



OEX GROUP

Report on the activities in the  
period from 1 January 2019 to 31  
December 2019.

WARSAW, 29 April 2020

## TABLE OF CONTENTS

1. Information about the Issuer;.....	3
2. Principles of the preparation of the consolidated annual financial statements; .....	3
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;.....	3
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; .....	4
Revenues and results of operating segments .....	9
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; .....	12
6. Discussion of the basic economic and financial data disclosed in the annual consolidated financial statements; .....	12
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; .....	15
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;.....	17
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; .....	19
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;.....	22
11. Description of risk and threat factors, with a specification to what extent the Issuer's Group is exposed to them;.....	23
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; .....	32
13. Characteristics of the policy related to the lines of development of the Issuer's Group;.....	33
14. Indication of significant legal, arbitration and administrative proceedings; .....	33
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; 33	33
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;.....	34
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 demed to have been fulfilled by indicating the place where the information is included in the financial statements; .....	34
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; .....	34
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;.....	35
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; .....	36
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; .....	36
22. Explanation of differences between the financial results disclosed in the annual statement and result forecasts published earlier for the given year; .....	36
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;.....	36
24. Changes in basic business management principles concerning the issuer and the group; .....	36
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;.....	37
26. Value of remuneration, bonuses or benefits, including the ones resulting from incentive programmes or bonus programmes based on the issuer's equity;.....	37
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; .....	37
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; .....	37
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; .....	37
30. Information about the most important achievements in research and development;.....	38
31. Information about the employee shareholding plan control system; .....	38
32. Information on the Issuer's agreement with an entity authorised to audit financial statements; .....	38
33. Information about the policy concerning sponsoring, charitable or similar activities;.....	38
34. Report on non-financial information .....	38
35. Management Board's Statement and approval for publication .....	39

## 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 Register
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 2019 in the part entitled 'Drawing up basis and accounting rules'.

## 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. (the Issuer) and its subsidiaries and an associate company, as presented in the tables below:

### • SUBSIDIARIES

SUBSIDIARIES OF OEX SA			
Name of the Company	Registered office	% of shares/participations held directly	% of shares/participations held indirectly
Tell Sp. z o.o.	ul. Forteczna 19A, 61-362 Poznań	100	
Europhone Sp. z o.o.	ul. Forteczna 19A, 61-362 Poznań	100	
PTI Sp. z o.o.	ul. Forteczna 19A, 61-362 Poznań	100	
OEX Cursor S.A.	ul. Równoległa 4A, 02-235 Warszawa	100	
Merservice Sp. z o.o.	ul. Równoległa 4A, 02-235 Warszawa	100	
Pro People Sp. z o.o.	ul. Równoległa 4A, 02-235 Warszawa	100	
OEX E-Business Sp. z o.o.	ul. Równoległa 4A, 02-235 Warszawa	100	
Divante Sp. z o.o.	ul. Dmowskiego 17, 50-203 Wrocław	51.03	
Voice Contact Center Sp. z o.o.	ul. Równoległa 4A, 02-235 Warszawa	100	
OEX 24 Sp. z o.o.	ul. Klimczaka 1, 02-797 Warszawa	100	

### • ASSOCIATE COMPANY

ASSOCIATE COMPANIES			
Name of the Company	Registered office	% of shares/participations held directly	% of shares/participations held indirectly
Face and Look S.A.	ul. Klimczaka 1, 02-797 Warszawa		31

### • JOINTLY-CONTROLLED COMPANY

JOINTLY-CONTROLLED COMPANIES			
Name of the Company	Registered office	% of shares/participations held directly	% of shares/participations held indirectly
4Shops Sp. z o.o.	ul. Klimczaka 1, 02-797 Warszawa	0	50

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

All the subsidiaries of the OEX S.A. Group presented above are subject to full consideration. The co-controlled company 4Shops Sp. z o.o. and the associate company Face and Look S.A. with registered office in Warsaw are consolidated using the equity method.

Disposal of shares in ArchiDoc S.A.

Until 17 October 2019, the OEX Group also comprised ArchiDoc S.A. and ArchiDoc MED. Sp. z o.o. with registered office in Chorzów. The Group held 100% of shares in those companies.

On 17 October 2019, OEX S.A. signed with Offsite Archive Storage & Integrated Services Ltd. with registered office in Dublin agreements on the sale of 4,250,000 shares in the share capital of ArchiDoc S.A., constituting 100% of its share capital. Detailed information on the transaction of the sale of shares in ArchiDoc S.A. and on the impact of the sale on the result of the OEX Group in 2019 can be found in Note No. 20 to the Group's consolidated financial statements for 2019.

#### **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**

<b>NUMBER OF STORES AS AT THE BALANCE SHEET DAY:</b>				
	as at 31/12/2019	as at 31/12/2018	change y/y in pcs.	y/y in %
Orange network stores	180	189	-9	95.2%
T-Mobile network stores	93	97	-4	95.9%
Plus network stores	66	68	-2	97.1%
<b>Total stores</b>	<b>339</b>	<b>354</b>	<b>-15</b>	<b>95.8%</b>

<b>AVERAGE NUMBER OF STORES IN THE FINANCIAL YEAR:</b>				
	average in the period 01/01-31/12/2019	average in the period 01/01-31/12/2018	change y/y in pcs.	y/y in %
Orange network stores	183.0	157.0	26	116.6%
T-Mobile network stores	96.0	98.0	-2	98.0%
Plus network stores	66.0	68.0	-2	97.1%
<b>Total stores</b>	<b>345.0</b>	<b>322.0</b>	<b>22</b>	<b>107.1%</b>

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

BREAKDOWN OF REVENUE			
	01/01/-31/12/2019	01/01-31/12/2018	change y/y in %
Revenue from the sale of telecommunication services	132,898	121,893	109.0%
Sets and pre-paid refills	5,780	8,676	66.6%
Postpaid contract phones	41,725	66,595	62.7%
Other revenue	10,158	11,856	85.7%
<b>Total</b>	<b>190,561</b>	<b>209,019</b>	<b>91.2%</b>

VOLUMES OF SERVICES SOLD			
	01/01/-31/12/2019	01/01/-31/12/2018	change y/y in %
Postpaid activations	910,885	784,559	116.1%
Prepaid activations	151,541	187,162	91.0%
<b>Total</b>	<b>1,062,426</b>	<b>971,721</b>	<b>109.3%</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 also comprises the provision of human resources (teams of salesmen or sale advisers), as well as working tools (car fleet and IT systems). The cooperation may concern the team management as well as the management of entire sale and marketing processes of clients and may entail that the remuneration for the services rendered is linked to the performance of the KPIs at the assumed 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 the eCommerce sector, including the areas of technology, marketing and fulfilment. The segment encompasses the business of Divante Sp. z o.o. (area related to the eCommerce dedicated IT), as well logistic operations and purchasing process services carried out by OEX E-Business Sp. z o. o. The segment comprises also OEX24 Sp. z o.o. established in November 2018. The company was created in order to carry out modern trade support processes on the domestic and international market and to connect sellers and buyers by means of technology. The Company manages the eCommerceB2B platform - a universal tool which supports producers and distributors in the digitalisation of sales. It allows and streamlines the sales to clients, at the same time allowing goods producers and distributors access to new contractors on the internal and external market. It also provides a wide range of sale support services.

The services for eCommerce provided by companies from the E-business segment include comprehensive services for companies involved in online sales or those which have offline sales but plan to expand to the online sale in the B2B and B2C areas. 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, eCommerce platform designing and creation on the basis of various technologies, adjustment of e-marketing activities 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. The services are offered inclusive of a comprehensive customer support during the sale process and after-sale support. They may also be rendered as individual components of the entire chain.

Fulfilment is logistics consisting in warehousing products for sales, marketing materials and loyalty programme awards as well as in the completion of orders made via eCommerce platforms, i.e. preparation of products for shipment, at the client's or consumer's request and their delivery via select courier firms to the addresses indicated. Workshops and consultations on optimal process management, construction and provision of product and material ordering 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 the processing of products for resale, marketing materials and packaging purchase 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 logistic and 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

Until 17 October 2019, this segment comprised Archidoc S.A., Archidoc Med Sp. z o.o. and Voice Contact Center Sp. z o.o. In relation with the sale of 100% of shares in Archidoc S.A. and in its subsidiary Archidoc Med Sp. z o.o., as of 18 October

2019, the scope of business of this segment includes only the services provided by Voice Contact Center Sp. z o.o. As of 2020, the Issuer no longer separates the BPO segment, however no decision as to the new segment breakdown was taken by the date of preparation of these financial statements.

Until the date of the sale of 100% of shares in Archidoc S.A., that company provided within the BPO segment the services related to the document registration, sorting and processing. In effect, the client's systems had 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 was managed by the proprietary system INDO. The services provided by the Company included, but were not limited to::

1. Traditional archiving, scanning, digitalisation and electronic archiving, which consisted in a rapid transformation of paper documents into electronic documents on the basis of a proprietary IT solutions of ArchiDoc S.A., which guarantees that the risk of loss of important data is minimised and the access to the original documents, digital copies and data therein contained is efficient.
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 comprised an analysis of the client's needs, construction of dedicated solutions, implementation of the same and provision of support services. The projects included the performance of such tasks as inflowing document digitalisation or acceptance path process pursuit. The electronic document flow was implemented most often in processes related to the flow of orders, complaints and invoices that needed to be handled on time.
3. Business process support. The offer of these services was 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 b2c model enterprises. As part of this service, the client might entrust all the back-office processes to the contractor. The services were 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 were provided in modern operational centres located in Chorzów and Warsaw or in locations indicated by the clients or in a mixed model. The data were collected in two mutually independent data centres managed by ArchiDoc S.A.

Voice Contact Center Sp. z o.o. provides solutions in the customer experience area. It could offer a comprehensive support for business processes related to client communication, from client acquisition, through support to cooperation development and maintenance as well as support backoffice activities. It renders services that encompass the support of all channels of contacts with the client. It comprises the handling of calls, text messages, e-mails, chats, social media, video, voicebot as well as traditional correspondence. The Company's main services are the following: management of comprehensive and multi-channel customer support offices, backoffice processes, CATI research and sales support.

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

- for commercial and distribution companies, in particular the eCommerce and FMCG companies - product and service help lines, helpdesk for users/clients of systems and applications, complaint handling and compensation logistics, sale of products and services, client loyalisation, lead generation, backoffice activities, e.g. those related to product description and creation of databases, CATI and other surveys;
- for medical companies - appointment scheduling and confirmation, commercial service upselling, remote diagnostics support;
- for the financial sector companies - client support, e.g. help line for mass clients of banks, sale support by product upselling and client loyalisation, e.g. with regard to loan companies, CATI surveys for banks;

- for the insurance sector companies – loss registration and adjustment, assistance support, helpdesk for users of the insurer’s systems, product help line, CATI surveys, meeting scheduling for agents, backoffice projects supporting the insurer’s sale network operations.

The Company provides services to most business sectors. Apart from the above-mentioned sectors, also for companies from the following industries: motor, fuel, publishing, tourist and developing.

The services are provided in modern operational centres in Warsaw, Łódz and Lublin, where there are over 700 professional contact centre work stations.



## Revenues and results of operating segments

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 31/12/2019</b>						
Revenue from external customers	190,524	190,303	171,942	77,911		630,680
Revenue from the sales between segments	37	1,128	2,396	61	5,379	9,001
Total revenue	190,561	191,431	174,338	77,972	5,379	639,681
Segment's operating result	18,034	- 3,514	- 821	6,912	- 4,843	15,768
<b>EBITDA</b>	<b>30,784</b>	<b>- 592</b>	<b>8,952</b>	<b>12,969</b>	<b>- 4,283</b>	<b>47,830</b>
Amortisation and depreciation	12,750	2,922	9,773	6,056	560	32,061
Financial income						806
Financial costs						11,636
Profit from the sale of shares and participations						24,565
Share in the profit (loss) of entities measured using the equity method (+/-)						- 134
Gross profit						29,369
Income tax						7,402
Net profit						21,967
<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
Segment's operating result	16,702	3,737	5,983	6,643	- 5,336	27,730
<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>
Amortisation and depreciation	2,165	2,071	2,139	1,963	223	8,562
Financial income						310
Financial costs						6,999
Gross profit						21,045
Income tax						4,758
Net profit						16,287

\* without elimination of ArchiDoc S.A. and ArchiDoc MED Sp. z o.o. as assets held for sale (the Group's Management Board analysed the segment results without allowing for the share sale)

In order to ensure the comparability of data presented, below are presented the results of the OEX Group's operating segments for 2019 before the impact of IFRS 16.

	Sale network management	Sale Support	E-business	BPO*	Not allocated	Total*
FOR THE PERIOD FROM 01/01 TO 31/12/2019						
Operating result, excluding the impact of IFRS 16	17,243	- 3,581	- 1,919	6,819	- 4,855	13,707
EBITDA, excluding the impact of IFRS 16	19,720	- 1,165	1,539	8,665	- 4,603	24,156

\* without the exclusion of ArchiDoc S.A. and ArchiDoc MED Sp. z o.o. as assets held for sale

In relation with the fact that between 2018 and 2019 ArchiDoc S.A. was the key company defining the BPO segment, the segment note was presented without the exclusion of ArchiDoc S.A. and ArchiDoc MED Sp. z o.o. as assets held for sale. The results of ArchiDoc S.A. and ArchiDoc MED Sp. z o.o. presented in Note for 2019 concern the period from 01/01/2019 to 17/10/2019, i.e. the date of the sale of shares in ArchiDoc S.A. The impact of the above-mentioned companies on the segment results is presented in the table below:

Total of ArchiDoc S.A. and ArchiDoc MED Sp. z o.o.	1-3Q 2018	1-3Q 2019	change in PLN	4Q 2018	4Q 2019	change in PLN
Total revenue	36,810	49,308	12,497	15,245	3,826	-11,419
Operating result	3,282	4,642	1,360	1,473	533	-941
<b>EBITDA</b>	<b>4,367</b>	<b>5,812</b>	<b>1,446</b>	<b>1,791</b>	<b>661</b>	<b>-1,130</b>

The comparative analysis of the results of particular segments is additionally more difficult due to the significant one-off costs noted by OEX Cursor S.A. and OEX E-Business from, respectively, the Sale Support segment and the E-Business segment. In case of the E-Business segment, the analysis is additionally more difficult because of the entirely different character of changes concerning the financial performance of OEX E-Business and Divante (also from that segment). Unlike OEX E-Business, Divante had very good financial results at very significant increases at every level mainly due to cooperation with international clients, including also thanks to its proprietary products. The results are presented in an abbreviated form in the table below (results exclude the part of impact of IFRS 16 - with reference to the contracts of rental of premises):

Divante – selected financial data	2018	2019	change in PLN	change in %
Total revenue	27,573	41,743	14,170	51.4%
Operating result	2,555	5,675	3,120	122.1%
<b>EBITDA</b>	<b>3,300</b>	<b>6,849</b>	<b>3,549</b>	<b>107.6%</b>
Financial costs	280	602	321	114.6%
<b>Profit / loss before taxation</b>	<b>2,275</b>	<b>5,073</b>	<b>2,799</b>	<b>123.1%</b>

A detailed discussion of the results of OEX E-Business can be found in item 9.

The segment includes also OEX24 that was created in November 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 the eCommerceB2B platform which supports producers and distributors in the digitalisation of sale channels. It enables and facilitates international sales, providing access to clients at selected markets. It also provides a wide range of sale support services, e.g. e-marketing. The Company is still in its initial phase of development and constitutes the Group's own investment into new areas of the eCommerce market. The Company's abbreviated financial results are presented in the table below:

OEX24 – selected financial data	2018	2019
Total revenue	1,524	23,280
Operating result	30	-715
<b>EBITDA</b>	<b>30</b>	<b>-529</b>

Considering the above information, EBITDA of the E-Business segment, excluding the depreciation and impairment charges and one-off costs and excluding a part of the impact of IFRS 16 with regard to the contracts of rental of premises and warehouses, amounted in 2019 to kPLN 7,300 and was 10.1% lower than EBITDA of 2018.

The Sale Support segment, whose results are predominantly influenced by OEX Cursor, after exclusion of depreciation and impairment charges and one-off costs presented in detail in item 9 and excluding a part of the impact of IFRS 16 with regard to the contracts of rental of premises and warehouses, amounted in 2019 to kPLN 5,969 and was 2.8% higher than in 2018.

The Retail Sale Network Management segment made record results in 2019. A slight fall in total revenues was mainly caused by changes to the system of settlement of sale of telecommunications equipment that was neutral for the results (more in the description of the principles of accounting underlying the Group's financial statements). The segment's most

important line of revenue, i.e. commission on the sale of telecommunications services, saw a y/y rise by 9%. It must be stressed that in 2019 the segment companies exceeded 1 million transactions of sales of services - the highest number in their long history.

**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;**

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The main marketing outlets for the Group are in Poland, however the share of foreign sales in on the growth.

The only counterparty whose share in the Group's turnover in 2019 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;**

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

In relation with the sale in the fourth quarter of 2019 of the shares in ArchiDoc S.A., the results of ArchiDoc S.A. and ArchiDoc MED Sp. z o.o. were excluded from the continued business and are recognised in discontinued operations and assets held for sales. For comparison, the 2018 data were converted as appropriate.

The Group's **revenues** in 2019 amounted to kPLN 577,464 and were higher by 3.7% than the revenue generated in the corresponding period of the previous year. The application of IFRS 16 had a marginal impact on the revenues – after the exclusion of that impact, the y/y change in revenue rose by 4.2%. Of relatively significant impact on the level of revenues was the change in the system of settlements with Orange Polska S.A., as described in detailed in the supplementary notes to the consolidated financial statements in item concerning a description of the accounting rules (policies) with regard to the recognition of the revenue from the sale of services in the retail sale network management segment, which consisted in the replacement of the merchandise trade in mobile phones with a consignment system. After the exclusion of the impact of the fall in non-margin revenues from the sale of mobile phones and the impact of the IFRS 16 adoption, the Group noted a y/y rise in revenues of 9,6%.

The **operating profit** reported in 2019 amounted to kPLN 10,299 and as lower by 54.1% than in 2018. The IFRS 16 adoption had a positive impact on the operating profit, increasing it by PLN 2,171 thousand. After the exclusion of the above-mentioned impact, the operating profit amounted to kPLN 8,127 and the y/y change equalled -63.8%. This considerable fall resulted from a one-off factor indicated in item 9. After the exclusion of the impact of these factors and the IFRS 16 adoption, the operating profit amounted to kPLN 21,022, and the y/y fall amounted to 6.4%.

In result of the above-mentioned changes to the settlement system with Orange Polska S.A., in 2019 the Group did not generate revenue from the commission on the instalment sale service and the corresponding financial costs in the Retail Sale Network Management segment. This change was neutral as regards the Group's gross profit but led to a decrease in the y/y operating profit (impact on the operating profit in 2018 on this account amounted to kPLN 1,337 ). After the exclusion of the impact of this factor on the operating profit of 2018 and of the impact of the IFRS 16 adoption in 2019, the Group noted a y/y fall in the operating profit by 61.5%. After the elimination of the impact of one-off factors indicated in item 6, the y/y fall in the operating profit thus calculated amounted to 0.5%.

The **operating profit plus depreciation** (EBITDA) reported in 2019 amounted to kPLN 38,261 and was higher by 29.2% than in the previous year. The IFRS 16 adoption had a significant positive impact on the EBITDA, in consequence of a considerable rise in the depreciation amount on this account. The impact of the IFRS 16 adoption on EBITDA amounted to PLN 20,981 thousand. After the exclusion of the above-mentioned impact, the operating profit plus depreciation (EBITDA) amounted to kPLN 17,208 and the y/y change equalled -41.7%. This considerable y/y fall in EBITDA resulted from one-off factors indicated in item 9. After the exclusion of the impact of these factors and the IFRS 16 adoption, EBITDA amounted to kPLN 30,175, and was higher on a y/y basis by 1.9%.

The changes to the settlement system with Orange Polska S.A. described in the section containing the clarifications about the operating profit had an analogous impact also on the level of EBITDA. After the exclusion of the impact of this factor on the results of 2018 and of the impact of the IFRS 16 adoption in 2019, the Group noted a y/y fall in EBITDA by 38.9%. Additionally, after the elimination of the impact of one-off factors indicated in item 6, the y/y rise in EBITDA amounted to 6.7%.

The **financial costs** reported in 2019 amounted to kPLN 11,322 and were higher by 66.1% than the financial costs incurred in 2018. The IFRS 16 adoption significantly impacted the growth in the financial costs - by PLN 4,867 thousand. After the exclusion of the above-mentioned impact, the financial costs amounted to kPLN 6,455, which is a y/y fall by 5.3%. In result of the above-mentioned changes to the settlement system with Orange Polska S.A. in 2019, there were no costs resulting from the fees for servicing the instalment sales for Orange Polska S.A. In 2018, in turn, they amounted to kPLN 1,337 out of the total of PLN 6,817 thousand. After the exclusion of the fees for servicing the instalment sales in 2018 and of the impact of the IFRS 16 adoption in 2019, the financial costs of the Group saw a y/y rise by kPLN 975, i.e. by 17.8%.

The **profit before taxation** reported in 2019 amounted to kPLN 24,203 and was higher than in the previous year by 51.8%. The IFRS 16 adoption impacted the decrease in the pre-tax profit by PLN 2,275 thousand. After the exclusion of the above-mentioned impact, the pre-tax profit amounted to kPLN 26,478, which translates into a y/y rise by 66.1%. Of significant impact, both positive and negative, on the profit before taxation were the one-off factors indicated in item 8 and 9. After the exclusion of the impact of these factors and the IFRS 16 adoption, the profit before tax amounted to kPLN 14,808, and was lower by 7.1% than in the corresponding period of the previous year. The changes to the settlement system with Orange Polska S.A. mentioned above did not have any impact on the pre-tax profit in 2019 and in 2018.

The **net profit on continued activities** reported in 2019 amounted to kPLN 17,598 and was higher on a y/y basis by 46.3%. The IFRS 16 adoption impacted the decrease in the net profit by kPLN 1,889 thousand. After the exclusion of the above-mentioned impact, the net profit amounted to kPLN 19,497, which translates into a y/y rise by 62.1%. Similarly as in the case of the profit before taxation, of significant impact, both positive and negative, on the net profit were the one-off factors. After the exclusion of the impact of these factors and the IFRS 16 adoption, the profit after taxation amounted to kPLN 9,824, and was lower by 18.3% than in the corresponding period of the previous year.

The **net profit on assets held for sale**, representing the consolidated net profit of ArchiDoc S.A. and ArchiDoc MED Sp. z o.o. had a significant positive impact on the Group's net profit and amounted to in 2019 and 2018, respectively, kPLN 4,369 and kPLN 4,255. After the elimination of the Impact of IFRS 16 adoption in 2019, the net profit on the assets held for sale amounted to PLN 4,570 thousand. It must be noted that the data concerning 2019 comprise only a period from 01/01/2019 to 17/10/2019 (the date of the sale transaction), i.e. a period shorted by almost 2.5 months than the previous year.

The **net profit attributable to the shareholders of the parent company (OEX S.A.)** in 2019 amounted to kPLN 20,200 and was higher on a y/y basis by 30.0%. The IFRS 16 adoption impacted the decrease in the net profit attributable to the shareholders of the parent company by PLN 2,118 thousand. After the exclusion of the above-mentioned impact, the net profit attributable to the shareholders of the parent company amounted to kPLN 22,318, which translates into a y/y rise by 43.7%.

Similarly as in the case of the net profit on continued operations, of significant impact, both positive and negative, on the net profit attributable to the shareholders of the parent company were the one-off factors. Additionally, one should note a considerable percentage share of the rise in the net profit attributable to non-controlling shares, which reflects a significant share in the results of Divante Sp. z o.o., where the Group holds only 51.03% of shares.

### Income Statement of the Group

	01/01/- 31/12/2019	01/01/- 31/12/2019	01/01/- 31/12/2019	01/01-31/12/2018 (restated)
	Including IFRS 16	Excluding IFRS 16	Impact of IFRS 16	
Sale revenues	577,464	580,052	-2,588	556,845
Operating expense	563,219	567,962	-4,743	532,184
Other operating revenue	5,081	5,065	16	4,273
Other operating expenses	9,027	9,027		6,473
Operating profit	10,299	8,127	2,171	22,461

<b>EBITDA</b>	<b>38,261</b>	<b>17,280</b>	<b>20,981</b>	<b>29,622</b>
Financial income	795	375	420	297
Financial costs	11,322	6,455	4,867	6,817
Profit from the sale of shares and participations	24,565	24,565		
Share in the profit (loss) of entities measured using the equity method (+/-)	-134	-134		3
<b>Profit before taxation</b>	<b>24,203</b>	<b>26,478</b>	<b>-2,275</b>	<b>15,944</b>
Income tax	6,605	6,981	-376	3,913
<b>Net profit on continued activities</b>	<b>17,598</b>	<b>19,497</b>	<b>-1,899</b>	<b>12,031</b>
<b>Discontinued operations and assets held for sale</b>				
Net profit on assets held for sale	4,369	4,570	-201	4,255
<b>Net profit - share of</b>	<b>21,967</b>	<b>24,067</b>	<b>-2,101</b>	<b>16,287</b>
- the parent company shareholders	20,200	22,318	-2,118	15,535
- non-controlling shares	1,767	1,749	18	752

### Basic profitability ratios - on the basis of reported data

	01/01/-31/12/2019 Including IFRS 16	01/01/-31/12/2019 Excluding IFRS 16	01/01/-31/12/2018
EBITDA rate	6.6%	3.0%	5.3%
Rate of the operating profit	1.8%	1.4%	4.0%
Pre-tax profit margin	4.2%	4.6%	2.9%

### Basic profitability ratios - on the basis of standardised data\*

	01/01/-31/12/2019 Including IFRS 16	01/01/-31/12/2019 Excluding IFRS 16	01/01/-31/12/2018
EBITDA rate	8.9%	5.2%	5.1%
Rate of the operating profit	4.0%	3.6%	3.8%
Pre-tax profit margin	2.2%	2.6%	2.9%

\*- excluding one-off factors indicated in items 8 and 9 in 2019 and excluding the impact of servicing the instalment sales in 2018

### b. Overview of the main items of the cash flow statement of the Group

Due to the fact that the data in the group's statement of profit and loss for the period from 01/01-31/12/2019 and 01/01-31/12/2018 include a presentation of ArchiDoc S.A. and ArchiDoc MED Sp. z o.o. as assets held for sale and the cash flow statement does not provide for such a form of presentation, the analysis of flows generates certain difficulties related to the incomparability of result data in both statements. An additional interpretation difficulty stems from the impact of the IFRS 16 adoption in the part concerning the contracts of rental of premises. After the exclusion of that, the flows from operating activity amounted to `kPLN 48,236, including kPLN 34,535 of a positive change in the working capital. The positive level of flows from the investment activity results from the inflows from the sale of shares in ArchiDoc S.A. The most significant items in the flows from the financial activity, after the exclusion of the impact of IFRS 16 adoption in the part concerning the contracts of rental of premises, concern the decreases in the level of credits and other debt instruments, interest paid and expenses on the purchase of treasury shares. In total, the expenses comprised PLN 69,986 thousand.

	Note	01/01-31/12/2019*	01/01-31/12/2018*
<b>CASH FLOW FROM OPERATING ACTIVITY</b>			
<b>Profit before taxation</b>		<b>29,369</b>	<b>21,045</b>
<b>Adjustments</b>	22		
Depreciation and amortisation of fixed assets		6,471	8,562
Depreciation of the right-of-use assets - premises and warehouses (IFRS 16)		21,680	
Depreciation of the right-of-use assets - other fixed assets (IFRS 16)		3,911	
Profit from the sale of the Archidoc Group		- 26,202	
Profit (loss) on the sale of non-financial fixed assets		273	39
Exchange difference (gains) losses		776	

Interest expense		9,437	4,474
Interest and dividend income		- 496	
Other adjustments		90	- 28
<b>Total adjustments</b>		<b>15,940</b>	<b>13,047</b>
Change in inventories		4,690	14,153
Change in receivables		22,683	- 15,280
Change in liabilities		982	- 12,637
Change in provisions and prepayments		6,180	- 2,224
<b>Changes in working capital</b>		<b>34,535</b>	<b>- 15,988</b>
Taxes paid		- 8,953	- 5,402
<b>Net cash flows provided by operating activities</b>		<b>70,891</b>	<b>12,702</b>
<b>CASH FLOW FROM INVESTING ACTIVITY</b>			
Expenses to purchase fixed assets		- 8,731	- 6,859
Inflows from the sale of fixed assets		438	1,017
Net expenses to purchase subsidiaries less cash of such subsidiaries			- 34,733
Inflows from the sale of the ArchiDoc Group less the cash of that Group		59,648	
Received repayments of loans granted		245	1,654
Loans granted		- 406	- 1,813
Expenses to purchase other financial assets		- 500	- 281
Interest income		473	5
<b>Net cash flows provided / (used) by investing activities</b>		<b>51,167</b>	<b>- 41,010</b>
<b>CASH FLOW FROM FINANCIAL ACTIVITY</b>			
Inflows from the issue of shares			18,725
Costs of share issue			- 461
Redemption of debt securities			- 20,000
Purchase of treasury shares		- 8,000	
Inflows from loans and credits contracted		6,960	81,605
Repayment of loans and advances		- 55,261	- 32,337
Repayment of the right-of-use-related liabilities - premises and warehouses (IFRS 16)		- 20,901	
Repayment of the right-of-use-related liabilities - other fixed assets (IFRS 16)		- 5,459	- 4,718
Inflows from the repayment of lease receivables (IFRS 16)		2,306	
Interest paid		- 9,312	- 4,702
Factoring inflows		41,991	40,604
Repayment of factoring liabilities		- 44,137	- 34,250
Loan commissions paid/received		- 139	- 1,025
Dividends paid to non-controlling interests		- 979	
Other adjustments		22	
<b>Net flows provided / (used) by financing activities</b>		<b>- 92,909</b>	<b>43,441</b>
<b>Total net cash flows</b>		<b>29,149</b>	<b>15,133</b>
<b>Net change in cash and cash equivalents</b>		<b>29,149</b>	<b>15,133</b>
Cash and cash equivalents at period beginning		26,580	11,447
<b>Cash and cash equivalents at period end</b>		<b>55,729</b>	<b>26,580</b>

\* data presented for the period 01/01-31/12/2019 and 01/01-30/12/2018 do not take into consideration the presentation of ArchiDoc S.A. and ArchiDoc MED Sp. z o.o. as assets held for sale

## 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;

In the balance sheet presented, the balance sheet total was at the level of kPLN 384,233 and was higher by 8.2% than the previous year's total. As regards the assets, the share of fixed assets and the current assets was, respectively, 53.2% and 46.8% (2018: 49.2% and 50.8%). There were significant changes in the structure of assets.

The fixed assets went up on a y/y basis by 17%, however mainly due to the IFRS 16 adoption. Over 36% of fixed assets are assets related to the IFRS 16 adoption in the part related to the contracts of rental of premises, giving a total of kPLN 73,690. In turn, the goodwill went down – by more than 31%, to kPLN 80,019. This change results from the sale of shares in ArchiDoc S.A. and the related goodwill of kPLN 36,526. The above-mentioned balance sheet items constitute as at 31/12/2019 in total over 75% of fixed assets and over 40% of total assets of the Group.

The share of current assets in total assets went down from 50.8 % in 2018 to 46.8% in 2019, however in terms of value, the current assets remained at an almost unchanged level. Their structure, however, changed noticeably. The inventories went down by almost 54%, trade receivables by over 18%, and short-term prepayments and accruals by 51%. In total, those three current asset items decreased on a y/y basis by 22%, by kPLN 33,866. Such considerable fall was due to both a natural decrease resulting from the turnover as well as from the write-offs made by the Group companies, as discussed in more detail in item 9. In 2019, the value of cash went up significantly, by 109.7%, to the amount of kPLN 55,729 and this was a fact despite the spending of kPLN 8,000 on the purchase of treasury shares. Another significant factor contributing to such a considerable growth of cash was the sale of shares in ArchiDoc S.A., in result of which the Group received funds in the amount of kPLN 23,417. The cash as at 31/12/ 2019 constitute as much as 31% of current assets. The current assets exceed the short-term liabilities by 24.4%. In the assessment of the Management Board, the Group has a very good liquidity situation.

As regards the current assets in 2019, they also include the amount of kPLN 2,447 resulting from the application of the IFRS 16 standard with regard to the contracts of sublease of premises. The total value of assets recognised in relation with the IFRS 16 adoption in total assets amounted, as at 31/12/2019, to kPLN 76,137.

With regard to the equity and liabilities, the proportion between the shareholder's equity and the liabilities was, respectively, 41.5% and 58.5% (2018: 40.4% and 59.6 %). The value of the shareholder's equity rose from kPLN 143,496 to kPLN 156,412 in 2019, which was a rise in the value by 9.0% on a y/y basis and occurred despite the capital decrease related to the purchase of treasury shares.

The value of liabilities went up from kPLN 211,597 to kPLN 227,821 in 2019 – a growth by 7.7%, whereby, similarly as in the case of assets, the key growth factor was the value of liabilities recognised on the basis of the IFRS 16 standard with regard to the contracts of rental of premises. In total, they amounted to kPLN 79,633, which constituted almost 35% of the Group's total liabilities. The remaining financial liabilities (interest) to banks and financial institutions amounted, as at 31/12/2019, the total of kPLN 54,242 versus kPLN 106,194 as at 31/12/2018, which constituted a decrease by 48.9%. Out of that value, the long-term debt decreased by 78% to kPLN 11,971 from kPLN 54,475 and the short-term debt decreased by 18.3% to kPLN 42,271 from kPLN 51,719. The most important reason underlying such a considerable decrease of debt was the sale of shares in ArchiDoc S.A., a part of the proceeds from which, in the amount of kPLN 38,084 was used to pay off the loan contracted to finance the purchase of those shares.

#### Balance sheet of the Group

	31/12/2019	31/12/2018 (restated)	2019/2018
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
Goodwill	80,019	116,545	68.66%
Intangible fixed assets	16,280	16,764	97.11%
Tangible fixed assets	9,293	25,413	36.57%
Right-of-use assets - premises and warehouses (IFRS 16)	68,682		
Right-of-use assets - other fixed assets (IFRS 16)	10,252		
Investments in associates	400	34	1,176.47%
Investments in other parties	500	500	100%
Lease and rental receivables (IFRS 16)	5,008		
Receivables and loans	926	1,285	72.06%
Long-term prepayments	6,149	8,780	70.03%
Deferred income tax assets	7,093	5,492	129.15%
<b>Fixed assets</b>	<b>204,602</b>	<b>174,813</b>	<b>117.04%</b>
<b>CURRENT ASSETS</b>			



Inventories	3,939	8,629	45.65%
Trade Receivables and Other Receivables	111,969	137,099	81.67%
Current income tax assets	1,542	33	4,672.73%
Loans	133	21	633.33%
Lease and rental receivables (IFRS 16)	2,447		
Short-term prepayments	3,872	7,918	49.90%
Cash and cash equivalents	55,729	26,580	209.67%
<b>Current assets</b>	<b>179,631</b>	<b>180,280</b>	<b>99.64%</b>
<b>Total assets</b>	<b>384,233</b>	<b>355,093</b>	<b>108.21%</b>
<b>SHAREHOLDERS' EQUITY</b>			
<b>Shareholders' equity</b>			
Equity - share of the parent company shareholders:			
Share capital	1,598	1,598	100%
Share premium	63,004	63,004	100%
Reserve capital for the purchase of treasury shares	8,300		
Treasury shares (-)	- 8,072		
Other Capitals	4,847	1,459	332.21%
Retained profits:	83,472	74,960	111.36%
- retained profit from previous years	63,272	59,425	106.47%
- net profit for the parent company's shareholders	20,200	15,535	130.03%
Equity - share of the parent company shareholders	153,149	141,021	108.60%
Non-controlling shares	3,263	2,475	131.84%
<b>Shareholders' equity</b>	<b>156,412</b>	<b>143,496</b>	<b>109.00%</b>
<b>LIABILITIES</b>			
<b>LONG-TERM LIABILITIES</b>			
Loans, credits	6,958	48,248	14.42%
Right-of-use-related liabilities - premises and warehouses (IFRS 16)	59,742		
Right-of-use-related liabilities - other fixed assets (IFRS 16)	5,013	6,227	80.50%
Deferred tax liabilities	11,517	10,383	110.92%
Employee benefit liabilities	111	121	91.74%
Other long-term provisions		31	
Long-term prepayments	28	4,192	0.67%
<b>Long-term liabilities</b>	<b>83,369</b>	<b>69,202</b>	<b>120.47%</b>
<b>SHORT-TERM LIABILITIES</b>			
Trade liabilities and other liabilities	65,457	75,959	86.17%
Factoring liabilities	9,169	11,312	81.06%
Current tax liabilities	2,273	1,734	131.08%
Loans, credits, other debt instruments	29,682	36,850	80.55%
Right-of-use-related liabilities - premises and warehouses (IFRS 16)	19,891		
Right-of-use-related liabilities - other fixed assets (IFRS 16)	3,420	3,557	96.15%
Employee benefit liabilities	12,414	10,305	120.46%
Other short-term provisions	52	116	44.83%
Short-term prepayments	2,094	2,562	81.73%
Liabilities related to fixed assets held for sale			
<b>Short-term liabilities</b>	<b>144,452</b>	<b>142,395</b>	<b>101.44%</b>
<b>Total provisions</b>	<b>227,821</b>	<b>211,597</b>	<b>107.67%</b>
<b>Total equity and liabilities</b>	<b>384,233</b>	<b>355,093</b>	<b>108.21%</b>

## 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 17 October 2019, OEX S.A. signed with Offsite Archive Storage & Integrated Services Ltd. with registered office in Dublin (hereinafter referred to as 'OASIS') agreements on the sale (hereinafter referred to as 'SPA') of 4,250,000 shares in ArchiDoc S.A., with registered office in Chorzów, constituting 100% of its share capital.

The preliminary selling price of the shares amounted to PLN 65,000,000 and took into account the payment by ArchiDoc to OEX S.A. of a dividend of PLN 3,414,580.58 on the transaction day.

The above-mentioned preliminary selling price, less PLN 3,500,000, was paid by OASIS on 17 October 2019, whereby:

- the amount of PLN 38,083,398.66 was transferred directly to an account with Santander Bank Polska S.A. allocated for the repayment of a part of OEX S.A.'s debt under term loans (including a fee for an earlier repayment),
- the amount of PLN 23,416,601.34 was transferred to the bank account of the Issuer.

The above-mentioned preliminary selling price was subsequently, in accordance with the terms and conditions of the SPA, increased by PLN 1,331,000 in consequence of verification of selected items of the balance sheet of ArchiDoc S.A. as at 30 September 2019 (in accordance with the SPA – 'Completion Accounts'). The value of that additional payment is an element of the total transaction price recognised in the result for 2019. OASIS paid the additional amount, i.e. PLN 1,331,000 to the bank account of OEX S.A. on 14 February 2020.

The above-mentioned preliminary selling price may also be additionally increased (but not decreased) depending on the final calculation of the profitability of one of the projects pursued by ArchiDoc S.A. in 2019, which will be verified on the basis of the confirmed and audited financial statements of ArchiDoc S.A. for 2019. The value of the additional payment for the project settlement was estimated at PLN 500,000 and constitutes an element of the total transaction price recognised in the result for 2019.

The above-mentioned amount of PLN 3.5 million was deposited by OASIS at an escrow account on the day the SPA was signed, i.e. on 17 October 2019, and will be payable to OEX S.A. in an amount between zero and PLN 3,500,000 in case ArchiDoc and its subsidiary generated a standardised EBITDA result in 2019 at the level in the range from PLN 7,000,000 – a minimum value – and PLN 7,500,000 – a maximum value as calculated on a linear basis in relation to standardised EBITDA value within that range. The standardised EBITDA value for 2019 will be determined on the basis of approved and audited 2019 financial statements of ArchiDoc S.A. and its subsidiary, however, on the basis of information held by OEX S.A. as at the date of publication of the financial statements with regard to the anticipated financial performance of ArchiDoc S.A. in 2019, the Management Board is of the opinion that the above-mentioned amount will become payable to OEX S.A. in its max. amount, i.e. PLN 3,500,000.

In the SPA, the Parties also agreed that OEX S.A. would be entitled to conditional additional payments to the selling price ('earn-out') that would be due in case ArchiDoc exceeded the agreed standardised EBITDA value in the period from 1 January 2020 to 31 December 2020 and from 1 January 2021 to 31 December 2021. The total maximum amount of additional payments to the price on this account may be PLN 15,000,000.

To the best of its knowledge, the Management Board estimated that the value of additional payments to the preliminary selling price on account of the earn-out will amount to PLN 8,250,000. This value constitutes an element of the total selling price of the shares recognised in the Group's financial result for 2019.

The actually realised amounts of additional payments to the price of shares on account of the profitability calculations with regard to one of the above-mentioned projects pursued by ArchiDoc S.A. and on account of the earn-out may be different from the estimates made by the Management Board and this may lead to a necessity to introduce certain corrections that may either increase or decrease the Company's financial result in the future.

The remaining terms and conditions of the SPA, including the declarations made and the liabilities undertaken by OEX S.A. as the seller, do not differ from the standard terms and conditions adopted in this type of transactions.

The transfer of ownership and the issue of a multiple-share certificates took place on 17 October 2019.

In result of the sale of 100% of shares in the share capital of ArchiDoc S.A. by OEX S.A., the control over the 100% subsidiary of ArchiDoc S.A., i.e. ArchiDoc MED sp. z o.o. with registered office in Chorzów, was transferred to OASIS.

Below is presented a calculation of the result on the disposal of shares in ArchiDoc S.A. recognised directly in the consolidated statement of profit or loss:

DISPOSAL OF A SUBSIDIARIES	
	ArchiDoc Group
Date of disposal	17/10/2019
Percentage of shares disposed	100%
<b>Share selling price, including:</b>	<b>75,081</b>
Revenue generated on 17/10/2019	61,500
Retained revenue (escrow)	3,500
Estimated additional payment to the price resulting from the Completion Accounts	1,331
Estimated additional payment to the price resulting from the recalculation of profitability of a project	500
Estimated additional payment to the price resulting from the earn-out	8,250
<b>Costs related to the sale of shares, including:</b>	<b>50,516</b>
Net assets of the ArchiDoc Group	9,193
Goodwill attributed to the ArchiDoc Group	36,526
Costs incurred in relation to the sale of shares	3,991
Estimated costs of disposal depending on the value of additional payment to the price	806
<b>Result on the sale of shares</b>	<b>24,565</b>
<b>Net cash flows from the sale of shares</b>	<b>59,870</b>
- total cash inflow from the sale of shares	61,500
- cash in bank accounts of the entities sold, as at the date of sale	1,630

## 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;

In 2019, the Group saw one-off factors that had both a positive and a negative impact on its results. Of a positive impact was the transaction of sale of shares in ArchiDoc S.A. described in detail in item 8.

Among factors with a negative impact on the Group's results, the most important ones concern significant write-offs and one-off costs, which occurred in two companies of the Group – OEX Cursor S.A. and OEX E-Business Sp. z o.o., whereby the events that concerned OEX Cursor S.A. occurred mainly in the third quarter and were included in the quarterly report for the third quarter of 2019, and the events concerning OEX E-Business Sp. z o.o. comprise mainly the fourth quarter of 2019. Additionally, there was a non-standard factor related to OEX E-Business Sp. z o.o that concerned significantly worse operating results of that entity in the fourth quarter of 2019 when compared to the previous year.

### OEX Cursor S.A.

In the third quarter of 2019, OEX Cursor S.A. verified the recoverability of its assets, in particular the assets in the form of primary project expenditure to be expensed over time in the amount of PLN 4,771 thousand. In view of the difficult business conditions - permanent rise in labour costs and difficulties in the process of renegotiation of rises of prices of services rendered, the Management Board of Cursor S.A., after analyses, decided that the probability of recovering the value of above-mentioned assets in the foreseeable future was low and, consequently, they should be expensed in whole in 2019.

At the same time, the company was subject to restructuring, which consisted in a significant downsizing of field structures on the one hand and renegotiations of contracts with clients on the other hand. The restructuring activities were also

continued in the fourth quarter of 2019 and one may assume that the restructuring is completed. It was possible to renegotiate most rates and modify other commercial terms and conditions with significant clients, reducing at the same time the operating costs. OEX Cursor terminated the performance of unprofitable contracts and focused its activities on projects with higher margins. The dynamics of pay rises, constituting the main cost factor, is gradually decreasing and has been partially reflected in the rates offered to the Company's clients.

In the assessment of the Management Board, the restructuring of 2019 contributed to a permanent improvement of the Company's profitability and its financial situation. It must be stated that the Company's liquidity situation in 2019 was good, despite the results reported due to the fact that most one-off costs were non-cash in character. This allowed the company to finance on its own not only a part of the restructuring costs and to settle on time its current liabilities but also significantly decrease the debt level (in total by kPLN 3 320, including kPLN 1,367 of lease liabilities and kPLN 1,953 of revolving loans). Positive is also the fact that the company generated a positive result on operating activities in the fourth quarter of 2019 despite the costs of provisions, write-offs and restructuring costs and that was a result better than in the corresponding quarter of the previous year.

Analysing particular cost levels, the Management Board of Cursor S.A. indicated the following items as one-off and determined their impact on the results of the company and of the Group:

OEX CURSOR S.A. – one-off costs	1-3Q 2019	4Q 2019	2019
<b>operating costs, including:</b>	<b>5,592</b>	<b>306</b>	<b>5,897</b>
project expenditures	4,771	0	4,771
restructuring costs	821	132	952
other provisions for costs	0	174	174
<b>other operating costs, including:</b>	<b>611</b>	<b>625</b>	<b>1,236</b>
impairment of receivables	593	3	597
other provisions	18	622	640
<b>Total impact on EBIT / EBITDA / Profit before taxation</b>	<b>-6,203</b>	<b>-931</b>	<b>-7,134</b>

Including the above data and excluding the impact of the IFRS 16 adoption (in the part concerning the contracts of rental of premises), the standardised results of OEX Cursor S.A. are as follows:

OEX Cursor S.A. – reported results	1-3Q 2018	1-3Q 2019	4Q 2018	4Q 2019	2018	2019
Total revenue	73,517	99,670	42,469	35,209	115,986	134,879
Operating result	2,399	-4,579	-253	125	2,146	-4,455
<b>EBITDA</b>	<b>3,619</b>	<b>-3,150</b>	<b>94</b>	<b>594</b>	<b>3,713</b>	<b>-2,555</b>
Financial costs	651	715	165	279	816	994
<b>Profit / loss before taxation</b>	<b>1,748</b>	<b>-5,295</b>	<b>-418</b>	<b>-154</b>	<b>1,330</b>	<b>-5,448</b>
<b>impact of write-offs and one-off costs</b>		<b>-6,203</b>		<b>-931</b>		<b>-7,134</b>
OEX Cursor S.A. – standardised results	1-3Q 2018	1-3Q 2019	4Q 2018	4Q 2019	2018	2019
Total revenue	73,517	99,670	42,469	35,209	115,986	134,879
Operating result	2,399	1,624	-253	1,055	2,146	2,679
<b>EBITDA</b>	<b>3,619</b>	<b>3,053</b>	<b>94</b>	<b>1,525</b>	<b>3,713</b>	<b>4,578</b>
Financial costs	651	715	165	279	816	994
<b>Profit / loss before taxation</b>	<b>1,748</b>	<b>908</b>	<b>-418</b>	<b>777</b>	<b>1,330</b>	<b>1,685</b>

### OEX E-Business Sp. z o.o.

In the third and fourth quarter of 2019, there was an economic slowdown, which resulted in a slump in the sales in two business lines the company classifies as supplementary to its core business but earning considerably high margins – eDelivery and eProcurement. In consequence of those events, the company's Management Board took a decision to make

necessary team downsizing - by a total of 30 persons – and to cover the costs of such downsizing, including the costs of termination of cooperation with department directors.

After a record 2018, the eDelivery business line noted in 2019 a fall in its revenues by kPLN 28,325, i.e. by 68.7% (kPLN 12,890 of revenues in 2019 vs. kPLN 41,215 in 2018), of which, in the fourth quarter of 2019 alone, the slump amounted to kPLN 15,326, i.e. by 91.5% (kPLN 1,416 in 2019 vs. kPLN 16,742 in 2018). The eProcurement business line noted in 2019 a fall by kPLN 3,094, i.e. by 18.9% (kPLN 13,261 of revenues in 2019 vs. kPLN 16,355 in 2018), of which, in the fourth quarter of 2019 alone, the slump amounted to kPLN 2,940, i.e. by 48.3% (kPLN 3,150 in 2019 vs. kPLN 6,090 in 2018). The main business line - logistics for eCommerce - noted a rise in 2019 by kPLN 1,087 (kPLN 61,837 of revenues in 2019 vs. kPLN 60,750 in 2018).

In total, in 2019 OEX E-Business sp. z o.o. noted a decrease in its revenues by kPLN 29,066 (kPLN 113,109 of revenues in 2019 vs. kPLN 142,176 in 2018), i.e. by 20.4%, of which, in the fourth quarter alone, the slump amounted to kPLN 15,529 (kPLN 26,598 in 2019 vs. kPLN 42,127 in 2018), i.e. by 39.2%.

Additionally, it should be noted that in 2019, the company increased the warehousing space from 29.6 thousand m<sup>2</sup> by 13.5 thousand m<sup>2</sup> to 43.2 thousand m<sup>2</sup>. However, due to the 9 month delay in the implementation of an international warehouse and logistic contract, very important for the company, with a Singaporean contractor, the company also incurred the costs of additional, yet ineffective, space and infrastructure dedicated to that project. To the extent possible, the space was rented out to short-term projects and orders, however it did not compensate the lack of proceeds from the key project. Despite the fact that the contract implementation started in late November 2019 and in its core business – logistics for eCommerce - the company noted an increase in y/y revenues, it was not sufficient to compensate for the fall in the eProcurement and eDelivery business lines at a relatively high level of fixed costs in the company, which were also subject to restructuring ended at the turn of 2020. In parallel, throughout 2019, the Company effectively negotiated with many contractors with regard to amendments to contracts and improvement of their profitability.

In the fourth quarter of 2019, OEX E-Business sp. z o.o. made a verification of the recoverability of its assets, in particular the assets in the form of inventories used by OEX E-Business sp. z o.o. to run loyalty programmes on the basis of the eCommerce store model. In the period 2016-2019, the turnover of goods in the projects managed by OEX E-Business amounted to kPLN 185,100 and was made with over 200 suppliers. In the said period, the data concerning the value and the quantities of goods migrated between systems for the VAT sale registration in place in the company and between the data bases of the updated WMS system versions. In order to reconcile the inventories of goods, in the fourth quarter of 2019 an inventorying commission was appointed to make a physical stock-taking. The process concerned all the inventories of goods, which offered a possibility of re-use for resale in ongoing projects. The stock-taking was supervised by the company's auditor. The inventorying commission, after reconciliation of the physical stock-taking, concluded that there is a necessity to adjust the value of goods in an amount of PLN 378 thousand. The remaining amount of kPLN 2,837, constituting 1.5% of the value of the above-mentioned turnover in goods, was subject to a write-off in accordance with a decision of the Management Board. The amount is a result of the historical use of many systems within the company, which made it difficult to effectively settle the purchases of inventories. As of mid-2019, the company has had in place a single coherent accounting and warehousing system for all projects involving the sale of goods and established processes of settlement of purchases of inventories so as to avoid the repetition of the situation from the past.

In the fourth quarter of 2019, the company also analysed in detail its receivables and, in consequence, decided that the probability of recovering the receivables in the amount of kPLN 1,145 is low and, consequently, decided to write them off as costs in whole in 2019. In 2019, OEX E-Business sp. z o.o. also decided to write off a number of minute items for the total of PLN 381 thousand.

In the assessment of the Management Board of OEX E-Business sp. z o.o., a downsizing of the personnel and a costs restructuring of two business lines made in 2019 as well as the effective filling of the warehouses will all contribute to an improved profitability of the company and its financial situation. It should be underlined that most one-off costs were non-cash in character. The company covered the restructuring costs on its own and settled its current liabilities and, at the same time, considerably lowered its debt – in total by kPLN 8,836, including kPLN 8,142 concerning the revolving loans and credits.

Analysing particular cost levels, the Management Board of OEX E-Business sp. z o.o. indicated the following items as one-off and determined their impact on the results of the company and of the Group:

OEX E-Business Sp. z o.o. - one-off costs	1-3Q 2019	4Q 2019	2019
<b>operating costs, including:</b>	<b>1,020</b>	<b>0</b>	<b>1,020</b>
personnel costs	1,020		1,020
<b>other operating costs, including:</b>	<b>0</b>	<b>4,741</b>	<b>4,741</b>
impairment of inventories		3,215	3,215
impairment of receivables		1,145	1,145
other write-offs		381	381
<b>Total impact on EBIT / EBITDA / Profit before taxation</b>	<b>-1,020</b>	<b>-4,741</b>	<b>-5,761</b>

Including the above data and excluding the impact of the IFRS 16 adoption (in the part concerning the contracts of rental of premises and warehouses), the standardised results of OEX E-Business Sp. z o.o. are as follows:

OEX E-Business Sp. z o.o. - reported results	1-3Q 2018	1-3Q 2019	4Q 2018	4Q 2019	2018	2019
Total revenue	100,049	86,512	42,127	26,598	142,177	113,110
Operating result	1,040	-1,259	2,827	-5,229	3,867	-6,489
<b>EBITDA</b>	<b>2,015</b>	<b>-46</b>	<b>3,248</b>	<b>-4,442</b>	<b>5,263</b>	<b>-4,489</b>
Financial costs	637	785	371	550	1,008	1,335
<b>Profit / loss before taxation</b>	<b>403</b>	<b>-2,045</b>	<b>2,456</b>	<b>-5,779</b>	<b>2,859</b>	<b>-7,824</b>
<b>Write-offs and one-off costs</b>		<b>-1,020</b>		<b>-4,741</b>		<b>-5,761</b>

OEX E-Business Sp. z o.o. - standardised results	1-3Q 2018	1-3Q 2019	4Q 2018	4Q 2019	2018	2019
Total revenue	100,049	86,512	42,127	26,598	142,177	113,110
Operating result	1,040	-240	2,827	-488	3,867	-728
<b>EBITDA</b>	<b>2,015</b>	<b>974</b>	<b>3,248</b>	<b>299</b>	<b>5,263</b>	<b>1,272</b>
Financial costs	637	785	371	550	1,008	1,335
<b>Profit / loss before taxation</b>	<b>403</b>	<b>-1,025</b>	<b>2,456</b>	<b>-1,038</b>	<b>2,859</b>	<b>-2,063</b>

#### List of one-off costs and write-offs in OEX Cursor and OEX E-Business

	1-3Q 2019	4Q 2019	2019
operating costs	6,612	306	6,917
other operating costs	611	5,366	5,978
<b>Total impact on EBIT / EBITDA / Profit before taxation</b>	<b>-7,223</b>	<b>-5,672</b>	<b>-12,895</b>

#### 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 as well as commerce. They shall comprise, in particular:

- a) uninterrupted performance of existing contracts as well as the acquisition of new contracts as per the internal plans at satisfactory levels;
- b) performance of agreements with the mobile phone operators, taking into account:
  - seasonality;
  - promotional actions planned by the mobile phone operators;
  - 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:

- c) general macroeconomic situation of Poland;
- d) situation on the labour market;

An entirely new factor with a potentially significant negative impact is the outburst of the Covid-19 epidemic. The factor was described in Note No. 28 to the financial statements (events after the balance sheet date) and in item 11 of these statements (risk factors).

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

- e) reinforcement of the internal control systems, including the monitoring of the pursuit of objectives and profitability of contracts performed, as well as costs control and internal reporting processes.
- f) potential equity transactions on the market on which the Group operates.

## **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 development of new operational segments both by acquisitions and by creation of own innovative solutions, especially in the area of eCommerce Services, mitigates the above-mentioned risk.

### **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 in those areas.

### 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 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. 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. The source of risk is, however, the growth in the complexity of services provided by competitors and the abandonment of the provision of single services in favour of business process support (by consolidation of companies from various market segments, among other things). 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 the references 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 250 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.

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. On the labour market, 2019 was a year when the unemployment rate had been the lowest for 30 years. At the

end of 2019, it amounted to 5.2%. This economic situation was accompanied by a lack of employment stability and growing significance of flexible forms of cooperation. The main challenges ahead of employers included the acquisition and retention of employees as well as the growing salaries. 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 most 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 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.

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 31/12/2019 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.

#### COVID-19 epidemic risk

Management boards of the OEX Group companies closely monitor the development of the situation related to the spread of the SARS-Co-2 coronavirus causing the COVID-19 disease, assess the impact of the epidemic itself as well as the

actions and measures undertaken in its relation by the authorities on the activities of particular companies and identify the epidemic-related risks in order to undertake appropriate preventive measures to neutralise or minimise, if possible, the potentially negative effects.

In consequence of the ongoing analyses, as at the date of the publication of these statements, the following areas of potential risks related to the COVID-19 were identified:

- Administrative restrictions concerning the operation of the companies from the Retail Sale Network segment

In consequence of the implementation of the above restrictions, approx. 30% of all the retail outlets managed by the OEX Group companies remains closed (mainly in shopping malls), and the activities of clients in remaining outlets is also considerably smaller. In relation with the situation, the OEX Group undertook negotiations with the telecom operators in order to work out a solution satisfactory to both parties in order to maintain the existing sale network by covering a part of its operating costs, which in consequence should allow for a neutralisation of a part of the fall in revenues. In case the existing restrictions remain in force for a longer period, their impact on the activities of the companies from this segment will be seriously detrimental and, in extreme case, could result in a gone concern. In the opinion of the Management Board and in the light of announcements made by the authorities with regard to the planned gradual elimination of restrictions, the probability of such a turn of events is extremely slight.

- Clients' decisions concerning the pursuit of existing and potential contracts

In relation with the COVID-19 epidemic, some clients of the OEX Group companies took a decision to downscale their businesses and, in some cases, to discontinue the services provided or them, despite the discharge by the OEX Group companies of their obligations in accordance with the contracts. Currently, this situation concerns an overwhelming minority of the Group's clients. It cannot be excluded that the scale of this phenomenon will grow in result of decisions completely beyond the control of the OEX Group, taken in function of the degree of the actual or expected impact of the epidemic on the clients' businesses, their own financial situation, market conditions, general economic situation or other, unknown factors that have appeared or may appear in relation with the COVID-19 epidemic. Additionally, a part of potential clients of the OEX Group companies took a decision to suspend or terminate the talks on a possible use by them of the services offered by the Group.

The management boards of the companies of the Issuer's Group are in regular contact with their clients and wherever possible they hold discussions aimed at forging some solutions to minimise the probability of this type of decisions and, in case of potential clients, monitor on an ongoing basis the possibilities of returning to talks on the sale of new services.

At the same time, in selected business areas (such as, for example, a part of programming services, logistics, and contact center), the OEX Group companies note increased interest in their services, which is reflected in the growing scale of purchase orders and revenues and should compensate for the reduced revenues for reasons mentioned above at the scale of the OEX Group as a whole.

- Personnel availability limitations

Among the factors that may have a significant influence on all areas of the OEX Group's business are limitations concerning the personnel availability in consequence of, for example, the shutdown of schools and the ensuing necessity for the employees to take care of their children, heightened precaution measures followed by the management boards of the Group's companies and the employees themselves related to the COVID-19 infection concerns. Additionally, the availability restrictions influence the changed work organisation (e.g. the remote work). Those factors may lead to difficulties in the proper performance of services in selected areas or to lowered efficiency of performance of some tasks and that may have an adverse impact on the discharge of contractual obligations or relations with clients and, moreover, leads to a spike in operating costs. In the opinion of the Issuer's Management Board, the impact of such factors should decrease along with the loosening by the authorities of administrative restrictions in the economy. However, it may not be ruled out that there will be further disturbance in the performance of services caused by absent personnel, especially if the administrative restrictions should be considerably prolonged. The management boards of the OEX Group companies undertake measures in order to be flexible in the organisation of work and to adjust to the changing situation, communicating regularly with the employees and contractors to agree on an ongoing basis the most effective actions.

This should contribute to the mitigation of the negative impact of the above-mentioned factors on the business of the Issuer's Group.

- Organisational and operational difficulties and restrictions concerning the contract performance

The COVID-19 epidemic and various restrictions imposed in its relation by the authorities have their influence on the operational possibilities to provide certain services. On the one hand, the management boards of the companies undertook a number of organisational measures in order to minimise the risk of COVID-19 infection (more information about the measures and procedures has been presented in the report of the OEX Group on non-financial data on page 88). Such actions were necessary to ensure a safe performance of their duties by employees and by contractors but necessitated some changes in the work organisation, in particular the introduction in certain select areas of remote work, which contributed to a growth in the operating costs and resulted in lower work efficiency. The administrative restrictions in turn (e.g. restrictions concerning the travels or social distancing or limits of persons present in shops at the same time) caused difficulties concerning an effective and timely performance of some services. The impact of all the above factors on the OEX Group as a whole is not considered by the Issuer's Management Board to be significant. The situation in this regard is, nevertheless, very dynamic and it may not be ruled out that the external conditions described may translate in the future into more drastic restrictions in the provision of services or into deterioration of the quality of performance, which may, in turn, result in difficulties with the proper performance of contractual obligations. The management boards of the OEX Group companies monitor the situation in this regard, carry out discussions with clients and employees in order to efficiently determine the way of performance of joint projects and to actively implement the organisational and technical improvements that will, in their opinion, contribute to the minimisation of any difficulties and the maintenance of an appropriate safety level.

- Difficulties of contractors

The possibilities concerning the provision of services by the OEX Group companies may be adversely impacted by the consequences of the COVID-19 suffered by their contractors. Irrespective of the above-mentioned factors influencing the decisions of the OEX Group's clients, there were a number of problems related to suppliers concerning both their own financial or operational situation or restrictions concerning the international transportation, commerce or logistics. The Management Board of the OEX Group is of the opinion that such difficulties are transitional. It cannot be excluded that in case the epidemic (or - globally - the pandemic) remains longer, their negative impact on the operational situation of the OEX Group companies may increase. The management boards of the OEX Group companies take regular actions to monitor the situation of its contractors and minimise the risk of such type of problems in the future. Everywhere possible, they secure alternative sources of supply of goods and services in order to make the situation of the given company independent from possible problems of a single supplier.

- Impact of the COVID-19 epidemic (pandemic) on the market situation

The unprecedented situation related to the global scale and speed of spread of the virus had a decidedly adverse impact not only on the Polish but also on the world economy. According to popular belief of economists, this impact may be a long-term one and may still be felt long after the disappearance (or significant reduction) of the direct threat posed by COVID-19. This, in turn, may translate into basic conditions regulating the supply and demand of a number of products and services and, consequently, harsher conditions of operation of enterprises. The OEX Group companies may also be subject to the conditions described above and this may – especially in case of a considerable decrease in the consumer demand and, indirectly, in the demand for selected services on the part of the clients of the OEX Group – have a significantly negative impact on the financial situation of the Group and its development potential. On the other hand, the present crisis may generate in the future additional stimuli for the development of selected services, especially those related to eCommerce solutions or remote client support, which are provided by the OEX Group companies too. The high unemployment rate, already noted and still anticipated, may facilitate the enterprises to acquire employees and lower the labour costs, which may be of significance for the OEX Group companies too. The definitive impact of the COVID-19 epidemic and the related crisis on the global and domestic markets is, thus, difficult to estimate. The Issuer's Management Board will monitor the market conditions surrounding the OEX Group and will adjust the strategy as appropriate to the changing circumstances.

- Currency fluctuations

Among the external macroeconomic factors that have impact in the financial situation of the OEX Group, there are also exchange rates. Their fluctuations caused by the epidemic, especially the permanent weakening of the PLN in relation to EUR may have a significantly negative impact in the financial performance, in particular in the E-Business segment, where the rental of warehouse space settled in Euro is a significant element of operating costs. The management boards of the OEX Group companies undertake actions to curb the growth of the foreign currency costs on a contract basis and to lower, temporarily the costs of rental. However, it is difficult nowadays to predict the effects of such actions and, consequently, their final impact on the future results.

Irrespective of the actions described above, all the OEX Group companies undertake measures in order to mitigate the costs and scenarios of further emergency and savings actions are being prepared in contemplation of the development of events related to the COVID-19 epidemic. Similarly, all the available financial support opportunities in the form of public aid, i.e. solutions offered in the subsequent aid programmes, so-called anti-crisis shields - are also analysed and taken advantage of.

## 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;

The OEX Group has a rational financial management. It timely discharged its liabilities. In the current year, the Group noted a significant value of various impairments, including impairments of receivables and inventories, maintaining at the same time a very good cash position - also in case of those companies that had the biggest share in such impairments. The non-cash character of a majority of impairments and one-off costs had a negative impact on particular result items, however the analysis of both the balance sheet and the cash flow statement of the Group and of particular companies shows some positive tendencies as regards the changes in the working capital and a decrease in the debt, including the working capital debt.

The ratio analysis confirms the above conclusions, whereby the ratios based on result items should be deemed non-representative in case of a comparison of the years 2018 and 2019 due to numerous one-off items and the IFRS 16 adoption in 2019 which were not eliminated when calculating the ratios below.

### Ratio-based analysis

No.	Name of ratio	Formula	Measure	2019	2018
<b>1</b>	<b>Efficiency ratio</b>				
1.1	Cost level ratio	$\frac{\text{tax deductible cost}}{\text{revenue from sales}}$		0.98	0.95
1.2	Asset turnover ratio	$\frac{\text{revenue from sales}}{\text{total assets}}$		1.5	1.7
1.3	Fixed asset turnover ratio	$\frac{\text{sale revenue}}{\text{fixed assets}}$		2.8	3.5
1.4	Inventory cycle indicator	$\frac{\text{inventories} \times \text{number of days in the period}}{\text{sale revenue}}$	days	2.5	5.7
1.5	Receivables cycle indicator	$\frac{\text{receivables} \times \text{number of days in the period}}{\text{sale revenue}}$	days	71	82
<b>2</b>	<b>Effectiveness ratios</b>				
2.1	ROS - gross	$\frac{\text{profit from economic activity} \times 100}{\text{sale revenue}}$	%	1.8	4.6
2.2	ROS - net	$\frac{\text{net profit} \times 100}{\text{sale revenue}}$	%	3.8	2.7



		sale revenue			
2.3	Rate of return	$\frac{\text{net profit} \times 100}{\text{total assets at period end}}$	%	5.7	4.6
2.4	ROE	$\frac{\text{net profit} \times 100}{\text{equity}}$	%	14.0	11.4
<b>3</b>	<b>Financial liquidity ratios</b>				
3.1	Liquidity I ratio	$\frac{\text{total current assets}}{\text{current liabilities}}$		1.2	1.3
3.2	Liquidity II	$\frac{\text{current assets} - \text{inventories}}{\text{current liabilities}}$		1.2	1.3
3.3	Liquidity III ratio	$\frac{\text{cash}}{\text{current liabilities}}$		0.4	0.2
<b>4</b>	<b>Capital structure, ratios</b>				
4.1	Debt ratio	$\frac{\text{outside capital}}{\text{shareholders' equity}}$		1.5	1.5
4.2	Equity to debt ratio	$\frac{\text{shareholders' equity}}{\text{outside capital}}$		0.7	0.7
4.3	Equity to assets ratio	$\frac{\text{shareholders' equity}}{\text{total capital}}$		0.4	0.4
4.4	Liabilities to assets ratio	$\frac{\text{liabilities to suppliers}}{\text{total capital}}$		0.2	0.2

### **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 Contract of 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;**

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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;**

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The transactions between the Group entities were made at arm's length. Details concerning the transactions with related parties were given in point 24 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;**

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

In 2019, the Group companies used borrowed funds on the basis of a 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:

- overdraft facilities, guarantee lines and factoring lines up to the total of kPLN 75,000 to be used to finance the daily activities of the borrowers, the financing was granted for the period of two years;
- conversion of a part of the existing overdraft facilities to term loans in the total amount of kPLN 6,500; the above-mentioned loans are repaid in quarterly instalments over the period of 5 years, starting on the day the Credit Agreement was executed;
- a term loan to refinance the investment loan extended to the OEX S.A. in 2016 to purchase shares in MerService sp. z o.o. in the amount of kPLN 2,600, the above-mentioned loan is repaid in quarterly instalments over the period of 5 years, starting on the day the Credit Agreement was executed;
- a term loan in the amount of kPLN 20,000 allocated to redeem series A bonds of OEX S.A. The repayment of the above-mentioned loan will be made over the period of 5 years after the Loan Agreement execution, whereby it will start on 31 January 2020. The loan will be repaid in equal monthly instalments and on the last day of the lending period OEX S.A. shall additionally repay the remaining debt in the amount of PLN 8,000 thousand.
- a term loan in the maximum amount of kPLN 30,500 earmarked to finance the additional payments to the price of purchase of shares in ArchiDoc S.A. – the actual amount drawn was kPLN 28,081 .
- 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 were launched in the second quarter of 2018.

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 .

On 17 October 2019, in relation with the sale of shares in ArchiDoc S.A., the Group repaid all the term loans in the amount of kPLN 37,706 plus accrued interest and costs of an earlier repayment of the above-mentioned liabilities., i.e. the total of PLN 38,158, taken out in 2017 to finance the purchase of shares in ArchiDoc S.A. and, at the same time, extended the period of availability of the revolving loan facility until the end of April 2020, consequently extended until the end of October 2020.

**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 2019 by OEX S.A. to the Group companies is presented in the table below. No Group company sanctioned any loans in 2019 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.

Borrower	Balance as at 31/12/2018	Loan granted in 2019	Loan repaid in 2019	Balance as at 31/12/2019
Europhone Sp. z o.o.	6,282	300	300	6,282
OEX E-Business Sp. z o.o.	5,550	801	6,201	150
OEX Cursor S.A	4,400		400	4,000
OEX24 Sp. z o.o.		4,649	2,800	1,849
<b>Total</b>	<b>16,232</b>	<b>5,750</b>	<b>9,701</b>	<b>11,981</b>

## 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 25 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;

In the reporting period, the Group did not issue any securities.

## 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 2019.

## 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 and funds obtained from the issue of shares in 2018 as well as funds obtained from the sale of shares in ArchiDoc S.A. The Group has at its disposal considerable own funds and, at the same time, has a relatively low debt, particularly as regards investment loans.

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

In 2019, 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 29.3 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 2019 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.	468,770	468,770	5.87%	5.00%
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.	2,002,687	2,162,295	25.06%	23.07%
Rafał Stempniewicz	96,714	96,714	1.21%	1.03%
Artur Wojtaszek	59,000	59,000	0.74%	0.63%
Robert Krasowski	10,889	10,889	0.14%	0.12%

**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;**

Pursuant to Resolution No. 21 dated 25 June 2019, the Ordinary General Meeting of Shareholders of OEX S.A. authorised the Company's Management Board to acquire its treasury shares for redemption or further sale pursuant to Art. 362 § 1 (5) and (8) of the Polish Code of Commercial Companies. The Company's Management Board was authorised to purchase for and on behalf of the Company the Company's treasury shares in the total amount not higher than 457,142 shares entitling to 457,142 votes at the General Meeting of Shareholders which constituted not more than 20% of the Company's share capital. Only fully paid-up treasury shares in the Company may have been purchased. The acquisition of treasury shares may have taken place not later than by 31 December 2019. The Company's treasury shares may have been acquired by the Company in OTC transactions. The price of shares to be acquired may not have been lower than PLN 17.50 and higher than PLN 19.00 per share.

The funds allocated for the acquisition of the Company's treasury shares may not have been higher than PLN 8,000, thousand. The funds originated from the Company's own funds in the reserve capital set aside in accordance with Resolution No. 22 of the Ordinary General Meeting of Shareholders dated 25 June 2019.

The amount of the reserve capital was determined at PLN 8,300 thousand. The reserve capital was created from a transfer of PLN 8,300 thousand from the Company's supplementary capital. The reserve capital was allocated in whole for the acquisition of the Company's treasury shares, including all the acquisition costs. Until 31 December 2019, OEX S.A. acquired 421,052 treasury share. The acquisition price of the treasury shares was PLN 8,072 thousand. The subsidiaries did not own shares in the parent company.

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

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Companies of the Group do not carry out any research.

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

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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;**

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The information about an agreement executed and remuneration of an auditing company authorised to audit the financial statements was given in point 29.4 of the Group's consolidated financial statements.

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

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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. The OEX Group companies also support selected foundations and public benefit organisations, making donations to them. In 2019, OEX SA also supported the action of the Legia Foundation in favour of the Mother and Child Institute in Warsaw as a sponsor. Detailed information concerning this area was presented in the Statement of Non-financial Data.

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

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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 2019 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 29.4 of the financial statements.

Pursuant to §70 (1) (7) and §71 (1) (7) of the Regulation of the Minister of Finance of 29/03/2018 on current and periodical information to be disclosed by security issuers and on conditions of recognition of information required by the laws of a state that is not a member-state (*Journal of Laws Dz.U. of 20.04.2018, item 757*), the Issuer's Management Board would like to advise whom it may concern and state on the basis of the statement of the Supervisory Board that:

- a) the auditing company PKF Consult as well as the members of the auditing team met the conditions to prepare an impartial and independent report on the audit of the annual separate and consolidated financial statements as per the applicable legal regulations in force, professional standards of auditing and rules of professional ethics;
- b) the Company observes the regulations governing the rotation of auditing companies and key statutory auditors as well as the mandatory grace periods; and
- 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 and the Group 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	

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Rafał Stempniewicz                      Management Board Member

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Robert Krasowski                      Management Board Member

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Artur Wojtaszek                      Management Board Member

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Tomasz Słowiński                      Management Board Member

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