1,345
Total other operating costs		**6,764**	**3,490**

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

19. Financial income and expenses

19.1. Financial income

	Note	from 01/01 to 31/12/2018	from 01/01 to 31/12/2017
Interest income concerning financial instruments not carried at fair value through profit or loss:			
Cash and cash equivalents (deposits)	11	8	34
Loans and receivables	7.2,10	204	40
Held-to-maturity debt securities			
Interest income concerning financial instruments not carried at fair value through profit or loss		**212**	**74**
Other financial income		98	55
Total financial income		**310**	**129**

19.2. Financial costs

	Note	from 01/01 to 31/12/2018	from 01/01 to 31/12/2017
Interest expense concerning financial instruments not carried at fair value through profit or loss:			
Financial lease liabilities		333	287
Credits and loans	7.3	3,331	1,172
Factoring		837	865
Debt securities		56	1,143
Trade liabilities and other liabilities		150	217
Interest expense concerning financial instruments not carried at fair value through profit or loss		**4,707**	**3,684**
Losses on revaluation and realization of financial instruments carried at fair value through profit or loss:			
Derivatives			34
Losses on revaluation and realization of financial instruments carried at fair value through profit or loss			**34**
Exchange difference (gains) losses (+/-):			
Cash and cash equivalents		258	68
Loans and receivables		0	233
Financial liabilities measured at amortised cost		68	13
Exchange difference (gains) losses (-/+)		326	314
Factoring fees		1,336	4,003
Other financial costs		629	485
Total financial costs		**6,999**	**8,520**

Impairment of receivables concerning the operating activity recognised by the Group as other operating expenses (cf. Note No. 18).

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

20. Income tax

	Note	from 01/01 to 31/12/2018	from 01/01 to 31/12/2017
Current tax:			
Settlement of tax for the reporting period		5,960	4,793
Adjustment of tax for previous periods		3	-36
Current tax		5,963	**4,757**
Deferred income tax:			
Temporary difference occurrence and reversal	8	-1,433	-285
Settlement of unrealised tax losses		228	6
Deferred income tax		**-1,205**	**-279**
Total income tax		**4,758**	**4,478**

Reconciliation of the income tax calculated in accordance with the 19 % rate on the result before tax as disclosed in the consolidated statement of profit or loss is as follows:

	Note	from 01/01 to 31/12/2018	from 01/01 to 31/12/2017
Pre-tax result		21,045	20,615
Tax rate applied by the Parent Company		19%	19%
Income tax as per the domestic tax rate in the country f the Parent Company		**3,998**	**3,917**
Reconciliation of the income tax due to:			
Application of different tax rates in Group companies (+/-)			1
Non-taxable revenues (-)		-360	-132
Permanently non-tax deductible costs (+)		921	585
Utilisation of previously non-recognised tax losses (-)		-1	-286
Unrecognised deferred tax asset concerning deductible temporary differences (+)	8	207	459
Unrecognised deferred tax asset concerning tax losses (+)			186
Adjustment of tax for previous periods and other adjustments (+/-)		-7	-251
Income tax		**4,758**	**4,478**
Average tax rate applied		**23%**	**22%**

21. Earnings per share and dividends paid

21.1. Earnings per share

The earnings per share are calculated in accordance with the formula: net profit attributable to the Parent Company's shareholders divided by average weighted number of ordinary shares in the given period.

In order to calculate both the basic and the diluted earnings (losses) per share, the Group uses in the numerator the net profit (loss) attributable to the shareholders of the parent company, i.e. there is no diluting effect that would influence the amount of profit (loss).

The calculation of the basic and diluted earnings (losses) per share together with the reconciliation of the average weighted diluted number of shares is presented below.

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

	from 01/01 to 31/12/2018	**from 01/01 to 31/12/2017**
Number of shares inserted in the denominator of the formula		
Average weighted number of ordinary shares	7,244,623	6,888,539
Dilution impact of the new share issue	274,607	
Average weighted diluted number of ordinary shares	**7,519,229**	**6,888,539**

Continued activities

Net profit (loss) on continued activities in PLN	15,534,746.55	16,382,730.06
Basic profit (loss) per share (PLN)	2.14	2.38
Diluted profit (loss) per share (PLN)	2.07	2.38

Discontinued Activity

Net profit (loss) on discontinued operations		
Basic profit (loss) per share (PLN)		
Diluted profit (loss) per share (PLN)		

Continued and discontinued operations

Net profit (loss)	15,534,746.55	16,382,730.06
Basic profit (loss) per share (PLN)	2.14	2.38
Diluted profit (loss) per share (PLN)	2.07	2.38

21.2. Dividends

The General Meeting of Shareholders of OEX S.A., which took place on 14 June 2018, resolved to allocate the net profit disclosed in the 2017 financial statements in the amount of kPLN 7,557 to the supplementary capital in whole.
The General Meeting of Shareholders of OEX S.A., which took place on 22 June 2017, resolved to allocate the net profit disclosed in the 2016 financial statements in the amount of PLN 3,221,129.35 to the supplementary capital in whole.

22. Cash flows

In order to determine the cash flow from operating activities, the following adjustments of the pre-tax profit (loss) were made:

Adjustments:	**from 01/01 to 31/12/2018**	**from 01/01 to 31/12/2017**
Depreciation of tangible fixed assets	6,530	5,548
Amortisation of intangible fixed	2,032	2,201
Profit (loss) on the sale of non-financial fixed assets		238
Interest expense	4,474	3,190
Interest and dividend income		-104
Other adjustments	-28	
Total adjustments	**13,047**	**11,073**
Change in inventories	14,153	2,690
Change in receivables	-15,280	-50,713
Change in liabilities	-12,637	24,688
Change in provisions and prepayments	-2,224	-3,010
Consolidation adjustments		732
Changes in working capital	**-15,988**	**-25,613**

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

23. Transactions with related parties

The parties related to the Group comprise key management personnel and subsidiary companies excluded from consolidation. Unsettled balances of receivables and liabilities are usually settled in cash. Information on contingent liabilities concerning related parties is presented in Note No. 24.

23.1. Transactions with key management personnel

According to the Group interpretation, the key management personnel includes members of the management boards of the Parent Company and subsidiaries. The remuneration of key personnel in the period covered by the consolidated financial statements amounted to:

Benefits for the management personnel	**from 01/01 to 31/12/2018**	**from 01/01 to 31/12/2017**
Short-term employee benefits	4,881	3,514
Work termination benefits		112
Share–based payments		
Other benefits	217	51
Total benefits	**5,098**	**3,677**

Detailed information about the remuneration of the Management Board of the Parent Company is presented in Note No. 28.

The Group did not grant any loans to the key management personnel in the period covered by these consolidated financial statements.

23.2. Transactions with associated companies, unconsolidated subsidiaries and other related parties

The financial statements were prepared eliminating the transactions between the companies subject to consolidation. Non-consolidated companies do not carry out any economic activity.

24. Contingent assets and liabilities

The value of contingent liabilities as at the end of particular periods (including provisions concerning related parties) is as follows:

	31/12/2018	**31/12/2017**
Liabilities to other parties:		
Liability repayment guarantee		
Guarantees originated	15,744	13,777
Guarantees originated in relation with the building services contracts		
Disputed cases and cases in court	589	84
Disputed cases and cases in court related to the IRS		
Other Contingent Liabilities	4,725	4,725
Total other parties	**21,058**	**18,586**
Total contingent liabilities	**21,058**	**18,586**

25. Risk relating to the financial instruments

The Group is exposed to numerous risks related to the financial instruments. The Group's financial assets and liabilities as broken down into categories are presented in Note No. 7.1. Risk to which the Group is exposed include:

- market risk, comprising the currency risk and the interest rate risk,
- credit risk and

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- liquidity risk.

The Group's financial risk management is coordinated by the Parent Company in close cooperation with the Management Boards and financial directors of subsidiaries. In the risk management process, the following objectives are of the highest importance:

- hedging of short-term and mid-term cash flows,
- stabilisation of the Group's financial result fluctuations,
- performance of the financial forecasts assumed by the fulfilment of budgetary assumptions,
- achievement of the rate of return on long-term investments and obtaining optimal sources of finance for the investing activities.

The Group does not contract transactions at financial markets for speculative purposes. From the economic side, the transactions effected are to hedge against defined risks.

Below are presented the most important risk the Group is exposed to.

25.1. Market Risk

Currency Risk

Most Group's transactions are effected in PLN and, consequently, the Group is not exposed to currency risk. Therefore, the Group does not present an analysis of the sensitivity of its consolidated financial statements to fluctuations of foreign exchange rates.

Interest rate risk

The interest rate risk management concentrates on minimising the interest flow fluctuations in variable interest rate financial assets and liabilities. The Group is exposed to the interest rate risk in relation with the following categories of financial assets and liabilities:

- credits,
- loans,
- financial lease liabilities,
- bond liabilities (redeemed in January 2018).

The characteristics of the above instruments, including the variable and fixed interest rates, is presented in Notes No. 7.2 and 7.3.

Below is presented the sensitivity analysis of the financial result and other comprehensive income with regard to the potential fluctuations of the interest rate up and down by 1%. The calculation was made on the basis of a shift in the average interest rate in the period by (+/-) 1% and with reference to those financial assets and liabilities that are sensitive to interest rate changes, i.e. those with a variable interest rate.

	Rate fluctuations	**Impact on the net financial result:**		**Impact on other comprehensive income:**	
		31/12/2018	**31/12/2017**	**31/12/2018**	**31/12/2017**
Interest rate rise	1%	-645	- 571	-645	- 571
Interest rate fall	-1%	+645	571	+645	571

25.2. Credit risk

The Group's maximum exposure to credit risk is defined by the carrying amount of the following financial assets:

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

	Note	31/12/2018	31/12/2017
Loans	7.2	171	12
Trade receivables and other financial receivables	10	128,102	117,729
Remaining classes of other financial assets			
Cash and cash equivalents	11	26,580	11,447
Contingent liabilities under guarantees and sureties	24	21,058	18,586
Total exposure to credit risk		**175,911**	**147,774**

The Group monitors on an on-going basis the client's past due amounts as well as creditor's payments, analysing the credit risk on an individual basis and within particular classes of assets as defined by particular credit risk types (e.g. resulting from the business segment, region or structure of clients). Additionally, as part of the credit risk management, the Group enters into transactions with contractor of confirmed reliability.

In the assessment of the Parent Company's Management Board, the above financial assets which are not past due nor impaired as at the particular balance sheet days should be deemed good credit quality assets. Therefore, the Group did not establish any securities or any additional elements improving the crediting conditions.

With regard to trade receivables, the Group is exposed only to a minute extent to credit risk in relation with a single significant contractor or contractors of similar properties. The Group's significant counterparties include exclusively leading companies with a stable market position and financial situation. Based in historical past due tendencies, the not impaired past due receivables do not display any considerable quality deterioration - most of them are within the period of one month and there are no concerns as to their collection.'

The credit risk concerning cash and cash equivalents, market securities and derivatives is considered insignificant due to the high reliability of entities being parties to the transactions, i.e. mainly banks.

The impairment charges concerning the financial assets exposed to credit risk are described in detail in Notes No. 7.2 and 10.

25.3. Liquidity risk

The Group is exposed to the liquidity risk, i.e. the loss of capacity to settle its financial obligations on time. The Group manages the liquidity risk by monitoring the payment terms and the demand for cash related to short-term payment servicing (current transactions monitored on a weekly basis) and the long-term demand for cash based on the cash flow forecasts updated on a monthly basis. The demand for cash is compared to the available sources of financing (including in particular by the assessment of capacity to obtain financing in the form of loans) and is confronted with investments of freely available funds.

As at the balance sheet date, the Group's financial liabilities other than derivatives were within the following maturity ranges:

	Note	Short-term:		Long-term:			Flows before discounting
		up to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	above 5 years	
As at 31/12/2018							
Loan facilities		4,827	9,045	48,248			62,119
Overdraft facilities		5,199	17,761				22,960
Loans		18					18
Debt securities							
Finance lease		1,778	1,779	5,182	982	63	9,784
Trade liabilities and other financial liabilities	16	70,593					70,593
Total exposure to liquidity risk		**82,676**	**28,374**	**53,430**	**982**	**63**	**165,524**

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	Note	Short-term:		Long-term:			Flows before discounting
		up to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	above 5 years	
As at 31/12/2017							
Loan facilities			844	1,406			2,250
Overdraft facilities		13,419	20,849				34,268
Loans		18					18
Debt securities				20,550			20,550
Finance lease		673	2,516	4,063	1,218	213	8,683
Trade liabilities and other financial liabilities	16	107,888					107,888
Total exposure to liquidity risk		**121,998**	**24,209**	**26,019**	**1,218**	**213**	**173,657**

The table shows the contractual value of liabilities, without taking into consideration the discount related to the measurement of liabilities at amortised cost, therefore the values presented may be different from the values in the consolidated statement of financial position.

As at particular balance sheet days, the Group also had free overdraft facilities in the following amounts:

	31/12/2018	31/12/2017
Overdraft facilities granted	44,840	54,249
Overdraft facilities used	-18,869	36,516
Overdraft facilities available	25,971	17,733

26. Capital Management

The Group manages the equity in order to ensure the Group's going concern and to ensure the rate of return as expected by shareholders and other entities interested in the financial standing of the Group.

The Group monitors the capital level on the basis of carrying amount of equity as increased by subordinated loans from the shareholder. On the basis of such defined capital amount, the Group calculates the equity to total sources of finance ratio. The Group assumes the maintenance of this ratio at the level not lower than 0.5.

Additionally, in order to monitor the debt service capacity, the Group calculates the ratio of debt (i.e. lease liabilities, loans, credits and other debt instruments) to EBITDA (earnings before interest, taxes, depreciation and amortisation). The Group assumes the maintenance of this debt to EBITDA ratio at the level not lower than 3.0.

The above-mentioned objectives of the Group are consistent with the requirements imposed by loan agreements as presented in detail in Note No. 7.3.

Neither the Group and the Parent Company are subject to external capital requirements.

In the period covered by the consolidated financial statements, the above-mentioned ratios were at the following levels:

	31/12/2018	31/12/2017
Capital:		
Equity	143,496	108,946
Subordinated loans received from the shareholder		
Capital from the valuation of flow hedging instruments (-)		
Capital	**143,496**	**108,946**

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

	31/12/2018	**31/12/2017**
Total sources of finance:		
Equity	143,496	108,946
Loans, credits, other debt instruments	85,098	57,086
Finance lease	9,784	8,683
Factoring liabilities	11,312	4,983
Total sources of finance	249,685	179,697
Total capital to sources of finance ratio	**0.57**	**0.61**
EBITDA		
Operating profit (loss)	27,730	29,006
Amortisation and depreciation	8,562	7,749
EBITDA	**36,292**	**36,755**
Net debt:		
Loans, credits, other debt instruments	85,098	57,086
Finance lease	9,784	8,683
Factoring liabilities	11,312	4,983
Cash	(26,580)	(11,447)
Net debt	79,614	59,305
Net debt to EBITDA ratio	**2.20**	**1.61**

In all the periods, the ratios and indicators were at the levels as assumed by the Group.

27. Events after the Balance Sheet Date

After 31/12/2018, there were no other events that required disclosure in the consolidated financial statements for 2018.

On 8 April 2019, OEX S.A. signed a Term Sheet with a foreign sector investor concerning the commencement of negotiations aimed at the effecting a transaction of sale of 4,250,000 shares in ArchiDoc S.A. with registered office in Chorzów., constituting 100% of the share capital of ArchiDoc S.A. The Term Sheet defines the main assumptions of the Transaction as well as the planned time schedule of next steps. Detailed information about the document was presented by OEX S.A. in the ongoing report No. 15/2019 dated 8 April 2019.

28. Other information

28.1. Selected financial data converted into EUR

In the periods covered by the financial statements, the following exchange rates were applied to convert the basic items in the financial statements:

- for data resulting from the statements of financial position - mean exchange rate of EURO as at the end of each period,
- for data resulting from the income statements and cash flow statements - mean exchange rate for the given period calculated as an arithmetical average of exchange rates as at the last day of each month in the given period.

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

Content	Year ended on 31 December 2018	Year ended on 31 December 2017
average exchange rate as at the period end	4.3000	4.1709
average exchange rate of the period	4.2669	4.2447

The basic items of the consolidated statement of financial position, consolidated statement of profit or loss and consolidated cash flow statements as converted into EUR are presented in the table:

	from 01/01 to 31/12/2018	**from 01/01 to 31/12/2017**	**from 01/01 to 31/12/2018**	**from 01/01 to 31/12/2017**
	k PLN		**k EUR**	
Consolidated statement of profit or loss				
Sale revenues	608,747	565,638	142,667	133,258
Operating profit (loss)	27,730	29,006	6,499	6,833
Profit (loss) before taxation	21,045	20,615	4,932	4,857
Net profit (loss)	16,287	16,137	3,817	3,802
Net profit (loss) - share of the shareholders of the Parent Company	15,535	16,383	3,641	3,860
Earnings per share (PLN; EUR)	2.14	2.38	0.50	0.56
Diluted earnings per share (PLN; EUR)	2.07	2.38	0.48	0.56
Average exchange rate PLN / EUR in the period		X	4.2669	4.2447
Consolidated Cash Flow Statement				
Net cash flows provided by operating activities	12,702	1,163	2,977	274
Net cash flows provided / (used) by investing activities	-41,010	-21,948	-9,611	-5,171
Net cash flows provided / (used) by financing activities	43,441	27,119	10,181	6,389
Total net cash flow	15,133	6,334	3,547	1,492
Average exchange rate PLN / EUR in the period	X	X	4.2669	4.2447
	31/12/2018	**31/12/2017**	**31/12/2018**	**31/12/2017**
		k PLN		k EUR
Consolidated Statement of Financial Position				
Assets	355,093	325,471	82,580	78,034
Long-term liabilities	69,202	41,287	16,094	9,899
Short-term liabilities	142,395	175,239	33,115	42,015
Equity	143,496	108,945	33,371	26,120
Equity - share of the parent company shareholders	141,021	107,222	32,796	25,707
PLN / EUR exchange rate at period end		X	4.3000	4.1709

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

28.2. The ownership structure of the share capital - shareholders holding more than 5% of votes at the General Meeting of Shareholders.

As at 31/12/2018	Number of shares	Number of votes	% of share capital	% of votes
Neo Investment S.A. indirectly via subsidiaries:	2,535,101	3,756,805	31.73%	40.09%
- Neo Fund 1 Sp. z o.o. directly	1,661,688	2,883,392	20.80%	30.77%
- Neo Fund 1 Sp. z o.o. indirectly via Neo BPO S.a.r.l	873,413	873,413	10.93%	9.32%
Piotr Cholewa, indirectly via subsidiaries::	801,096	801,096	10.03%	8.55%
- Silquern S.a.r.l directly	801,096	801,096	10.03%	8.55%
Jerzy Motz indirectly via Precordia Capital Sp. z o.o. Real Management S.A.	1,988,287	2,147,895	24.88%	22.92%
Other shareholders	2,665,500	2,665,500	33.36%	28.44%
Total	**7,989,984**	**9,371 296**	**100%**	**100%**

As at 31/12/2017	Number of shares	Number of votes	% of share capital	% of votes
Neo Investment S.A. indirectly via subsidiaries:	2,414 698	3,636 402	35.05%	43.97%
- Neo Fund 1 Sp. z o.o. directly	1,661,688	2,883,392	24.12%	34.87%
- Neo Found 1 Sp. z o.o. indirectly via Neo BPO S.a r.l.	753,010	753,010	10.93%	9.11%
Piotr Cholewa, indirectly via a subsidiary:	1,280 206	1,439 814	18.58%	17.41%
- Silquern S.a r.l.	1,280 206	1,439 814	18.58%	17.41%
Jerzy Motz, indirectly via Precordia Capital Sp. z o.o. and Real Management S.A.	520,114	520,114	7.55%	6.29%
Others	2,673 521	2,673 521	38.81%	32.33%
Total	**6,888,539**	**8,269 851**	**100.00%**	**100.00%**

28.3. Remuneration of members of the Management and Supervisory Boards of the Parent Company

The total value of remuneration and other benefits received by members of the Management Board of the Parent Company was as follows:

Benefits for the management personnel	from 01/01 to 31/12/2018	from 01/01 to 31/12/2017
Short-term employee benefits	120	120
Remuneration for the function of the Management Board member	1,744	1,147
Work termination benefits		
Share–based payments		
Other benefits	9	9
Total benefits	**1,873**	**1,276**

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

	In the Company:		In subsidiaries		Total
	Remuneration under work contract or appointment	Other benefits	Remuneration under work contract or appointment	Other benefits	
Period from 01/01 to 31/12/2018					
Jerzy Motz	1,008				1,008
Rafał Stempniewicz	60	2	564		626
Robert Krasowski	540	7			547
Tomasz Słowiński	138				138
Artur Wojtaszek	111		276		387
Tomasz Kwiecień	7				7
Total	**1,864**	**9**	**840**		**2,713**
Period from 01/01 to 31/12/2017					
Jerzy Motz	600				600
Rafał Stempniewicz	60	2	588	7	657
Robert Krasowski	336	7			343
Artur Wojtaszek	204		160		364
Tomasz Kwiecień	67				67
Total	**1,267**	**9**	**748**	**7**	**2,031**

Remuneration of the Members of the Supervisory Board of the Company

	from 01/01 to 31/12/2018	from 01/01 to 31/12/2017
Tomasz Kwiecień	35	
Piotr Beaupre	105	29
Piotr Cholewa	24	24
Tomasz Słowiński	12	24
Tomasz Mazurczak	69	24
Michał Szramowski	47	24
Total	**292**	**125**

28.4. Remuneration of the entity authorised to audit financial statements

The auditor auditing and reviewing the consolidated financial statements and reports of the Group companies for 2018 and 2017 is PKF Consult.

	from 01/01 to 31/12/2018	from 01/01 to 31/12/2017
Audit of annual financial statements	128	153
Review of financial statements	103	103
Tax advisory	0	
Other services	21	
Total	**252**	**256**

28.5. Employment

The average employment in the Group as broken down into particular professional groups was as follows:

	from 01/01 to 31/12/2018	from 01/01 to 31/12/2017
White collar	1,677	1,934
Blue collar	110	36
Total	**1,787**	**1,970**

29. Approval for publication

The consolidated financial statements made for the year ended on 31 December 2018 (including comparable data) have been approved for publication by the Company's Management Board on 09 April 2019.

Name and surname	Function	Signature
Jerzy Motz	President of the Management Board	
Rafał Stempniewicz	Management Board Member	
Robert Krasowski	Management Board Member	
Artur Wojtaszek	Management Board Member	
Tomasz Słowiński	Management Board Member	

Name and surname	Function	Signature
Aleksandra Jaraczewska	Consolidation Director - Business Support Solution S.A.	