

# OEX GROUP

REPORT ON THE ACTIVITIES IN THE PERIOD  
FROM 1 JANUARY 2018 TO 31 DECEMBER 2018

Warsaw, 09 April 2019

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## 1. Information about the Issuer;

Name:	OEX
Legal form:	Spółka Akcyjna ( <i>Polish joint-stock company</i> )
Seat:	02-797 Warszawa, ul. Klimczaka 1
Registration authority:	District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court
Statistical number (REGON):	630822208

## 2. Principles of the preparation of the consolidated annual financial statements;

The principles governing the preparation of the annual consolidated financial statements were described in the annual consolidated financial statements for 2018 in the part entitled 'Drawing up basis and accounting rules', c) Accounting Policies - Consolidation.

## 3. Description of the organisation of the issuer's group, with an indication of consolidated entities, and description of changes in the organisation of the issuer's group, with an identify underlying reasons;

The OEX Group is made up from the parent company OEX S.A. (Issuer) and the subsidiaries presented in the table below.

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. Klimczaka 1, 02-797 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. (d. E-Logistics Sp. z o.o)	ul. Równoległa 4A, 02-235 Warszawa	100
OEX24 Sp. z o.o.	ul. Klimczaka 1, 02-797 Warszawa	100
Toys4Boys.pl Sp. z o.o.	ul. Nowy Świat 11B, 80-299 Gdańsk	30
Connex Sp. z o.o. in liquidation	ul. Forteczna 19A, 61-362 Poznań	100

OEX24 Sp. z o.o. was created on 09/11/2018 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 eCommerce B2B platform trading as OEX24.com, which supports producers and distributors in the digitalisation of sale channels as well as 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's share capital is PLN 1,000. thousand. The company makes part of the E-Business operational segment of the OEX Group.

Connex Sp. z o.o. in liquidation is not active anymore 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.

In 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 holds 30 % of shares in the said company. All the shares were covered by impairment charges in previous financial years. TOYS4BOYS Sp. z o.o. is not subject to consolidation.

Additionally, as at 31 December 2018, the Group comprises an associate company – Face and Look S.A with registered office in Warsaw. OEX E-Business Sp. z o.o. holds 31% of shares and votes at its general meeting of shareholders. 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 and Look S.A. is building its own consumer base to which a lifestyle-related content is communicated.

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. In relation with the fact that the Group acquired the shares in the associate in November 2018, the consolidated financial statements of the OEX Group includes the results of Face and Look S.A. for November and December 2018 only.

In the first half of 2018, the Group 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.

#### **4. Information about basic products, goods or services, with a breakdown into volumes and value as well as the shares of particular products, goods and services (if they are material) or their groups in total sale of the issuer, changes in this respect during the year;**

The OEX Group has 4 operational segments:

- Retail Sale Network Management Segment
- Sale Support Segment
- E-business Segment
- BPO Segment

### 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 carried out by Europhone Sp. z o. o., the sale of the PLUS network services by PTI Sp. z o. o., and the sale of the Orange network services 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.

### Value of the sale network of the Retail Network Management segment

Number of stores as at the balance sheet day:

	as at 31/12/2018	as at 31/12/2017	2018/2017 in pcs.	2018/2017 in %
Orange network stores	189	130	59	145.4%
T-Mobile network stores	97	100	-3	97.0%
Plus network stores	68	69	-1	98.6%
<b>Total stores</b>	<b>354</b>	<b>299</b>	<b>55</b>	<b>118.4%</b>

Average number of stores in the financial year:

	Average in 2018	Average in 2017	2018/2017 in pcs.	2018/2017 in %
Orange network stores	157	132	25	118.6%
T-Mobile network stores	98	100	-2	97.8%
Plus network stores	68	69	-1	98.6%
<b>Total stores</b>	<b>322</b>	<b>301</b>	<b>21</b>	<b>107.1%</b>

### Revenue volumes and breakdown - the retail sale network management segment

Revenue from the sale of services and goods (in k PLN)	2018	2017	2018/2017
Revenue from the sale of telecommunication services	121,893	107,372	113.5%
Sets and pre-paid refills	8,676	13,565	64.0%
Postpaid contract phones	66,595	117,173	56.8%
Other revenue	11,856	10,501	112.9%
<b>Total</b>	<b>209,019</b>	<b>248,611</b>	<b>84.1%</b>

Service sale volume	2018	2017	2018/2017
Postpaid activations	784,559	714,006	109.9%
Prepaid activations	187,162	153,904	121.6%
<b>Total</b>	<b>971,721</b>	<b>867,910</b>	<b>112.0%</b>

### 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 is also related to 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 pursues 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 OEX24 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 eCommerce B2B global platform trading as OEX24.com, which supports producers and distributors in the digitalisation of sale channels as well as 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, Łódz and Lublin, where there are over 600 professional contact centre work stations.

## Revenues and results of operating segments

	Sale network management	Sale Support	E-business	BPO	Not allocated	Total
<b>For the period from 01/01 to 31/12/2018</b>						
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
<b>Segment's operating result</b>	<b>16,702</b>	<b>3,737</b>	<b>5,983</b>	<b>6,643</b>	<b>-5,336</b>	<b>27,730</b>
Amortisation and depreciation	2,165	2,071	2,139	1,963	223	8,562
<b>EBITDA</b>	<b>18,867</b>	<b>5,808</b>	<b>8,122</b>	<b>8,606</b>	<b>-5,113</b>	<b>36,292</b>
Financial income						310
Financial costs						6,999
Gross profit						21,045
Net profit						16,287
<b>For the period from 01/01 to 31/12/2017</b>						
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
<b>Segment's operating result</b>	<b>16,858</b>	<b>6,632</b>	<b>1,953</b>	<b>7,228</b>	<b>-3,665</b>	<b>29,006</b>
Amortisation and depreciation	2,136	1,844	1,707	1,996	66	7,749
<b>EBITDA</b>	<b>18,994</b>	<b>8,476</b>	<b>3,660</b>	<b>9,224</b>	<b>-3,600</b>	<b>36,755</b>
Financial income						129
Financial costs						8,520
Gross profit						20,615
Net profit						16,137

The total EBITDA of the four operational segments in 2018 amounted to kPLN 41,403 and was higher than the total EBITDA of the operational segments in 2017 by 2.6%.

The highest share in the total EBITDA of the operating segments in 2018 was held by the Retail Sale Network Management Segment: 45.6%. EBITDA of that segment noted a fall of 0.7% when compared to 2017.

The share of the Sale Support Segment in total EBITDA of all operational segments in 2018 amounted to 14.0%. EBITDA of that segment noted a fall when compared to EBITDA reported in 2017 by 31.5%.

The share of the E-Business Segment in total EBITDA of all operational segments in 2018 amounted to 19.6%, EBITDA of that segment noted a rise when compared to EBITDA reported in 2017 by 121.9%.

The share of the BPO Segment in total EBITDA of all operational segments in 2018 amounted to 20.8%. EBITDA of that segment noted a fall when compared to EBITDA reported in 2017 by 6.7%.

**5. Information on markets, with a breakdown into domestic and foreign markets, information about sources of materials for production, goods and services, with an indication of dependence on one or more supplier or client, and in case the share of one supplier or client reaches at least 10% of total sale revenue - name of supplier or client, his share in sale or supply as well as formal links with the issuer;**

The main marketing outlets for the Group are in Poland.

The only counterparty whose share in the Group's turnover in 2018 exceeds 10% is Orange Polska S.A. None of the Group's companies has any formal links with Orange Polska S.A.

**6. Discussion of the basic economic and financial data disclosed in the annual consolidated financial statements;**

**a) Discussion of the main items of the Group's income statement**

The sale revenue reported in 2018 amounted to kPLN 608,747 and were higher by 7.6% than the revenue generated in the corresponding period of the previous year. After the exclusion of the impact of the fall in revenue from the sale of mobile phones (non-margin) in result of a change in the system of settlements with Orange Polska S.A. (cf. 'Drawing up basis and accounting rules', c) accounting rules - 'Sale revenue'" - in the consolidated financial statements of the Group), the group noted a rise in the y/y revenue at the level of 22%.

The operating profit reported in 2018 amounted to kPLN 27,730 and as lower by 4.4% than in 2017. The main reasons for the y/y fall in profit were the following:

- y/y rise in costs in OEX S.A., which operates as a head office for the Group (without the costs of the Group's head office, the operational segments saw a joint rise in operating profit by 2,6% on a y/y basis, and additionally, after the inclusion of the change in the system of settlements with Orange Polska S.A., in the scope related to the commissions for servicing the instalment sales - as discussed below in more detail - the operational segments made a joint rise in the operating profit by 10.2%);
- worse results in the Sale Support segment, which is the largest employer in the OEX Group and suffered most from the pay rise pressure, which was very strong in 2018 in all the sectors of economy due to the rising level of salaries and low unemployment rate. In response to the labour market situation, the segment's companies gradually make amendments to their contracts with clients in order to adjust the prices to higher labour costs. Those amendments, however, work with a delay that is considerably longer than it was initially assumed with regard to the pay rises . Programmes were introduced in order to optimise field structures, which should improve the business efficiency in the next year to come;
- a slightly worse results in the BPO segment despite the fact that the revenue rise noted in ArchiDoc in 2018 was the highest over the last years and was generated owing to a launch of completely new projects, among other things. This required, however, a dramatic growth of the operating structure and human resources. The Company incurred costs related to a considerable growth of the scale of recruitment as well as pay rises granted in 2018 and implementation of new pay policies the purpose of which was to make the company more attractive as employer and to decrease employee turnover. Additionally, the BPO segment completed investments in new warehouses, development of the contact center structures as well as technologies related to the

launch of new document digitalisation services for the health care sector and the hospital network, which provided solid foundations for the segment's further growth;

- change in the system of settlements with Orange Polska S.A., in result of which the revenue from commissions for servicing instalment sales as well as the corresponding financial costs in the Retail Sale Network Management segment went down, which was neutral in terms of the group's gross profit but led to a decrease in operating profit; after the exclusion of the impact of this factor both in 2018 and 2017, the Group's operating profit would see a y/y rise by 5,6%.

The operating profit plus depreciation (EBITDA) reported in 2018 amounted to kPLN 36,292 and as lower by 1.3% than in the corresponding period of the previous year. The changes to the settlement system with Orange Polska S.A. described herein above had an analogous impact also on the level of EBITDA.; after the exclusion of that impact, in 2018 the Group would see a rise by 6.7% when compared to the corresponding period of the previous year.

The change in the system of settlements with Orange Polska S.A. mentioned above also had a significant impact on the structure of financial costs of the Group Costs resulting from the fees for servicing the instalment sales incurred in favour of Orange Polska S.A. fell on a y/y basis by PLN 2,666 thousand. In the total amount of kPLN 6,999 related to the financial costs of 2018, the costs of the above-mentioned fees constituted kPLN 1,337 (in 2017: financial ' amounted to kPLN 8,520 and the above-mentioned fees kPLN 4,003 ). Excluding the impact of changes at the level of fees for servicing instalment sales, the Group's financial costs rose on a y/y basis by kPLN 1,145, which is, to a considerable extent, a result of the launch of investment loans in April 2018, earmarked to make additional payments to the price for the shares and participations in ArchiDoc S.A. and Voice Contact Center Sp. z o.o.

The gross profit in 2018 amounted to kPLN 21,045 and was higher than in the corresponding period of the previous year by 2.1%.

The net profit reported in 2018 amounted to kPLN 16,287 and was higher than in 2017 by 0.9%. The net profit attributable to the shareholders of the parent company in 2018 amounted to kPLN 15,535 and was higher than in 2017 by 5.2%.

## Income Statement of the Group

	From 01/01 to 31/12/2018	From 01/01 to 31/12/2017	2018/2017
<b>Sale revenues</b>	<b>608,747</b>	<b>565,638</b>	<b>107.6%</b>
Revenue from the sale of services	465,776	385,228	120.9%
Revenue from the sale of goods and materials	142,971	180,410	79.2%
<b>Cost of sales</b>	<b>510,135</b>	<b>474,648</b>	<b>107.5%</b>
Costs of services sold	377,505	301,273	125.3%
Cost of goods and materials sold	132,630	173,375	76.5%
<b>Gross profit (loss) on sales</b>	<b>98,612</b>	<b>90,990</b>	<b>108.4%</b>
Selling costs	32,143	26,801	119.9%
Administrative expenses	36,687	34,130	107.5%
Other operating revenue	4,712	2,437	193.4%
Other operating expense	6,764	3,490	193.8%
<b>Operating profit</b>	<b>27,730</b>	<b>29,006</b>	<b>95.6%</b>
Financial income	310	129	240.3%
Financial costs	6,999	8,520	82.1%
<b>Profit before tax</b>	<b>21,045</b>	<b>20,615</b>	<b>102.1%</b>
Income tax	4,758	4,478	106.3%
<b>Net profit</b>	<b>16,287</b>	<b>16,137</b>	<b>100.9%</b>
Net profit - share of the parent company's shareholders	15,535	16,383	94.8%
Net profit (loss) - share of the non-controlling shares	752	-246	

## Basic ROS indicators

	From 01/01 to 31/12/2018	From 01/01 to 31/12/2017	2018/2017
Gross profit on sales	16.2%	16.1%	100.7%
<b>EBITDA</b>	<b>36,292</b>	<b>36,755</b>	<b>98.7%</b>
EBITDA rate	6.0%	6.5%	91.7%
Rate of the operating profit	4.6%	5.1%	88.8%
Gross profit	3.5%	3.6%	94.9%
Net profit	2.7%	2.9%	93.8%

## b) Overview of the main items of the balance sheet of the Group

In the balance sheet presented, the balance sheet total was at the level of kPLN 355,093 and was higher by 9.1% than the previous year's total. As regards the assets, the share of fixed assets and the current assets was, respectively, 47.2% and 52.8% (2017: 48.6% and 51.4%). The value of fixed assets went up by 6.0% when compared to the previous year, from kPLN 158,202 to kPLN 167,700 in 2018.

The share of current assets in total assets rose from 51.4% in 2017 to 52.8% in 2018. The value of current assets went up from kPLN 167,269 in 2017 to kPLN 187,393 in 2018 – i.e. a rise in the value of 12.0%.

With regard to the equity and liabilities, the proportion between the shareholder's equity and the liabilities was, respectively, 40.4% and 59.6% (2017: 33.5% and 66.5%). The value of the shareholder's equity rose from kPLN 108,945 to kPLN 143,496 in 2018, which was a y/y rise in the value by 31.7%. The value of liabilities and provisions went down from kPLN 216,526 to kPLN 211,597 in 2018 – a fall in the value of 2.3%.

### Balance sheet of the Group

ASSETS	31/12/2018		31/12/2017		2018/2017
Fixed assets					
Goodwill	116,545	32.82%	116,545	35.81%	100.00%
Intangible fixed assets	16,764	4.72%	11,630	3.57%	144.14%
Tangible fixed assets	25,413	7.16%	23,238	7.14%	109.36%
Investments in associates	34	0.01%		0.00%	
Investments in other parties	500	0.14%	250	0.08%	200.00%
Receivables and loans	1,285	0.36%	952	0.29%	134.98%
Long-term prepayments	1,667	0.47%	1,476	0.45%	112.94%
Deferred income tax	5,492	1.55%	4,111	1.26%	133.59%
<b>Fixed assets</b>	<b>167,700</b>	<b>47.23%</b>	<b>158,202</b>	<b>48.61%</b>	<b>106.00%</b>
Current assets					
Inventories	8,629	2.43%	22,782	7.00%	37.88%
Trade receivables and other receivables	137,099	38.61%	121,794	37.40%	112.57%
Current income tax assets	33	0.01%	431	0.10%	7.66%
Loans	21	0.01%	12	0.00%	175.00%
Short-term prepayments	15,031	4.23%	10,803	3.30%	139.14%
Cash and cash equivalents	26,580	7.49%	11,447	3.50%	232.20%
<b>Current assets</b>	<b>187,393</b>	<b>52.77%</b>	<b>167,269</b>	<b>51.40%</b>	<b>112.03%</b>
<b>Total assets</b>	<b>355,093</b>	<b>100.00%</b>	<b>325,471</b>	<b>100.00%</b>	<b>109.10%</b>

EQUITY AND LIABILITIES	31/12/2018		31/12/2017		2018/2017
	Shareholders' equity				
Equity - share of the shareholders of the					
Share capital	1,598	0.45%	1,378	0.42%	115.97%
- Share	63,004	17.74%	44,960	13.81%	140.13%
Other Reserve Capitals	1,459	0.41%	1,459	0.45%	100.00%
Retained profits:	74,960	21.11%	59,425	18.25%	126.14%
- retained profit from previous years	59,425	16.74%	43,042	13.22%	138.06%
- net profit for the company's shareholders	15,535	4.37%	16,383	5.03%	94.82%
Equity - share of the parent company shareholders	141,021	39.71%	107,222	32.94%	131.52%
Equity - share of the non-controlling interests	2,475	0.70%	1,723	0.53%	143.64%
<b>Equity</b>	<b>143,496</b>	<b>40.41%</b>	<b>108,945</b>	<b>33.47%</b>	<b>131.71%</b>
Liabilities					
Long-term liabilities					
Loans, credits, other debt instruments	48,248	13.59%	21,956	6.75%	219.75%
Finance lease	6,227	1.75%	5,494	1.69%	113.34%
Deferred tax liabilities	10,383	2.92%	10,207	3.14%	101.72%
Employee benefit liabilities and	121	0.03%	121	0.04%	100.00%
Other long-term provisions	31	0.01%	31	0.01%	100.00%
Long-term prepayments	4,192	1.18%	3,478	1.07%	120.53%
<b>Long-term liabilities</b>	<b>69,202</b>	<b>19.49%</b>	<b>41,287</b>	<b>12.69%</b>	<b>167.61%</b>
Short-term liabilities					
Trade liabilities and other	79,005	22.25%	83,093	25.53%	95.08%
Current tax	1,734	0.49%	1,146	0.35%	151.31%
Loans, credits, other debt instruments	36,850	10.38%	35,130	10.79%	104.90%
Finance lease	3,557	1.00%	3,189	0.98%	111.54%
Factoring liabilities	11,312	3.19%	4,983	1.53%	227.01%
Liabilities related to the purchase of shares	0	0.00%	34,733	10.67%	0.00%
Employee benefit liabilities and	7,259	2.04%	10,757	3.31%	67.48%
Other short-term provisions	116	0.03%	280	0.09%	41.43%
Short-term prepayments	2,562	0.72%	1,928	0.59%	132.88%
<b>Short-term liabilities</b>	<b>142,395</b>	<b>40.10%</b>	<b>175,239</b>	<b>53.84%</b>	<b>81.26%</b>
Total provisions	211,597	59.59%	216,526	66.53%	97.72%
<b>Total equity and liabilities</b>	<b>355,093</b>	<b>100.00%</b>	<b>325,471</b>	<b>100.00%</b>	<b>109.10%</b>

### c) Overview of the main items of the cash flow statement of the Group

The Group saw a decrease in inventories by kPLN 14,153, a rise in receivables by kPLN 15,280 and a rise in prepayments and accruals by kPLN 2,224. At the same time, there was a decrease in trade liabilities by PLN 12,637 thousand. In total, the changes in working capital amounted to (PLN -15,988 thousand). The flows from operating activities reached a value of kPLN 12,702, as compared to kPLN 1,163 in 2017.

The flows from investment activities reached a value of (kPLN -41,010 ), which resulted from the acquisition of fixed assets and subsidiaries. The Group's expenses on the acquisition of tangible and intangible fixed assets amounted to PLN 6,859 thousand.

The flows from financial activities reached a value of PLN 43,441 thousand.

**Cash flow statement of the Group:**

	from 01/01 to 31/12/2018	from 01/01 to 31/12/2017
<b>Flows from operating activities</b>		
<b>Profit (loss) before taxation</b>	<b>21,045</b>	<b>20,615</b>
<i>Adjustments:</i>		
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	
<b>Total adjustments</b>	<b>13,047</b>	<b>11,073</b>
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
<b>Changes in working capital</b>	<b>-15,988</b>	<b>-25,613</b>
Taxes paid	-5,402	-4,912
<b>Net cash flows provided by operating activities</b>	<b>12,702</b>	<b>1,163</b>
<b>Flows from investing activities</b>		
Expenses to purchase fixed assets	-6,859	-7,257
Inflows from the sale of fixed assets	1,017	234
Net expenses to purchase 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
<b>Net cash flows provided / (used) by investing activities</b>	<b>-41,010</b>	<b>-21,948</b>
<b>Flows from financial activities</b>		
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	
Loan commissions paid	-1,025	
Dividends paid		
<b>Net flows provided / (used) by financing activities</b>	<b>43,441</b>	<b>27,119</b>
Change in net cash position	<b>15,133</b>	<b>6,334</b>
Cash at the period beginning	11,447	5,113
Cash and cash equivalents at period end	<b>26,580</b>	<b>11,447</b>

**7. Characteristics of the structure of assets and equity&liabilities of the consolidated balance sheet, including from the point of view of the issuer's capital group liquidity;**

The analysis is given in item 6.

**8. More important events with a considerable influence on the activities and financial performance of the issuer's group in the financial year or which may have an influence in the subsequent years to come;**

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 each 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.

**9. Assessment of the factors and non-typical events influencing the result of the financial year, specifying the degree of influence of such factors or non-typical events on the result achieved;**

There were no non-typical factors or events which may have an influence on the performance of the Group in the financial year.

**10. Characteristics of external and internal factors significant for the development of the issuer's business and description of the issuer's activity development perspective at least until the end of the financial year following the financial year for which the financial statements were made, including elements of the issuer's market strategy;**

The main external factors that are significant for the development of the Group concern the situation on the sector-specific market, where the subsidiaries operate, with particular attention put to the FMCG segment, e-commerce, mobile telephony, commerce, media as well as the public, banking and insurance sector. They shall comprise, in particular:

- a) uninterrupted performance of existing contracts in the Sale Support, the E-Business and the BPO segments and acquisition of new contracts as per the internal plans;
- b) performance of agreements with the mobile phone operators, taking into account:
  - a. seasonality;
  - b. promotional actions planned by the mobile phone operators;
  - c. performance level of sale plans imposed on the Group companies by operators;

Among external factors that are important for the Group's development, the following can also be mentioned:

- a) general macroeconomic situation of Poland;
- b) situation on the labour market;

Among the internal factors, of key significance will be the following:

- a) further optimisation of the Group's management systems, in particular the systems monitoring the pursuit of objectives, demand for external funds and cash flows as well as an efficient implementation of the cost control policies;
- b) potential equity transactions on the market on which the Group operates.

A potentially significant factor with influence on the Group's financial situation and its further strategy may be the possible sale of all shares in ArchiDoc S.A. The Issuer published information about the execution on 8 April 2019 of a Term Sheet containing main terms and conditions of such a potential transaction in its ongoing report No. 15/2019.

The Group's performance in subsequent quarters and years will also be influenced by the application as of 1 January 2019 of IFRS 16 concerning the long-term lease contracts. As regards all the rental and lease contracts (with the exception of short-term contracts and lease of low value items), the Group will recognise in its balance sheet the right-of-use assets and liabilities. The right-of-use assets will be subject to depreciation similarly as fixed assets acquired. The right-of-use liabilities will be initially recognised at the present value of the outstanding lease payments as discounted using the incremental borrowing rate of interest. The costs under the lease contracts, currently recognised as costs of contracted services, will

be recognised after the change as costs of depreciation and interest costs. The estimated impact of the IFRS 16 application of the Group's statements was presented in the consolidated financial statements.

## **11. Description of risk and threat factors, with a specification to what extent the Issuer's Group is exposed to them;**

### **The risk of termination or lack of renewal of contracts by the mobile phone operators**

The business of the Sale Network Management Segment companies: TELL Sp. z o.o., EuroPhone z o.o. and PTI Sp. z o.o. focuses on the distribution of the mobile phone service in Poland. Acting on the basis of agency agreements, the Companies cooperate with the three largest operators on the Polish market, i.e. Orange Polska S.A., Polkomtel S.A. and T-Mobile Polska S.A. Any termination or lack of renewal of any of these agreements by the operator may significantly constitute a threat to the going concern of the above-mentioned companies of the OEX Group. The OEX Group has cooperated with the mobile network operators for years and the cooperation has been smooth so far. For that reason, in the opinion of the Issuer's Management Board, the risk that the agreements with operators are terminated or not renewed is insignificant.

### **Risk of a change in the sale strategy by mobile phone operators**

The sale of mobile phone services takes place via a few sale channels, the main one being: traditional commercial outlets (including showrooms and stands in shopping malls), sale representatives, call centres and the Internet. Considering the development of modern sale channels, it is possible that the clients will become less interested in the direct service in traditional sales outlets. This tendency may be additionally supported by a better offer addressed by operators to clients using channels other than the traditional one. Any possible change in the sale structure of the mobile phone operators related to the distribution channels and the restriction of the role of traditional outlets may influence a decrease in the revenue from the sales of the OEX Group companies which operate in the Retail Outlet Network Management segment. The take-over of Cursor S.A., Divante Sp. z o.o., MerService Sp. z o.o., and since 2017 also Archidoc S.A. and Voice Contact Center Sp. z o.o. allowed the Group to mitigate the risks of the above-mentioned tendencies by ensuring both, the possibility to offer to the existing customers and to the new counterparties, comprehensive solutions concerning sales outsourcing based on both the traditional and the state-of-the-art sale channels as well as the combination thereof.

### **The risk of a slowdown on the sale support market and the e-business market**

In the assessment of the Issuer's Management Board, the Polish and the European sale support market and e-business market are characterised by a considerable growth potential. The development of those markets is one of the main premises of the pursuit of the development strategy by the OEX Group and the future growth of its value. Any market development that is slower than the one expected by the Company's Management Board may result in the fact that the growth strategy pursuit may prove impossible or delayed in time. At the same time, any occurrence of factors that may hamper the market development growth may translate into a negative impact on the future financial performance. Currently, there are no premises that would indicate a risk of market development inhibition as regards the sale support and the e-business markets.

### **Risk related to negative tendencies at the retail and wholesale markets**

A considerable part of contracts in the Sale Support segment is performed for the benefit of retail and wholesale trade segment clients, particularly for the FMCG companies, therefore the perspectives of the Sale Support segment are tightly intertwined with the tendencies shaping that market.

One of such tendencies is the decreasing trade margin at our clients'. The profitability of contracts performed by the OEX Group as part of the Sale Support segment is directly related to the margin level, therefore a long-term maintenance of the downward trend in this regard may adversely impact the results generated in those services.

A threat to the Sale Support segment may also be stem from the tendency among the FMCG producers to reduce their budgets for promotions in the form of product tasting and sampling, event organisation, animation etc. The organisation of such activities is a significant part of revenues generated by the Sale Support segment.

Recently, there is a tendency observed among the large stores to take over the responsibility for the process of merchandising activity organisation either by the take-over of responsibilities related to the correct product exposure or by indicating entities that will be entitled to provide merchandising services within their area. Consequently, the possibility of a free provision of merchandising services for the FMCG producers may be limited in a part of stores.

The intensification of the above-mentioned trends or the appearance of new currently unidentified unfavourable trends on the retail and wholesale markets may have adverse impact on the future financial performance.

The OEX Group companies, ensuring a regular cooperation with the clients and searching for new service types, aspire to minimise the potential loss of a part of the contemporary sources of income from the Sale Support segment. This purpose is supported by the expansion of the client portfolio as well as the provision of an ever wider and more comprehensive package of services as well as direct cooperation with commercial networks on various sales-related processes. Also other activities are undertaken, e.g. in cooperation with selected clients other models of the store service are being developed as an alternative to the traditional channel model.

### **Risk related to the price pressure from a part of clients**

The OEX Group is exposed to the clients' price pressure both during the client acquisition process and as part of the renegotiation of the existing contracts. The price pressure is, on the one hand, the result of competition, and, on the other hand, the expression of tighter operating cost control on the side of the clients. Among the Group's key clients, there are international concerns, whose scale of business considerably exceeds the scale of business of the OEX Group. The significance of such clients and their share in the structure of the Group's revenue from the sale is considerably higher than the significance of the OEX Group companies and their share in the structure of deliveries of such clients. This means that the OEX Group is exposed to the risk related to unequal negotiating position in relation with some of its clients. The higher price pressure is noted in case of least complex services, which results from the lowest entry barriers in such areas.

Any further rise in the price pressure in case of certain services may lower the profitability of the current and future contracts concerning particular services. Additionally, there is a risk that the price pressure

may infect the complex projects, which will force the OEX Group companies to offer the clients much more attractive terms and conditions of long-term cooperation.

The OEX Group companies try to reduce the price pressure from their clients mainly by the service quality and offer comprehensiveness, aspiring to provide a full process service and this, to a certain extent, limits the impact of price competition in particular areas. Additionally, the pressure is set off by the expansion of the scope of cooperation with the given client.

### **Risk of delayed payment of amounts receivable from clients**

The OEX Group companies operating in the Sale Support and the E-business segments, similarly as their competitors, are characterised by a considerable disproportion between the length of the collection cycle of the trade receivables from clients and the maturities of liabilities to suppliers and employees. This fact creates a huge demand for working capital, in particular in the period when new projects are being launched. One cannot rule out that in case of considerable delays in the payments from large clients, there may be transitional delays in the payment by the OEX Group of its liabilities, which would have an adverse impact on the economic situation and the financial performance.

The risk of transitional liquidity problems is limited due to the access to alternative liquidity sources in the form of overdraft facilities, loans or factoring.

### **Subcontractor risk**

A part of work provided under the services in selected operating segments is performed by external contractors. These services mainly concern a single link of the outsourcing process and comprise, e.g. transport and courier services, production of marketing materials and the work of programmers, graphic designers etc. In some cases, the OEX Group companies are responsible for the quality of work of subcontractors, taking over the risk of remedying potential damage caused by such subcontractors during the performance of services for the client. One may not, consequently, rule out a situation when any damage caused by the operation of a subcontractor will be charged to the financial result of the OEX Group.

The OEX Group tries to minimise this risk by maintaining a constant cooperation with proven partners and by the monitoring of the quality of services they provide. Additionally, there is a good practice in place that the contracts entered into with the subcontractors contain provisions allowing the Group to ensure that the responsibility for such damage is adopted by subcontractors in accordance with the recourse principles.

### **Risk related to the necessity of non-gradual development of infrastructure**

The future profitability of the OEX Group may be subject to fluctuations due to the necessity to ensure a non-gradual development of infrastructure, especially the warehousing space and operational space. The growth in the scale of business and the acquisition of new projects is related with the ever increasing demand for warehousing space. In order to secure the future warehousing needs and avoid any ineffective multiplication of locations as well as to obtain better lease terms and conditions, the Group increases the used warehousing capacity in large steps. In the first period after the expansion, some part of the area is not used and generates lease costs, which lowers the profitability in that period. Along with the acquisition of new projects and the rise in the leased area utilisation, the lease costs are divided by a higher number of projects and the general profitability goes up.

The OEX Group tries to limit the risk related to non-gradual expansion of the infrastructure by correlating the new area rental periods with the kick-off of significant contracts. It is a standard practice also to negotiate that there are clauses in the lease agreement allowing the OEX Group companies to use lease rental payment holidays, especially in the initial lease period. This allows us to have a significant cash situation improvement, even though it should be mentioned that due to the way of recognition of such transactions in the books of account adopted by the OEX Group, the lease rental payment holidays do not have any material impact on the improvement of results in that period.

#### **Risk related to the destruction or loss of stored materials**

The materials and goods storage in the warehouses of the OEX Group, in relation with the contracts performed, is related to the risk of destruction or loss. This may result in the delay or even suspension of the project performance and to liability for damages. It may also have a negative impact on the future business relationships with the given client. For these reasons any events that result in the destruction or damage of the warehousing facility or the materials stored inside may have a significant negative impact on the future financial performance.

The risk of losses related to the loss or destruction of materials stored for the clients is assessed by the Management Board as limited. The facilities used to store clients' materials are equipped in modern fire protection systems and other types of physical security. In contemplation of any event that would result in the damage or destruction of materials stored, the Group companies have taken out insurance policies in the applicable scope.

#### **Risk related to the one-off character of a part of projects**

For selected parts of the Sale Support segment and - to a small extent - for a part of the E-business segment, short-term projects are typical, especially with a one-off character. This concerns especially such activities as: marketing actions, events, door-to-door sales campaign and other specific projects.

The basic consequence of the above-mentioned project characteristics is the necessity of a permanent acquisition of new orders in order to increase the scale of business. Apart from the related revenue fluctuations, the OEX Group companies may also be exposed to the fluctuations of profitability, because the margins on new projects may change from year to year, depending on the economic situation and the competition. The sale support and marketing projects are usually reduced in times of economic downturn, which may have a negative impact on the future financial performance.

In the assessment of the Management Board, the dependence of performance of the OEX Group companies on one-off projects is lower than in the considerable majority of competitor companies. The Group companies have a potential and competences to permanently increase the number of longer-term projects by offering comprehensive solutions to the current and future clients.

#### **Risk of higher market competition**

In the Retail Sale Network Management segment, the OEX Group companies operate for the benefit of the mobile phone operators such as: Orange Polska S.A., Polkomtel Sp. z o.o. and T-Mobile Polska S.A. The loss of competitive position of these operators to entities whose services are not distributed by the Group companies may indirectly lead to a deterioration of the financial performance of the OEX Group.

Currently, the biggest competitor of the above-mentioned operators is P4 Sp. z o.o., operator of the Play network. The development of the Play network takes place at the expense of the other operators, whose

shares shrink. Since the OEX Group does not cooperate with Play, its dynamic development may have an indirectly adverse impact on the level of sales and the financial performance of the Group.

In the Sale Support segment, in the assessment of the Management Board, there is a minute number of entities on the Polish market that would provide services whose scale or diversification would be similar to the services rendered by the OEX Group companies. Nevertheless, in particular area, the Group is exposed to competition from entities specialised in the provision of services of the given type. This applies mainly to relatively simple services that do not require advanced organisational solutions, e.g. courier services, stacking shelves etc. The source of risk is, however, the rise in the complexity of services provided by competitors and the switch from the provision of single services to the provision of business processes (in consequence of consolidation of various market segment companies, for example). Tightening competition in the complex long-term project service area may be related to a higher price pressure from the clients and the inability to win new contracts in the number assumed by the Issuer's Management Board. This may have its negative impact on the future financial performance.

The E-business segment is highly dispersed, there are numerous companies of various sizes. Any appearance of new entities may have an adverse impact on the competitive position of Divante Sp. z o.o. On the other hand, the newly established companies, without any history of cooperation, significant implementations completed in the e-commerce segment, have poor changes to acquire clients for whom these elements are the key elements in the decision process. In the assessment of the Issuer's Management Board, there are few companies competitive to the OEX Group companies in the E-Business segment, especially e-commerce, which may provide a full range of services (from IT to e-marketing) and acting in an appropriate scale (over 150 specialists). Moreover, a technology selected once by the client for the e-business is rarely changed at a later stage so the companies that failed to win the client cannot count upon any further cooperation with that client. One should also remember that the inflow of new clients to e-commerce is, in large simplification, comparable to the year-to-year rise of that market and the trends observed in this area are double digit high. This means that each year the OEX Group companies gain several percent of new clients who need e-business services. In relation with the foregoing, the portfolio of clients impacts considerably the diminution of the risk related to growing competition in this segment.

In the BPO segment, there are many competitive entities, both Polish and with foreign capital. The highest threat in this regard is the price war in progress, which affects the low specialisation services in particular. The activities undertaken by the OEX Group companies aimed at the limitation of the risk of losing the current market position are focused on two basic areas. The first area is the process automation and robotization, allowing a permanent costs optimisation and a possibility to offer services at a lower price level, while maintaining a reasonable project margin. The second aspect with a positive impact on the decreasing risk of client loss is the specialisation and development of services rendered under specific projects as well as a wide integration of IT environments with the Clients' environments. One cannot rule out, however, a situation when the price war will result in a necessity to reduce the margin earned. Also the fact that international outsourcing concerns become interested in the local BPO market should not be left overlooked. Any emergence on the Polish market of a new player with technology and know-how may bear a risk of a tightening price policy and may impact a reduction in the segment's revenues.

The OEX Group companies aspire to take over the service of entire business processes and the high competences they have in this aspect constitute their major competitive edge. Considering the scale of business, the comprehensiveness of the offer, the experience and high credibility, the Group has a strong

position when it comes to winning large scale contracts because a part of competitors is not able to meet the terms and conditions of the call for tenders on their own. The strategy pursued by the OEX Group allows it to mitigate the competition-related risk.

### **Labour market risk**

The unemployment level, which has been decreasing in recent year, constitutes an important factor on the Polish labour market. The level of unemployment at the end of 2018 in Poland was 5.8%. The number of potential job candidates is also influenced by demographic factors and economic migration. The above-mentioned elements combined with pay rises, both resulting from the changes of the minimum wage changes and from the pay pressure stemming from a limited pool of candidates, translate directly into the availability of employees and, consequently, increase the employee acquisition costs.

Considering the foregoing, the OEX Group appointed a specialist entity - Pro People sp. z o.o., the main task of which is to secure the recruitment needs of the Group companies. Additionally, particular companies, depending on the conditions of the projects they run, implement bonus systems for their employees as well as other additional benefits.

An important element influencing the financial performance of the OEX Group companies is also the ability to manage the operational employee turnover - which is of particular importance in the Sale Support segment, where it is an indispensable element of the business. However, the scale of this phenomenon depends to a large extent on the particular market area (the higher turnover indicators are characteristic for areas where high competences are not required). The employee rotation (turnover) is an undesirable phenomenon from the perspective of outsourcing companies in relation with, for example, the time and costs of recruitment of new employees, costs of training, lowered efficiency in the first period after employment. The intensification of this phenomenon, especially when accompanied by other labour market tendencies, may have a negative impact on the future financial performance of the OEX Group.

In order to secure the interests of the Group, actions are being taken to improve the project profitability, mainly as regards employment optimisation, process automation and development of technologies and IT tools.

The Issuer attaches great importance to compliance. Planned changes concerning the labour law and social insurance are of great significance for the business of the OEX Group companies. The development of legislative work related to, for example the new Labour Code, is monitored on an ongoing basis.

Considering the fact that flexible forms of employment are used in term projects, this area belongs to key ones and is under a permanent analysis. However, until the new provisions gain their final shape, the Issuer verifies various scenarios. Currently, the OEX Group concentrates its activities on tight cost control, productivity increase and project management improvement. The Issuer also sees additional development opportunities in the area of outsourcing solutions for clients that search ways to optimise costs.

### **Risk of departure of key employees**

Highly qualified and motivated managerial staff is an extremely important factor underlying the success of the business of the Group companies. The current market position and financial standing of the OEX Group are, to a considerable extent, the effects of the knowledge, skills and experience of its current management team and key employees. The potential loss of the best managers or people with unique qualifications may, consequently, translate into a risk of a transitional deterioration in the management



quality in the OEX Group and in its particular business areas as well as lower possibilities of the performance of tasks for the clients, which, in turn, may have an adverse impact in the Group's financial performance and the speed with which the Group's development plans are pursued. The experience gathered so far indicate that the cases of departures of higher management team members and key personnel occur very rarely.

It must be stressed that in case of the business carried out by the OEX Group companies, a loss of a key employee is not usually related to the loss of client the employee was responsible for. The process of service provider change in the outsourcing sector is characterised by a high degree of complexity and time consumption and the departure of a key employee does not provide the grounds for such a change usually. This concerns in particular the complex processes in which the Group companies specialise.

In order to mitigate the above risks, the OEX Group carries out a number of activities aimed at the maintenance and acquisition of best managers and employees, in particular by the development of an incentive-based remuneration system, an extensive training programme as well as provision of an opportunity for the employees to develop within the Group. .

#### **Risk related to improper service performance**

The agreements the OEX Group companies are parties to precisely define their scope of obligations when it comes to service performance. Also the consequences of a failure to perform or an improper performance of the given service or of damage made to the detriment of the client in relation with the service performance are also determined. Typical sanctions laid down in the agreements made by the OEX Group companies include the obligation to redress the damage or monetary penalties. The consequences also may include the withdrawal of the counterparty from cooperation with the given company or loss of reputation, which may, in turn, lead to an outflow of the existing clients and limitation of possibilities of acquisition of new ones. The occurrence of such type of events may have a significant adverse impact on the future financial performance.

Usually, the main reasons underlying the improper performance of services include human errors and failures of IT infrastructure. In this relation, the OEX Group pays particular attention to the quality of services rendered and to the minimization of probability of occurrence of such errors or failures. In this context, one should mention, for example, the implementation of quality control procedures (including the ISO 9001 systems), staff training, work monitoring and computerisation of the service performance process.

The OEX Group companies have also taken out insurance policies against all claims of clients related to the improper performance of certain services.

#### **Risk related to the conduction of business using IT technologies**

The business of the OEX Group involves the use of IT infrastructure as well as dedicated software. In this relation, the OEX Group companies are exposed to infrastructure failures and breakdowns which may lead to limitations in the access to the IT systems used. The most frequent types of failures and breakdowns include interruptions of optic fibre connections and errors in the applications used. The main consequence of a failure or a breakdown is a downtime and discontinuation of the service provision and the related costs. In case the client's access to the application is blocked for a longer period of time, the OEX Group may be additionally exposed to the accrual of contractual penalties. In relation with the

foregoing, any serious failures or breakdowns of the IT infrastructure may have a significant adverse influence on the future financial performance.

The most serious consequence - from the point of view of the OEX Group's liability - would be a failure leading to a permanent loss of the data stored or its disclosure to unauthorised persons. The risk of that type of event is, in the opinion of the Issuer's Management Board, insignificant. The OEX Group has implemented a number of tools and procedures which, on the one hand mitigate the risk of an emergency situation, and on the other hand - minimise the damage caused by such type of situation.

#### **Risk related to the necessity to ensure information confidentiality**

The information confidentiality is one of the key obligations of the OEX Group companies. The OEX Group applies security measures at the IT level and has in place data access control procedures to ensure no unauthorised access is granted. In the assessment of the Management Board, the procedures in place ensure protection against both accidental and wilful disclosure of confidential information. One cannot, however, rule out completely that in consequence of an improper performance of professional duties by a Group employee or in consequence of a wilful act, the confidential information will be disclosed. The responsibility towards the client for this type of event rests directly on the OEX Group companies. The responsibility depends on the scale and the type of disclosure.

#### **Risk resulting from changes in the personal data protection provisions**

The protection of personal data is an important aspect of the business of the OEX Group companies. The coming into force in May 2018 of the GDPR meant that the OEX Group companies must adjust their regulations and security systems. This entails expenditure on the implementation of GDPR-compliant procedures and systems, comprising legal aspects, IT security, technical safety, access rules, risk analysis and incident reaction etc. The GDPR changes in this respect the approach of data controllers from a reactive approach to personal data protection to a proactive one. The data controller is obliged to monitor on an ongoing basis the protection level and new threats as well as to improve the safe guarding system constantly to adjust it to the changing challenges. Consequently, there are no clear guidelines which would allow one to confirm the adequacy of security systems applied and this entails a risk of differences in the assessment thereof between the data controller and the supervision authority. Lack of any operating practice of the supervision authorities may lead to a risk that penalties may be imposed on controllers and processors and the amount of such penalties was defined in GDPR at the higher of EUR 20 million or 4% of the company's annual turnover. Despite the adjustment of the penalties in proportion to the scale of infringement, one may not rule out that there is, to a certain extent, a risk that penalties may be imposed on the OEX Group companies.

#### **Risk of claims against the OEX Group companies**

One may not rule out the risk that civil, administrative or arbitration actions are undertaken against the OEX Group companies by clients, employees and contractors. When executing agreements, the OEX Group companies initiate a potential risk of a failure to perform or improper performance by them of the subject matters of such agreements. The OEX Group entities are exposed in such cases to claims for compensatory damages. The entities that institute such proceedings may expect large sums of money or other types of compensations from the Group companies, which in the case the proceedings are finally settled for the benefit of such companies may have a negative impact on the current liquidity of the OEX Group entity and, consequently, the financial performance of the OEX Group. A significant burden for the OEX Group company would also be the costs arising in consequence of the institution of such proceedings, in

particular the costs of legal defence. The proceedings might also lead to a deterioration of the image of the given Group company and, consequently, result in difficulties in the acquisition of new clients, employees and contractors. In order to minimise the risk of potential disputes and initiation of legal actions against the OEX Group companies, the OEX Group entities make every effort to perform the agreements they executed in a timely manner and with due diligence, as well as to discharge the obligations towards the clients, employees and contractors as per the mandatory rules of law and standards of the sector the Group operates in.

#### **Risk of termination of agreements by banks or lease companies**

The OEX Group finances its activities using both its own funds as well as such instruments as bank credits and leases. Any possible non-renewal or termination of credit agreement or lease agreement by any financing entity would have a negative impact on the financial liquidity and may lead to a deterioration of the financial performance of the Group.

The OEX Group companies reliably and timely discharge their duties towards the financing institution both as regards the payment of liabilities and other covenants, including the maintenance of securities and appropriate financial ratios, therefore the Issuer's Management Board is of the opinion that the risk of termination of such agreements is insignificant.

#### **Risk of changes in interest rates**

The OEX Group has interest-bearing liabilities (bank loans and credits, factoring, leases) the amount of which as at 31/12/2018 amounted to PLN 106,194 thousand. In view of the foregoing, the Issuer's Group is exposed to the risk of changes in interest rates as any rise in such rates will increase the costs of financing and, consequently, lower the profitability.

#### **Risk of negative changes in legal regulations**

High volatility of Polish legal regulations and their interpretations may have a negative impact on the business of the OEX Group, especially if such changes concern the business law, tax law, labour law, social insurance law and securities law. Such changes may be unfavourable for the financial and operational situation of the Issuer and its Group, including a rise in the business costs, decrease in profits generated or business freedom limitations or impediments. The ambiguities and inconsistent interpretations of the provisions of law result in considerable difficulties at the stage of application of such laws by the enterprises as well as courts of law and administrative authorities. The foregoing results in the risk which may arise in case of potential disputes to which the Issuer or an entity from its Group may be a party. The judgements issued by the courts of law or decisions of administrative authorities are inconsistent and unpredictable, which decreases their applicability in the interpretation of the law. The issuer uses a permanent legal service support and tries to minimise the risk related to changes in legal environment, however this risk cannot be excluded entirely.

### **12. Assessment of financial resources management and its grounds, in particular the ability to discharge liabilities incurred, determination of possible threats and measures undertaken or to planned by the issuer to counteract such threats;**

#### **Ratio-based analysis**

No.	Name of ratio	Formula	Measure	2018	2017
<b>1</b>	<b>Efficiency ratio</b>				
1.1	Cost level ratio	$\frac{\text{tax deductible cost}}{\text{revenue from sales}}$		0.95	0.95
1.2	Asset turnover ratio	$\frac{\text{revenue from sales}}{\text{total assets}}$		1.71	1.74
1.3	Fixed asset turnover ratio	$\frac{\text{sale revenue}}{\text{fixed assets}}$		3.63	3.58
1.4	Current asset turnover ratio	$\frac{\text{revenue from sales}}{\text{current assets}}$		3.25	3.38
1.5	Inventory turnover ratio	$\frac{\text{revenue from sales}}{\text{Inventories}}$		70.55	24.83
1.6	Inventory cycle indicator	$\frac{\text{inventories x number of days in the}}{\text{sale revenue}}$	days	5.17	14.50
1.7	Receivables turnover ratio	$\frac{\text{sale revenue}}{\text{trade receivables}}$		4.44	4.59
1.8	Receivables cycle indicator	$\frac{\text{receivables x number of days in the}}{\text{sale revenue}}$	days	82.20	78.40
<b>2</b>	<b>Effectiveness ratios</b>				
2.1	ROS - gross	$\frac{\text{operating profit x 100}}{\text{sale revenue}}$	%	3.46	3.64
2.2	ROS - net	$\frac{\text{net profit x 100}}{\text{sale revenue}}$	%	2.68	2.85
2.3	Rate of return	$\frac{\text{net profit x 100}}{\text{total assets at period end}}$	%	4.59	4.96
2.4	ROE	$\frac{\text{net profit x 100}}{\text{equity}}$	%	11.35	14.81
<b>3</b>	<b>Financial liquidity ratios</b>				
3.1	Liquidity I ratio	$\frac{\text{total current assets}}{\text{current liabilities}}$		1.32	0.95
3.2	Liquidity II	$\frac{\text{current assets - inventories}}{\text{current liabilities}}$		1.26	0.76
3.3	Liquidity III ratio	$\frac{\text{cash}}{\text{current liabilities}}$		0.19	0.07
<b>4</b>	<b>Capital structure, ratios</b>				
4.1	Debt ratio	$\frac{\text{outside capital}}{\text{shareholders' equity}}$		1.47	1.99
4.2	Equity to debt ratio	$\frac{\text{shareholders' equity}}{\text{outside capital}}$		0.68	0.50
4.3	Asset financing structure ratio by equity	$\frac{\text{shareholders' equity}}{\text{total capital}}$		0.40	0.33
4.4	Asset financing structure ratio by liabilities	$\frac{\text{liabilities to suppliers}}{\text{total capital}}$		0.22	0.21

The OEX Group has a rational financial management. The Company timely discharged its liabilities, carried out a restrictive credit policy with regard to its clients and ensured a tight monitoring of receivables. The Group companies have not been parties to any currency contracts (options, futures, forward).

### **13. Characteristics of the policy related to the lines of development of the Issuer's Group;**

The Group intends to develop its offer of modern services for the business gradually. The Management Board sees the growth potential in the Retail Network Management segment mainly in consequence of further market consolidation, while in case of the remaining segments - by both further organic growth and the reinforcement of the market position as well as by selective capital transactions aimed at the creation of a permanent value for the shareholders. The Company treats the areas related to the use of new technologies and specialised logistics, especially related to the comprehensive e-commerce support as particularly prospective.

### **14. Indication of significant legal, arbitration and administrative proceedings;**

The Group companies are parties to legal proceedings in courts of law, however none of such proceedings concerns liabilities or receivables that would be material in terms of the Group's business. Similarly, the total value of, respectively, liabilities and receivables litigated in court does not meet the materiality criterion.

There are no significant proceedings with the participation of the Group companies or their subsidiaries before any arbitration courts or administrative authorities.

### **15. Information on contracts significant for the business of the Issuer's Group, including contracts between shareholders known to the issuer, insurance contracts and cooperation contracts;**

a) Agreements significant for the business of the OEX Group companies

#### **Agency Agreement dated 20/11/2012**

The key contract for TELL Sp. z o.o. is the Agency Contract with Orange of 20 November 2012 (superseding previous contracts and effective as of 1 October 2012) on the basis of which TELL Sp. o.o. provides mobile phone system agency services for Orange Polska S.A.

#### **Agency Agreement of 01 April 2001**

The key contract for Euro-Phone Sp. z o.o. is the Agency Contract of 01/04/2001 on the basis of which Euro-Phone Sp. z o.o. provides mobile phone system agency services for T-Mobile Polska S.A. Additionally, the Company and T-Mobile Polska S.A. concluded the Distribution Contract of 01/07/2001.

#### **Cooperation Agreement with the Strategic Authorised Sales Representative of 15/12/2016.**

Until the end of 2016, the Agency Contract of 30/06/2010 (superseding previous contracts) had been the key contract for PTI Sp. z o.o. and PTI Sp. z o.o. provided mobile phone agency services for Polkomtel Sp. z o.o. on its basis. In addition to the above-mentioned contract, the Company and Polkomtel also concluded the Goods Distribution Contract concerning pre-paid products, the DTH Distribution Cooperation Agreement and the Agency Agreement concerning intermediation in banking activities. In

December 2016, the Company signed a new agreement for the next 5 years with Liberty Poland SA (a member of the Polsat Group), in accordance with which since 1 January 2017 it has been providing agency agreements related to mobile phones and other products and services offered by the Polsat Group.

**Loan agreement dated 14/12/2017 by and between all the Issuer's subsidiaries and ING Bank Śląski S.A., Santander Bank Polska S.A. (formerly Bank Zachodni WBK S.A.), Santander Faktor sp. z o.o. and ING Commercial Finance Polska S.A.**

b) Agreements made between the shareholders

The issuer is not aware of any agreements made between the shareholders.

**16. Information about organisational or capital links of the issuer with other entities and determination of its main domestic and foreign investments (securities, financial instruments, intangible assets and real estates), including equity investments made outside the group of related entities as well as description of their financing;**

Information on organizational and capital links and equity investments was presented in item 3.

**17. Information about transactions made by the issuer or its subsidiary with related parties at terms and conditions other than those at arm's length, including amounts of such transactions and information on the transaction character - the obligations is deemed to have been fulfilled by indicating the place where the information is included in the financial statements;**

The transactions between the Group entities were made at arm's length. Details concerning the transactions with related parties were given in point 22 of the financial statements of OEX S.A.

**18. Information about loan and credit contracts signed or terminated in the given financial year, with a specification of at least their values, type and amount of the interest rates, currency and maturity dates;**

No agreement executed with the Group companies concerning loans and credits was terminated earlier.

The Group companies used the financing under the loan agreement dated 14/12/2017. On that date, the Issuer and all the Issuer's subsidiaries, as borrowers, signed a loan agreement with ING Bank Śląski S.A. and Bank Zachodni WBK S.A., factoring agreements with BZ WBK Faktor sp. z o.o. and ING Commercial Finance Polska S.A. and other additional agreements related to the main agreements, in particular ones concerning the establishment of securities and collaterals.

The above-mentioned agreements were concluded in order to refinance the existing debts of the Borrowers, 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, including an earlier redemption of bonds and additional payments to the price of acquisition of shares in Archidoc S.A. and Voice Contact Center Sp. z o.o.

Based on the said agreements, the lenders and the factors undertook to provide financing to the borrowers in the total amount of up to PLN 141,600,000 in the form of:

- (i) 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;
- (ii) 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;
- (iii) 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;
- (iv) 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.
- (v) 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 ;
- (vi) 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 ;

The loans mentioned in items (v) and (vi) herein above were launched in the second quarter of 2018 and their repayment will be made in equal quarterly instalments over the period of 60 months after the disbursement, not later than until 30 June 2023.

Pursuant to the loan agreement, the interest rate applicable to the overdraft facilities and term loans will be a sum of the WIBOR 1M rates plus Lender's margins as appropriate. The margins are not, in the Issuer's opinion, different than the ones currently applicable to borrowing terms and conditions available on the financial market.

The margins applicable to the term loans may vary depending on the level of indebtedness as measured by the ratio of consolidated net debt to the consolidated EBITDA of the OEX Group .

**19. Information on the loans extended in the given financial year, with particular attention paid to loans extended to the Issuer's related parties, with a specification of at least the loan amounts, types and interest rates, currencies and maturity dates;**

The information about loans granted and repaid in 2018 by OEX S.A. to the Group companies is presented in the table below. No Group company sanctioned any loans in 2018 to any external entities. The interest rate applicable to the loans is variable and is a total of the following components: arithmetic mean of the WIBOR 1M rate for deposits of the previous calendar month plus a margin of 2.5% to 3.5%. The loan maturities do not exceed 12 months with a rollover option.

<b>Borrower</b>	<b>Balance as at 31/12/2017</b>	<b>Loan granted in 2018</b>	<b>Loan repaid in 2018</b>	<b>Balance as at 31/12/2018</b>
<i>in k PLN</i>				
Europhone Sp. z o. o.	6,282	0	0	6,282
OEX E-Business sp. z o.o.	1,050	6,350	1,850	5,550
Cursor S.A.	2,800	4,400	2,800	4,400
Divante Sp. z o.o.	502		502	
Voice	0	350	350	
Total	10,634	11,100	5,502	16,232

## **20. Information on sureties and guarantees granted and received in the given financial year, in particular the sureties and guarantees granted to the Issuer's related parties;**

Information on securities and guarantees granted was presented in section 24 of the Group's consolidated financial statements.

## **21. In case of issue of securities in the reporting period, description of the use by the issuer of the proceeds from the issue until the date of the report on activities;**

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

Until the day of the preparation of this report, the Group have used kPLN 2,700 to subscribe shares in the share capital of OEX24 Sp. z o.o. The funds were used by OEX24 to acquire the rights to the eCommerce B2B platform trading as OEX24.com, which is a basis for the company's business. Additionally, OEX S.A. granted OEX24 short-term loans to finance its working capital in the total amount of PLN 2,600 thousand.



**22. Explanation of differences between the financial results disclosed in the annual statement and result forecasts published earlier for the given year;**

The Group did not publish any forecasts of results for 2018.

**23. Assessment of the feasibility of investment plans, including equity investments, when compared to the funds held, taking into account possible changes in the financing structure;**

The investment intentions will be pursued owing to the funds earned in the current operations, bank loans or funds obtained from the issue of shares in 2018.

**24. Changes in basic business management principles concerning the issuer and the group;**

In 2018, there were no changes in the principles of governance of the Issuer's enterprise and the Group when compared to the previous year. OEX S.A., as a holding company, is responsible for the formulation of the Group's development strategy and supervision over its implementation, the acquisition policy and for the support given to subsidiaries in such areas as finance, controlling or HR management. The subsidiaries concentrate on the development of their core competences and the building of competitive edge within particular operational segments.

**25. All contracts made between the issuer and the managing persons providing for compensation in case of resignation or dismissal from the position without a goof reason or when the recalling or dismissal takes place due to the combination of the issuer by merger;**

The Issuer is a party to two work contracts which provide for compensation in case of resignation or dismissal from the position taken without an important reason with regard to two members of the issuer's management board. The total value of compensation resulting from these agreements amounts to PLN 360 thousand.

**26. Value of remuneration, bonuses or benefits, including the ones resulting from incentive programmes or bonus programmes based on the issuer's equity;**

The information about the value of remuneration and other benefits paid to the persons who manage or supervise the Issuer was presented in point 28.3 of the Group's consolidated financial statements.

**27. Determination of the total number of shares in the issuer and shares in issuer's related parties that are held by the persons in management and supervisory bodies;**

The persons in the management and supervisory bodies of the Issuer do not have any shares in subsidiaries. The list of Issuer's shares held by the persons in the managing and supervising bodies as at 31 December 2018 is presented in the table below.

	Total shares	Total votes	% of share capital	% of votes
<b>Members of the Supervisory Board</b>				
Piotr Cholewa , indirectly via Silquern S.a r.l.	801,096	801,096	10.03%	8.55%
Michał Szramowski, directly and indirectly via MS Investments Sp. z o.o. sp.k.	452,770	452,770	5.67%	4.83%
Tomasz Kwiecień	17,650	17,650	0.22%	0.19%
<b>Members of the Management Board</b>				
Jerzy Motz, indirectly via Precordia Capital Sp. z o.o. and Real Management S.A.	1,988,287	2,147,895	24.88%	22.92%
Rafał Stempniewicz	94,590	94,590	1.18%	1.01%
Robert Krasowski	10,889	10,889	0.14%	0.12%
Artur Wojtaszek	59,000	59,000	0.74%	0.63%

**28. Information about contracts known to the issuer (including also contracts concluded after the balance sheet date) in result of which they may be in the future any changes in the proportion of shares held by present shareholders and debenture holders;**

The issuer has no such information.

**29. Information about the acquisition of treasury shares, in particular the purpose of the acquisition, the number and nominal value, specifying the part of the share capital they represent, the purchase price and the sale price in case they were sold;**

Companies of the Group did not acquire their treasury shares in 2018.

**30. Information about the most important achievements in research and development;**

Companies of the Group do not carry out any research.

**31. Information about the employee shareholding plan control system;**

Companies of the Group do not run any employee share schemes.

**32. Information on the Issuer's agreement with an entity authorised to audit financial statements;**

The information about an agreement executed and remuneration of an entity authorised to audit the financial statements was given in point 28.4 of the Group's consolidated financial statements.

**33. Information about the policy concerning sponsoring, charitable or similar activities;**

The OEX Group companies is involved in activities that engage the employees in social responsibility area projects. An important role is played by employee voluntary activities as well as actions for the benefit of

local communities aimed at helping children and young people in difficult situations as well as at supporting the environmental protection and healthy lifestyle. Activities related to the corporate social responsibility are conducted, without limitation, in the following areas: responsible employer, employee voluntary work, education and ecology.

### **34. Report on non-financial information**

Pursuant to Art. 49b (1) of the Accounting Act, the Company as a separate entity drew up the Statement of the OEX Group on non-financial information for 2018 attached to this report on the activities of OEX S.A.

### **35. Management Board's Statement and approval for publication**

In accordance with the generally applicable legislation, internal regulations and corporate governance rules adopted, the chartered auditor was appointed by the Supervisory Board of OEX S.A. by virtue of the resolution of 20 June 2018 on the appointment of a chartered auditor. PKF Consult spółka z ograniczoną odpowiedzialnością Sp. k. with registered office in Warsaw (hereinafter referred to as 'PKF Consult'), 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.

The Issuer executed a contract with PKF Consult on 27 July 2018. Pursuant to the contract, PKF Consult shall audit the separate and consolidated annual financial statements of the Issuer as well as review the half-yearly, consolidated and separate interim financial statements prepared by the Issuer. The contract concerned the audit of financial statements made for 2018 and 2019.

So far, the Issuer used the services of PKF Consult to audit the separate and consolidated financial services as well as to review the abbreviated half yearly financial statements for the years 2015, 2016, 2017. Additionally, the Issuer requested PKF Consult to provide services that fall within the category of services allowed to be rendered by auditing companies.

Information about the remuneration of the auditing company is provided in item 27.4 of the financial statements.

The Management Board hereby declares that:

- a) 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;
- b) the Company observes the regulations governing the rotation of auditing companies and key statutory auditors as well as the mandatory grace periods;
- c) The Issuer has in place a policy governing the appointment of an auditing company as well as a policy governing the provision for the issuer by an auditing company, an entity related to an auditing company or a member of its network of additional services outside auditing, including services conditionally exempt from the ban on the provision of performances by an auditing company.

Signatures of all Management Board Members

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	