

OEX GROUP

REPORT ON THE ACTIVITIES

Warsaw, 27 March 2017.

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1. Information about the Issuer

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

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

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

The principles governing the preparation of the consolidated annual financial statements were described in the consolidated annual financial statements for 2016.

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

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

Name of the Company	Registered office	% of shares/participations held
TELL Sp. z o.o.	ul. Forteczna 19A, 61-362 Poznań	100
Europhone Sp. z o.o.	ul. Forteczna 19A, 61-362 Poznań	100
PTI Sp. z o.o.	ul. Forteczna 19A, 61-362 Poznań	100
Cursor S.A.	ul. Równoległa 4A, 02-235 Warszawa	100
Divante Sp. z o.o.	ul. Dmowskiego 17, 50-203 Wrocław	51.03
Mer Service Sp. z o.o.	ul. Klimczaka 1, 02-797 Warszawa	100
Pro People Sp. z o.o.	ul. Równoległa 4A, 02-235 Warszawa	100
Toys4Boys.pl Sp. z o.o.	ul. Nowy Świat 11B, 80-299 Gdańsk	30
Connex Sp. z o.o. in liquidation	ul. Forteczna 19A, 61-362 Poznań	100

The companies Toys4Boys.pl Sp. z o.o. and Connex Sp. z o.o. in liquidation are not active any more and are not subject to consolidation. As regards the shares in these companies, OEX S.A. made impairment charges equal to 100% of the value of the shares.

On 13 January 2006 OEX S.A. made an agreement with TELL Sp. z o.o. (formerly OTI Sp. z o.o.) concerning the contribution of an organised part of business of as an in-kind contribution in exchange for newly established shares in increased share capital of TELL Sp. z o.o. The organised part of the business which was covered by the agreement was a separate - in terms of organisation, operation and financing - and organised set of tangible and intangible assets within the understanding of Art. 55¹ of the Polish Civil Code the purpose of which was to provide operational activities for the benefit of Orange Polska S.A. with registered office in Warsaw. In exchange for the above-mentioned contribution in kind, OEX S.A. subscribed 340,000 new shares in the share capital of TELL Sp. z o.o. of the par value of PLN 17,000,000.00. The value of the contribution in kind was PLN 21,328,849,51. Pursuant to the arrangements made by the parties, the organised part of business was transferred from the OEX S.A. onto TELL Sp. z o.o. on 31 January 2016. The capital increase was registered by the District Court on 7 March 2016.

In result of the transaction, there appeared a clear-cut separation of roles of the entities of the Group. 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.

On 6 May 2016, OEX S.A. acquired from its subsidiary Cursor S.A. 100% of shares in the company t/a Pro People Sp. z o.o. (formerly TRS Services) for the price of PLN 50,000.00. The object of the business of Pro People Sp. z o.o. is the management of human resources, recruitment activities and employee lease. The Company has a status of a temporary employment agency. Pro People Sp. z o.o. also conducts recruitment processes for the remaining Group Companies.

On 31 August 2016, OEX S.A. entered into an agreement concerning the acquisition of 100% shares in Mer Service Sp. z o.o. with registered office in Warsaw. The company provides services in the segment defined by the Issuer as the Sale Support Segment. the acquisition price was PLN 4,500,000.00. The purpose behind the acquisition of Mer Service Sp. z o.o. was to reinforce the market position of the Group in this operational segment by increasing the scale of operations in order to be able to pursue new projects and increase margins owing to the cost synergies by capitalising on the experience and expertise in the application of technological solutions influencing the optimisation of field structures. The investment was financed in 25% from the Issuer's own funds and in 75% from the funds from an investment loan mentioned in point 18 herein.

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 3 operational segments:

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

2016 saw a reorganisation of activities within the Sale Support Segment and the E-Business Segment. In result of the reorganization, since the beginning of the third quarter of 2016, the services related to marketing materials and packaging purchase processing which so far belonged to the Sale Support Segment were transferred to the E-Business Segment. The reason underlying this decision was the fact that in the E-Business Segment the clients were also offered - as part of the supply chain - the services related to purchase processing, product search and purchase for the loyalty programmes as well as the processing of orders at the client's commission in order to optimise the B2B sector purchases. In order to maintain the year-to-year comparability, the data concerning the segments were adjusted as appropriate. As regards 2015, the table presenting the segment results contains the values both from before and after the adjustment.

Retail Sale Network Management Segment

The retail sale network management segment comprises comprehensive services related to the sale of the client's products and services in a network of stores and retail outlets, and in particular the creation and management of retail sale outlet networks and the sale and sale force management. The OEX Group concentrates on the management of the mobile phone service distribution network, whereby the experience and unique competences related to sale network building may be used in other sectors on the basis on a similar distribution model. At present, the OEX Group is the provider of these services to three mobile phone operators in Poland – Orange, T-Mobile and Plus. The sale of the T-Mobile network services is ensured by Europhone Sp. z o. o., the sale of the PLUS network services is ensured by PTI Sp. z o. o., and the sale of the Orange network services until 31/01/2016 was ensured by OEX S.A., and as of 1 February 2016, by TELL Sp. z o.o. (see point 3 herein) 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 sale network management segment

Number of stores as at the balance sheet day:

	as at 31/12/2016	as at 31/12/2015	change y/y in pcs.	change y/y in %
Orange network stores	138	148	-10	93.2
T-Mobile network stores	100	76	+24	131.6
Plus network stores	71	71	0	100.0
Total stores	309	295	+14	104.7

Average number of stores in the financial year:

	Average in 2016	Average in 2015	change y/y in pcs.	change y/y in %
Orange network stores	142.8	150.0	-7.3	95.2
T-Mobile network stores	81.4	79.6	+1.8	102.3
Plus network stores	71.0	72.6	-1.6	97.8
Total stores	295.2	302.2	-7.0	97.7

Revenue volumes and breakdown - the retail sale network management segment

Revenue from the sale of services and goods (in kPLN)	2016	2015	2016/2015
Revenue from the sale of telecommunication services	104,816	96,627	108.5%
Sets and pre-paid refillments	13,444	14,905	90.2%
Postpaid contract phones	84,452	95,417	88.5%
Other revenue	8,776	9,189	95.5%
Total	211,489	216,138	97.8%

Service sale volume	2016	2015	2016/2015
Postpaid activations	618,565	531,096	116.5%
Prepaid activations	143,122	105,332	135.9%
Total	761,687	636,428	119.7%

Sale Support Segment

All activities in this segment are provided by Cursor S.A. and Mer Service Sp. z o.o. This business of this segment comprises activities whose purpose is to ensure an increase in the sale of clients' products and services. 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.

Outsourcing of sales representatives is conducted in variants: as a dedicated service model (work of a single team dedicated to a single client) and as a co-shared service model (work of a single team for many clients). 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.

The merchandising activity consists in servicing the goods exposition in commercial networks by stationary teams and mobile servicing of retail outlets. It is carried out using advanced IT tools and in accordance with the ISO 9001:2008 standards.

The examination of goods exposure and availability and consumer communication standards supplements the merchandising offer and is performed on the basis of audits made in retail chains and outlets. Their purpose is to obtain information from the market, verify the arrangements made between the retail outlet and the producer, control the effectiveness of sales structures of the client as well as the database construction and updates. The data acquisition process takes place using advanced IT tools, which guarantee the quality and reliability of materials collected. The offer also comprises the analysis and advanced presentation of data.

Product promotion services comprise activities related to a direct contact with the consumer. They comprise projects related to offering specialised personnel teams - described as 'client advisers' to producers. These advisers stimulate the sale in modern or traditional trade outlets as well as in specialised commercial networks by giving additional information about the product, providing the possibilities of a test use or execute the consumer's individual orders. Such activities are reinforced by organisation of consumer programmes such as lotteries or contests.

E-business Segment

This segment provides services dedicated to e-commerce, including the areas of technology, marketing and logistics as well as services of logistics for the sale support products for branches other than e-commerce. The segment encompasses in whole the business of Divante Sp. z o.o. (area related to sale and marketing-support IT) and in part (the section not assigned to the Sale Support Segment) the business of Cursor S.A. (logistic operations and purchase processing services - since the beginning of the third quarter of 2016). The internal split of tasks is not visible for the clients.

The e-commerce services are comprehensive solutions ensuring the pursuit and growth of the Internet sale, both as regards the retail market and business customers. The provision of such services may follow the end to end model and may comprise strategic consulting on the Internet commerce, creation of business plans, e-shop platform designing and creation on the basis of various technologies, e-marketing and traffic generation, platform usability optimisation (UX – user experience) as well as the logistic support for the e-sales, including warehousing, packaging, deliveries and sale registration for tax purposes as well as handling of returns and the help line.

Logistic of the sales support products comprises solutions related to the management and distribution of marketing materials as well as the support of loyalty programmes and consumer promotions. Consulting and optimal process management workshops, construction and provision of POSM management and ordering IT solutions integrated with the clients' systems are ensured as part of the marketing materials distribution services. Also the warehousing and order completion services are provided for the client's sale structures and sale outlets as well as the distribution of orders. As part of the loyalty and consumer programme support, Cursor S.A. 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 marketing materials and packaging purchase processing as well as those related to the search for and purchase of products for loyalty programmes and purchase organisation for the B2B segment clients consist in the market survey in the area covered by the client's order, recommendation of product purchase selection criteria, optimisation of the purchase costs and the administrative support of the process. In case of orders executed on foreign markets, the services comprise the analysis of the supplier's potential, verification of the quality of raw materials (standard observance, quality standard certificates, including, but not limited to FDA, CE, EN 71), supervision over the performance of prototypes and ensuring the consistency of product batches.

Cursor S.A. manages an extended warehouse infrastructure with an area of almost 30,000 sq.m. and capacity of 42,000 pallet places - based on WMS (warehouse management system). The operation quality consistency is ensured by ISO 9001:2008.

Revenues and results of operating segments:

	Sale network management	Sale Support	E-business	Not allocated	Total
for the period from 01/01 to 31/12/2016					
Revenue from external customers	211,489	74,001	114,264		399,754
Revenue from the sales between segments	0	187	418	5,789	6,393
Total revenue	211,489	74,188	114,682	5,789	406,148
Segment's operating result	15,505	4,990	3,227	-2,766	20,955
Financial income					50
Financial costs (-)					-5,019
Gross profit before tax					15,985
Income tax					3,436
Net profit					12,549
EBITDA	17,580	6,927	4,542	-2,701	26,348
Depreciation and amortisation	2,075	1,938	1,315	65	5,393
for the period from 01/01 to 31/12/2015, after adjustment					
Revenue from external customers	215,451	58,578	70,136		344,165
Revenue from the sales between segments	59	538	803	628	2,028
Total revenue	215,510	59,117	70,938	628	346,193
Segment's operating result	9,770	3,912	3,842	203	17,727
Financial income					218
Financial costs (-)					-2,515
Gross profit before tax					15,430
Income tax					3,284
Net profit					12,145
EBITDA	11,677	5,435	4,646	203	21,960
Depreciation and amortisation	1,906	1,523	804		4,233
for the period from 01/01 to 31/12/2015, before adjustment					
Revenue from external customers	215,451	65,419	63,295		344,165
Revenue from the sales between segments	59	549	792	628	2,028
Total revenue	215,510	65,969	64,086	628	346,193
Segment's operating result	9,770	4,388	3,367	203	17,727
Financial income					218
Financial costs (-)					-2,515
Gross profit before tax					15,430
Income tax					3,284
Net profit					12,145
EBITDA	11,677	5,923	4,158	203	21,960
Depreciation and amortisation	1,906	1,535	791		4,233

It should be noted that the 2015 revenues and performance of the segments: Sale Support and E-business, concern the period from March 2015, in relation with the acquisition on 5 March 2015 of shares in Cursor S.A. and in Divante Sp. z o.o. In case of the E-Business Segment, EBITDA for the entire

2015 amounted to kPLN 4,264 and in the case of the Sale Support Segment, EBITDA for the entire 2015 amounted to kPLN 5,636.

The highest share in the total EBITDA of the operating segments in 2016 was held by the Retail Sale Network Management Segment – 60.5% EBITDA of that segment noted a rise of 50.6% when compared to 2015. The main factors influencing this significant increase were: higher client traffic in the stores resulting from the legal obligation to register the pre-paid cards, take over from Cel-R of 31 stores providing services for T-Mobile by Europhone Sp. z o.o. (on 01/09/2016), and the significant rise in the share of instalment sale in TELL Sp. z o.o. which generates a commission higher than in the case of traditional sale (on the other hand, this sale is burdened with financial costs mentioned in point 6 (a)).

The share of the Sale Support Segment in total EBITDA of all operational segments in 2016 amounted to 23.8%, featuring a growth when compared to EBITDA reported in 2015 by 25% (rise by kPLN 1,492). The growth generated in this segment comprised both the organic growth and the acquisition of Mer Service Sp. z o.o. in September 2016.

The share of the E-Business segment in total EBITDA of all operational segments in 2016 amounted to 15.7%, featuring a slight fall when compared to EBITDA reported in 2015 by 2.2%. The year to year fall mainly resulted from the base effect, i.e. the consolidation of incomplete 2015 (in case of full consolidation of the period of 12 for 2015, the segment would feature a rise in EBITDA by 6.5%). Additionally, the segment result of 2016 was further decreased in consequence of the provision set up for the receivables from counterparties in the total amount of kPLN 375.

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

The main marketing outlets for the Group are in Poland. The revenue generated in Poland in 2016 constituted 92% of total revenue of the Group (in 2015: 99%). At the same time, the revenues in the E-business segment are generated by foreign counterparties to an ever growing extent. Owing to the acquisition of Cursor, Divante and Mer Service in 2016, the Group significantly diversified its business. The Group's revenue from the market of telecommunications services distribution constituted 53% of total revenues, while last year - 63%. The remaining revenues were generated from the market of business services provided in the segments Sale Support and E-Business - as described in section 4.

The counterparties whose share in the Group's turnover exceeded 10% are Orange Polska S.A. and Polkomtel Sp. z o.o. The Group effected, respectively, 30% and 15% of its turnover with these entities. None of the Group companies has any formal links with Orange Polska S.A. and Polkomtel Sp. o.o.

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

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

The revenue from the sale amounted to kPLN 399,754 and was higher by 16.2% than in the corresponding period of previous year.

The operating profit for 2016 amounted to kPLN 20,955 and was higher by 18.2% than in the corresponding period of previous year.

EBITDA of 2016 amounted to kPLN 26,348 and was higher by 20.0% than in the corresponding period of the previous year.

The 2016 gross profit was kPLN 15,985 and was higher than in the previous year by 3.60%. The gross profit of 2016 and its relation to the profit of 2015 are influenced by the financial costs which rose on a year-to-year basis by kPLN 2,504, of which kPLN 1,855 is attributable to the rise in the costs of fees due to the servicing of instalment sales paid to Orange Polska S.A. In the total amount of kPLN 5,019 of financial costs of 2016, the costs of the above-mentioned fees constituted kPLN 3,102 (in 2015: kPLN 1.248).

The net profit of 2016 due to the parent company's shareholders was kPLN 11,850 and was higher than in the previous year by 5.9%.

Due to the date of acquisition of Cursor S.A. and Divante Sp. z o.o., the 2015 financial statements allow for the results obtained by these companies only in the period from March to the end of 2015. In order to present the comparable data, the table below contains total pro-forma results of these Companies for the entire 2016 and 2015.

	Cursor and Divante 2016	Cursor and Divante 2015	Change 2016/2015
Revenue from sales	179,362	147,224	121.8%
Cost of sales	31,934	28,836	110.7%
Gross profit on sale	8,721	7,013	124.3%
Selling costs	15,387	14,696	104.7%
Administrative expenses*	7,826	7,126	109.8%
Other operating income	900	681	132.3%
Other operating expense	1,193	694	171.9%
Operating result	7,533	7,113	105.9%
EBITDA	10,779	9,846	109.5%
Depreciation and amortisation	3,246	2,733	118.8%

*. with the exception of costs incurred for the benefit of OEX S.A.

Income Statement of the Group

	From 01/01 to 31/12/2016	From 01/01 to 31/12/2015	2016/2015
Revenue from sales	399,754	344,165	116.2%
Revenue from the sale of services	255,900	235,651	108.6%
Revenue from the sale of goods	143,854	108,514	132.6%
Cost of sales	335,726	294,380	114.0%
Costs of services sold	199,562	189,989	105.0%
Costs of goods sold	136,164	104,391	130.4%
Gross profit on sale	64,028	49,785	128.6%
Selling costs	15,771	11,643	135.5%
Administrative expenses	25,869	20,142	128.4%
Other operating income	1,295	1,352	95.8%
Other operating expense	2,727	1,624	168.0%
Operating result	20,955	17,727	118.2%
Financial income	50	218	22.8%
Financial costs	5,019	2,515	199.6%
Profit before tax	15,985	15,430	103.6%
Income tax	3,436	3,285	104.6%
Net profit	12,549	12,145	103.3%
Net profit - share of the shareholders of the Parent Company	11,850	11,192	105.9%
Net profit - share of the non-controlling interests	699	954	73.3%

Basic ROS indicators

	From 01/01 to 31/12/2016	From 01/01 to 31/12/2015	2016/2015
Gross profit on sales	16.0%	14.5%	110.7%
Profit on sales	5.6%	5.2%	107.1%
EBITDA	26,348	21,960	120.0%
EBITDA rate	6.6%	6.4%	103.3%
Profit on sales	5.6%	5.2%	107.1%
Rate of the operating profit	5.2%	5.2%	101.8%
Gross profit	4.0%	4.5%	89.2%
Net profit	3.1%	3.5%	89.0%

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

In the presented balance sheet, the balance sheet total amounts to kPLN 211,510 and is 12.4% higher than last year's total. The share of fixed assets and current assets in total assets is, respectively, 47.5% and 52.5% (2015: 48.9% and 51.1%). The value of non-current assets rose when compared to the previous year by 9.8% from kPLN 92,027 to kPLN 100,451 in 2016. The increase in the value of fixed

assets is a result of, among other things, the acquisitions of 100% of shares in Mer Service Sp. z o.o. and Pro People Sp. z o.o. as well as the acquisition of the organised part of business of Cel-R. In result of the settlement of this combination, the goodwill rose from kPLN 68,468 in 2015 to kPLN 75,161.

The share of current assets in total assets rose from 51.1% in 2015 to 52.5% in 2016. The value of current assets also increased from kPLN 96,135 in 2015 to kPLN 111,059 in 2016 – i.e. by 15.5%.

With regard to the equity and liabilities, the equity constituted 43.9% and the liabilities 56.1% (2015: 45.5% and 54.5%). Whereby, the value of equity rose from kPLN 85,671 to kPLN 92,809 in 2016, i.e. by 8.3% y/y. Similarly, the value of liabilities and provisions rose from kPLN 102,492 to kPLN 118,701 in 2016 – growth by 15.8%.

In 2016, the interest debt structure changed. In relation with contracting the long-term investment loan to purchase shares in Mer Service Sp. z o.o., there was a rise in long-term liabilities by kPLN 2,169 and in consequence of repayment of financial lease liabilities, there was a fall by kPLN 915. In total, the long term liabilities in 2016 rose from kPLN 3,073 to kPLN 4,327.

Another change was a result of the conversion of factoring liabilities without recourse into factoring with recourse, in consequence of which there was a fall in short-term liabilities by kPLN 6,302.

The value of overdraft facilities, in turn, rose by kPLN 8,872. Consequently, in 2016 there was a growth in total debt under short-term loans to the amount of kPLN 21,294 from kPLN 12,422 in 2015.

The total interest liabilities of the Group as at the end of 31/12/2016 amounted to kPLN 31,583, which constitutes 14.9% of the total of equity & liabilities, vs kPLN 27,796 (14.8% of the total equity and liabilities) in the corresponding period of the previous year.

In total, the short-term interest debt of the Group as at 31/12/2016 amounted to kPLN 27,257, which constitutes 26.2% of total short-term liabilities, vs kPLN 24,723 (27.5% of total short-term liabilities) in the corresponding period of the previous year.

Balance sheet of the Group

ASSETS	31/12/2016		31/12/2015		2016/2015
Non-current assets					
Goodwill	75,161	35.5%	68,468	36.4%	109.8%
Intangible fixed assets	8,048	3.8%	6,550	3.5%	122.9%
Tangible fixed assets	14,046	6.6%	14,202	7.5%	98.9%
Interests in related parties			55	0.03%	
Receivables and loans	1,116	0.5%	972	0.5%	114.8%
Long-term prepayments	18	0.009%	30	0.02%	61.1%
Deferred income tax	2,062	1.0%	1,750	0.9%	117.8%
Non-current assets	100,451	47.5%	92,027	48.9%	109.2%
Current assets					
Inventories	25,472	12.0%	16,596	8.8%	153.5%
Trade receivables and other receivables	70,744	33.4%	70,003	37.2%	101.1%
Current income tax assets	264	0.1%			100.0%
Loans	9	0.004%	1	0.001%	878.0%
Financial derivatives	34	0.016%			100.0%
Short-term prepayments	9,423	4.5%	4,484	2.4%	210.2%
Cash and cash equivalents	5,113	2.4%	5,052	2.7%	101.2%
Current assets	111,059	52.5%	96,135	51.1%	115.5%
Total assets	211,510	100.0%	188,162	100.0%	112.4%

EQUITY AND LIABILITIES	31/12/2016		31/12/2015		2016/2015
Equity					
Equity - share of the shareholders of the					
Share capital	1,378	0.07%	1,378	0.7%	100.0%
- Share	44,960	21.3%	44,960	23.9%	100.0%
Other reserve capitals	1,459	0.7%	1,459	0.8%	100.0%
Retained profits:					
- retained profit from previous years	31,192	14.7%	25,167	13.4%	123.9%
- net profit for the company's shareholders	11,850	5.6%	11,192	5.9%	105.9%
Equity - share of the parent company shareholders	90,840	42.9%	84,156	44.7%	107.9%
Equity - share of the non-controlling interests	1,969	0.9%	1,515	0.8%	130.2%
Equity	92,809	43.9%	85,671	45.5%	108.3%
Liabilities					
Long-term liabilities					
Loans, credits, other debt instruments	2,250	1.1%	81	0.04%	2772.4%
Finance lease	2,077	1.0%	2,992	1.6%	69.4%
Deferred tax liabilities	8,747	4.1%	8,069	4.3%	108.4%
Employee benefit liabilities and provisions	82	0.039%	78	0.04%	105.9%
Long-term prepayments	1,625	0.8%	1,527	0.8%	106.4%
Long-term liabilities	14,781	7.0%	12,747	6.8%	116.2%
Short-term liabilities					
Trade liabilities and other	65,884	31.1%	55,622	29.6%	118.5%
Current tax	1,029	0.5%	1,683	0.9%	61.1%

Loans, credits, other debt instruments	21,294	10.1%	12,422	6.6%	171.4%
Finance lease	1,981	0.9%	2,016	1.1%	98.3%
Factoring liabilities	3,982	1.9%	10,284	5.5%	38.7%
Employee benefit liabilities and provisions	9,244	4.4%	6,862	3.6%	134.7%
Short-term prepayments	506	0.2%	856	0.5%	59.1%
Short-term liabilities	103,920	49.1%	89,745	47.7%	115.8%
Total provisions	118,701	56.1%	102,492	54.5%	115.8%
Total equity and liabilities	211,510	100.0%	188,162	100.0%	112.4%

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

The Group noted a rise in inventories by kPLN 8,876, rise in receivables by kPLN 1,180 and a rise in prepayments and accruals by kPLN 6,197. At the same time, there was a rise in the value of trade liabilities by kPLN 8,056. In total, the change in the working capital amounted to (kPLN -8,197). The flows from operating activities reached the value of kPLN 11,260, while in 2015 they amounted to kPLN 13,418.

The flows from investment activities reached a value of (kPLN -12,671), which was influenced by the acquisition of fixed assets. The expenditure on the purchase of tangible assets amounted to kPLN 5,817. The acquisition of intangible assets cost kPLN 3,413 and comprised, among other things, a purchase of an organised part of business of Cel-R for the price of kPLN 2,886. The purchase of 100% of shares in Mer Service Sp. z o.o. was the expense of kPLN 4,200.

The flows from financial activities amounted to kPLN 1,472, whereby the change in net interest liabilities amounted to kPLN 8,077, the value of interest paid was kPLN 1,193, and dividend paid amounted to kPLN 5,411, of which kPLN 5,166 constituted dividend to the shareholders of OEX S.A., and kPLN 245 - dividend to minority shareholders of Divante Sp. z o.o.

Cash flow statement of the Group:

	from 01/01 to 31/12/2016	from 01/01 to 31/12/2015
Flows from operating activities		
Profit (loss) before taxation	15,985	15,430
Adjustments:		
Depreciation of tangible fixed assets	4,470	3,577
Amortisation of intangible fixed	923	655
Profit (loss) on the sale of non-financial fixed assets	378	-190
Interest costs	1,200	947
Interest and dividend income	-19	-8
Total adjustments	6,952	4,981
Change in inventories	-8,876	-1,687
Change in receivables	-1,180	-866
Change in liabilities	8,056	-2,583
Change in provisions and prepayments	-6,197	396
Changes in working capital	-8,197	-4,741
Taxes paid	-3,481	-2,252
Net cash flow from operating activity	11,260	13,418
Flows from investing activities		
Expenses to purchase intangible fixed assets	-3,413	-2,524
Expenses to purchase fixed assets	-5,817	-4,995
Inflows from the sale of fixed assets	512	316
Net expenses to purchase subsidiaries	-4,250	-55
Net inflows from the sale of subsidiaries	50	266
Received repayments of loans granted	6	27
Loans granted	-15	
Interest income	19	485
Cash from business combination	237	1,660
Net cash flow from investing activity	-12,671	-4,820
Flows from financial activities		
Expenditure related to emissions		-169
Inflows from loans and credits contracted	14,824	6,312
Repayment of loans and advances	-4,201	-2,096
Repayment of financial lease liabilities	-2,546	-1,834
Interest paid	-1,193	-1,424
Dividends paid	-5,411	-4,870
Net cash flow from financial activity	1,472	-4,081
Change in net cash position	56	4,517
Cash at the period beginning	5,052	535
Cash and cash equivalents at period end	5,113	5,052

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

The analysis is given in item 6.

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

Important events for the Group in 2016 were the following:

- a) contribution in kind to a subsidiary of an organised part of business comprising the network of sale for Orange Polska S.A. and consequential change in the business profile of OEX.S.A. (see point 3 herein)
- b) The execution on 31/08/2016r by OEX S.A. of an agreement on the acquisition of 100% of shares in Mer Service Sp. z o.o. with registered office in Warsaw (see point 3 herein)
- c) Acquisition on 01/09/2016 by Europhone Sp. z o.o. of the rights to 31 locations of stores with authorisation of T-Mobile, for the price of kPLN 2 886 net.
- d) Execution on 21/09/2016 of preliminary agreements on the acquisition of 100% of shares in Archidoc S.A. and 100% of shares in Voice Contact Center Sp. z o.o., which turned into final agreements in January 2017. The acquisition of Archidoc S.A. and Voice Contact Center Sp. z o.o. will have a significant impact on the financial performance and the structure of the balance sheet of the Group. The Companies will create a new operational segment, supplementing the portfolio of modern services for business, since these services constitute a common denominator for all the companies from the OEX S.A. Group.
- e) Execution in December 2016 by PTI Sp z o.o. of a Partnership Agreement with Liberty Poland S.A. (a Polsat Group company), for the period until the end of 2021. (as a continuation of the agreement with Polkomtel Sp. z o.o. which was in force until 31/12/2016). On the basis of this agreement, PTI Sp. z o.o. has provided agency services related to mobile phones and other products and services offered by the Polsat Group since 1 January 2017.

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

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

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

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

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

Additionally:

- a) general macroeconomic situation of Poland;
- b) situation on the labour market;
- c) situation on the corporate debt market, including the banks' credit policy.

Among the internal factors, of importance will be the following:

- a) consolidation of Archidoc S.A. and Voice Contact Center Sp. z o.o.;
- b) optimisation of the Group's management systems, in particular the systems monitoring the pursuit of objectives, demand for external funds and cash flows as well as an efficient implementation of the cost control policies;
- c) potential business combinations in consequence of consolidation of 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., Euro-Phone 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 Management Board, the risk that the agreements with operators are terminated or not renewed is insignificant.

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

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

the above-mentioned tendencies by ensuring both, the possibility to offer to the existing customers and to the new counterparties, comprehensive solutions concerning sales outsourcing based on both the traditional and the state-of-the-art sale channels as well as the combination thereof.

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

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

Risk related to negative tendencies at the retail and wholesale markets

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

One of such tendencies constitute the attempts undertaken by clients with a view to lowering the trade margins. 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 companies 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 Sale Support segment of 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 in the area of sale support, 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 sale support 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 sale support 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 Sale Support and E-business segment services 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 by Cursor S.A. 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 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 revenue from the commission on the sale of telecommunications services of Orange Polska S.A. in 2016 constituted approximately 57.8% of the Group's total revenue from commissions, while the remaining 42.2% was the revenue from the commission on the sale of services for both 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. In accordance with the information provided by that operator, its market share in 2016 amounted to 26.3% (increase by 1.1 p.p. y/y). The development of the Play network takes place at the expense of the other operators, whose shares shrink. Since the OEX Group does not cooperate with Play, its dynamic development may have an indirectly adverse impact on the level of sales and the financial performance of the Group.

The Polish mobile phone market is the biggest market in Central and Eastern Europe. Considering its size, it is a potentially attractive area for business, including telecommunication services. It may be possible that one or more operators not yet present on the Polish market will decide to enter here. There may be a significant competition from virtual operators, i.e. entities using the networks of other operators. The appearance of potential new players on the telecommunications market in the situation when the OEX Group has not started cooperation with them may have an indirectly adverse impact on the level of sales and on the financial performance.

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

The E-business segment is highly dispersed, there are numerous companies of various sizes. Any appearance of new entities may have an adverse impact on the competitive position of Divante Sp. z o.o.

On the other hand, the newly established companies, without any history of cooperation, significant implementations completed in the e-commerce segment, have poor changes to acquire clients for whom these elements are the key elements in the decision process. In the assessment of the Issuer's Management Board, there are few companies competitive to the OEX Group companies in the E-Business segment, especially e-commerce, which may provide a full range of services (from IT to e-marketing) and acting in an appropriate scale (over 150 specialists). Moreover, a technology selected once by the client for the e-business is not 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.

Risk of departure of key employees

Highly qualified and motivated managerial staff is an extremely important factor underlying the success of the business of the Group companies. The current market position and financial standing of the OEX Group are, to a considerable extent, the effects of the knowledge, skills and experience of its current management team and key employees. The potential loss of the best managers or people with unique qualifications may, consequently, translate into a risk of a transitional deterioration in the management quality in the OEX Group and in its particular business areas as well as lower possibilities of the performance of tasks for the clients, which, in turn, may have an adverse impact in the Group's financial performance and the speed with which the Group's development plans are pursued. The experience gathered so far indicate that the cases of departures of higher management team members and key personnel occur very rarely.

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

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

other labour market tendencies, may have a negative impact on the future financial performance of the OEX Group.

In order to 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 inventive-based remuneration system and an extensive training programme.

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 or mobile phone operator for this type of event rests directly on the OEX Group companies. The responsibility depends on the scale and the type of disclosure.

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 31/12/2016 amounted to kPLN 31,584. In view of the foregoing, the Issuer's Group is exposed to the risk of changes in interest rates as any rise in such rates will increase the costs of financing and, consequently, lower the profitability.

Risk of negative changes in legal regulations

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

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

For the correct interpretation of ratios characterising the efficiency of management of the Group's current assets and the profitability ratios based on revenues, it is necessary to explain the way of reflecting in the Group companies' books the mechanisms by which mobile phone operators subsidise the postpaid activation phones. The changes are not so much a result of real changes in relations in economic values significant for the Group results, but from of a different way of settling the postpaid phone subsidies than in case of remaining operators. Irrespective, however, of a different way of mobile phone sale settlement by particular operators, the result on such operations is neutral for Group companies' results.

ORANGE network operator – Orange Polska S.A.

Tell Sp. z o.o. acquires phones from the Operator at market prices. After the purchase, the Company incurs a liability in an amount equal to the market price of the phone. At the same time, the Company recognised in its assets an inventory stock valued at the phones' market prices. The Company sells such phones in two variants:

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

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

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

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

T-Mobile network operator – T-Mobile Polska S.A.

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

PLUS network operator - Polkomtel Sp. z o.o.

PTI Sp. z o.o. acquires phones from the Operator at market prices. After the purchase, the company incurs a liability in an amount equal to the market price of the phone. At the same time, the company recognised in its assets an inventory stock valued at the phones' market prices. The Company sells such phones in two variants:

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

In this case, the sale is made at the promotional price (allowing for a subsidy at the level agreed with the Operator). Thus, the Company makes a loss on this particular transaction. However, immediately after the promotional sale, as agreed with the Operator in the contract, the Operator grants the company a commission in an amount equal to the value of loss incurred at the given transaction. In effect, the transaction has a neutral effect on the Company's financial result, however, it shows a much higher revenue and costs from a similar transaction than other Group companies.

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

In this case the sale is made at the original price of purchase from the Operator, but then the process is similar as the one described above, whereby it is the Company that sets off the sub-agent's loss on the mobile phone sale transaction to a client by paying an appropriate commission (received earlier from the Operator). In consequence of such recognition, the phone sale results in relatively high revenue from the sale and high costs of sale when compared to other Group companies.

It should also be mentioned that in 2016 the ever growing share of sale was the instalment sale, i.e. a sale where the hardware sold to the target client is not owned by PTI but by the operator. Therefore, for PTI it is not its own sale but a third party's sale, which is not recognised in the balance sheet and the income statement of PTI. For this reason, the revenue from the sale of subscription phones in PTI fell on a year-to-year basis from kPLN 66,644 in 2015 to kPLN 35,685 in 2016.

Ratio-based analysis

a) Efficiency ratio

The efficiency ratio and the fixed asset turnover ratio oscillate around the same values in particular years. The inventory turnover ratio and the receivables turnover ratio indicate a quicker repayment of receivables and a higher turnover of the inventories.

b) Effectiveness ratio

The profitability ratios obtained oscillate around similar values in subsequent years.

c) Financial liquidity ratio

The liquidity I ratio was at the level of over 1.00, which is a sign of a good liquidity position. The Group companies are fully solvable and do not have any tax or social security contribution arrears.

d) Capital structure ratio

The capital structure ratios remain at an unchanged level.

No.	Name of ratio	Formula	Measure	2016	2015
1	Efficiency ratio				
1.1	Cost level ratio	$\frac{\text{tax deductible cost}}{\text{revenue from sales}}$		0.95	0.95
1.2	Asset turnover ratio	$\frac{\text{revenue from sales}}{\text{total assets}}$		1.89	1.82
1.3	Fixed asset turnover ratio	$\frac{\text{sale revenue}}{\text{fixed assets}}$		3.98	3.74
1.4	Current asset turnover ratio	$\frac{\text{revenue from sales}}{\text{current assets}}$		3.60	3.58
1.5	Inventory turnover ratio	$\frac{\text{revenue from sales}}{\text{inventories}}$		15.69	20.74
1.6	Inventory cycle indicator	$\frac{\text{inventories} \times \text{number of days in the period}}{\text{sale revenue}}$	days	23.26	17.60
1.7	Receivables turnover ratio	$\frac{\text{sale revenue}}{\text{trade receivables}}$		5.54	4.85
1.8	Receivables cycle indicator	$\frac{\text{receivables} \times \text{number of days in the period}}{\text{sale revenue}}$	days	65.85	75.27
2	Effectiveness ratios				
2.1	ROS - gross	$\frac{\text{operating profit} \times 100}{\text{sale revenue}}$	%	4.21%	4.73%
2.2	ROS - net	$\frac{\text{net profit} \times 100}{\text{sale revenue}}$	%	3.14%	3.53%
2.3	Rate of return	$\frac{\text{net profit} \times 100}{\text{total assets at period end}}$	%	5.93%	6.45%
2.4	ROE	$\frac{\text{net profit} \times 100}{\text{equity}}$	%	13.52%	14.18%
3	Financial liquidity ratios				
3.1	Liquidity I ratio	$\frac{\text{total current assets}}{\text{current liabilities}}$		1.16	1.05
3.2	Liquidity II	$\frac{\text{current assets} - \text{inventories}}{\text{current liabilities}}$		0.91	0.87
3.3	Liquidity III ratio	$\frac{\text{Cash}}{\text{current liabilities}}$		0.05	0.06
4	Capital structure ratios				
4.1	Debt ratio	$\frac{\text{outside capital}}{\text{shareholders' equity}}$		1.28	1.20
4.2	Equity to debt ratio	$\frac{\text{shareholders' equity}}{\text{outside capital}}$		0.78	0.84
4.3	Asset financing structure ratio by equity	$\frac{\text{shareholders' equity}}{\text{total capital}}$		0.44	0.46
4.4	Asset financing structure ratio bank loan	$\frac{\text{bank loans}}{\text{total capital}}$		0.11	0.15

4.5	Asset financing structure ratio by liabilities.	$\frac{\text{liabilities to suppliers}}{\text{total capital}}$	0.29	0.26
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The OEX Group has a rational financial management. The Company timely discharged its liabilities, carried out a restrictive credit policy with regard to its clients and ensured a tight monitoring of receivables. The Group companies have not been parties to any currency contracts (options, futures, forward).

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

The Group intends to develop its offer of modern services for the business gradually. The Management Board sees the growth potential in the Retail Network Management segment mainly in consequence of further market consolidation, while in case of the remaining segments - by both further organic growth and the reinforcement of the market position as well as by selective capital transactions aimed at the creation of a permanent value for the shareholders. The Company treats the areas related to the use of new technologies and specialised logistics, especially related to the comprehensive e-commerce support as particularly prospective. Of significant impact on the standing and financial performance of the Group will also be the acquisition of Archidoc S.A. and Voice Contact Center Sp. z o.o. finalised in January 2017. The Companies will create a new operational segment.

14. Indication of legal, arbitration and administrative proceedings (with the unit value or accumulated value equal to or exceeding 10% of the equity);

The Group companies are parties to legal proceedings in courts of law, however none of such proceedings concerns liabilities or receivables whose value would constitute at least 10% of the equity. Similarly, the total value of, respectively, liabilities and receivables litigated in court does not constitute at least 10% of the equity.

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

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

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

Agency Agreement dated 20/11/2012

The key agreement for TELL Sp. z o.o (and before 1 February 2016 for OEX S.A.) in 2016 was 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. z o.o. provided 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.

In 2016, the key contract for PTI Sp. z o.o. was the Agency Contract of 30/06/2010 (superseding previous contracts) on the basis of which PTI Sp. z o.o. provided mobile phone agency services for Polkomtel Sp. z o.o. 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. The Partnership Agreement was in force until the end of 2016. 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.

b) Agreements made between the shareholders

Currently, the issuer is not aware of any agreements made between the shareholders

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

Information on organizational and capital links and equity investments was partially presented in item 3. Additionally, in 2016, the Group acquired rights to 31 locations of stores with T-Mobile authorisation. The remuneration for the transfer of rights and obligations to the above-mentioned locations was agreed at kPLN 2,886 net. The transaction was finalised on 31/08/2016.

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

The transactions between the Group entities were made at arm's length. Details concerning the transactions with related parties were given in point 23.2 of the separate 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.

OEX S.A. together with its subsidiaries TELL Sp. z o.o., PTI Sp. z o.o. and Europhone Sp. z o.o. made a joint agreement on 09/08/2016 concerning a credit and guarantee limit with Credit Agricole Bank Polska S.A. The overdraft facility granted amounts to PLN 23.5 million, and the amount up to which a guarantee issue orders can be made is PLN 6.5 million. The Agreement does not provide for a subdivision into

submits for particular companies. This Agreement was concluded for a definite period of time until 07/08/2018. The loan is subject to variable interest rate based on the WIBOR 1 M reference rate plus the bank's margin. At the same time, in September 2016, the Issuer and TELL Sp. o.o., PTI Sp. z o.o. and Europhone Sp. z o.o. dissolved their credit agreements made previously with DNB Bank Polska S.A. and Alior Bank Polska S.A. The liabilities towards these banks were covered by funds from the loan taken out with Credit Agricole Bank Polska S.A.

On 31/08/2016, OEX S.A. signed an investment loan agreement with mBank S.A. The loan amount granted was PLN 3.4 million and its balance as at 31/12/2016 was PLN 3,093,750.00. The Loan was granted to finance the purchase of 100% of shares in Mer Service Sp. z o.o. The agreement will remain in force until 31/08/2020. The loan is subject to variable interest rate based on the WIBOR 1 M reference rate plus the bank's margin. The loan is repaid in equal monthly instalments.

Divante Sp. z o.o. made an agreement on 13 July 2016 with Alior Bank S.A. concerning an overdraft facility in the amount of kPLN 1,000. The agreement will be in force for one year.

In 2016, Cursor S.A. increased the overdraft facility limit by kPLN 2,000, maintaining its terms and conditions unchanged. The agreement will be in force until 31/07/2017.

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 2016 by OEX S.A. to the Group companies is presented in the table below. No Group company sanctioned any significant loans in 2016 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 last 10 working days of the previous calendar month plus a margin of 3.50%. The loan maturities are 6 months with a rollover option.

Borrower	Balance as at 31/12/2015	Loans granted	Loans repaid	Balance as at 31/12/2016
<i>in kPLN</i>				
TELL Sp. z o.o.		8,085	8,085	0
Europhone Sp. z o. o.	6,282	1,100	1,100	6,282
PTI Sp. z o. o.		1,500	1,500	0
Cursor S.A.		3,000	1,000	2,000
Pro People Sp. z o.o.		50		50
Total	6,282	13,735	11,685	8,332

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;

No new guarantees or sureties were granted in 2016. The table below presents the values of guarantees and sureties issued by OEX S.A. for the benefit of its subsidiaries.

<i>in kPLN</i>	31/12/2016	31/12/2015
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Bill of exchange repayment guarantee	5,925	5,925
Bank guarantee repayment surety	4,340	8,540
Loan repayment surety		15,905
Guarantees and sureties granted to subsidiaries	10,265	30,370

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;

Year 2016 did not see any issue, redemption or repayment of non-share and equity securities.

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

The issuer's Management Board did not publish any forecasts of results.

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 the programme of bond issue of 02/12/2016 (cf. Ongoing Report No. 54/2016).

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

In result of the contribution of the business consisting in the network of sale for Orange Polska S.A. into a subsidiary, there appeared a clear-cut separation of roles of the entities of the Group. 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 360,000.

26. The value of remuneration, bonuses or benefits, including the ones resulting from incentive programmes or bonus programmes based on the issuer's equity, of which also programmes based on pre-emptive bonds, convertible bonds, share warrants (in cash, in kind and in any other form), paid, due or potentially due, separately for

each person managing or supervising the issuer in the Issuer's business, irrespective of the fact whether or not they were duly recognised as costs or resulted from profit sharing; in case when the issuer is a parent company, a shareholders in a jointly-controlled entity or a significant investor - separate information about the value of remuneration and bonuses achieved in relation with the performance of functions in the governing bodies of subsidiaries; of appropriate information is presented in the financial statements - the obligation is considered fulfilled by indicating the place where it is included in the financial statements;

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 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 is presented in the table below.

	Total shares	Total votes	% of share capital	% of votes
Members of the Supervisory Board				
Piotr Cholewa, indirectly via Silquern S.a.r.l., including via Arsilesia Sp. z o.o.	1,190,617	1,350,225	17.28%	16.33%
Michał Szramowski, directly and indirectly via MS Investment Sp. z o.o. s.k.	238,750	238,750	3.47%	2.89%
Members of the Management Board				
Jerzy Motz, indirectly via Precordia Capital sp. z o.o. and Real Management S.A.	34,500	34,500	0.50%	0.42%
Rafał Stempniewicz	94,590	94,590	1.37%	1.14%
Robert Krasowski	6,574	6,574	0.10%	0.08%
Artur Wojtaszek	45,000	45,000	0.65%	0.54%

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

The issuer has no such information.

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

Companies of the Group did not acquire their treasury shares in 2016.

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

Companies of the Group do not carry out any research.

31. Information about the employee shareholding plan control system;

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

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

The information about an agreement executed and remuneration of an entity authorised to audit the financial statements was given in point 29.4 of the consolidated financial statements.

33. Description of the significant off balance sheet items as broken down by the subject matter, object and value.

Bank guarantees

The total value of bank guarantees opened upon the order of the Group companies as at 31/12/2016 amounted to kPLN 7,095.

Bills of exchange

The total value of the bill-of-exchange liabilities of the Group as at 31/12/2016 amounted to kPLN 9,893, of which the amount of kPLN 5,925 constitutes bill-of-exchange liabilities towards Polkomtel Sp o.o. and T-Mobile Polska S.A., while the amount of kPLN 3,968 constitutes bill-of-exchange liabilities towards lessors.

Sureties

No Group company gave any surety for the liabilities of entities from outside the issuer's group. The total amount of sureties granted between the Group companies as at 31/12/2016 amounted to PLN 10,265. The sureties comprise bank liabilities on account of loans and guarantees granted as well as the bill-of-exchange liabilities mentioned in point 20 herein. The surety value comprises the maximum value of potential claims, i.e. the principal amount of the liability plus any costs potentially due to the banks.

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

Activities related to the corporate social responsibility are conducted, without limitation, in the following areas: responsible employer, employee voluntary work, education and ecology. The Group becomes engaged in actions whereby assistance is provided to children and young people in difficult situations as well as in activities related to the environment protection and healthy lifestyle promotion.

Since 2006, the Group has cooperated with Poznan Lions Club, participating in and actively supporting charitable and cultural actions, the proceeds from which is used to, without limitation, purchase rehabilitation equipment, school aids and therapeutic centre facilities.

The OEX Group companies carry out activities aimed at increasing the awareness of significant social problems and encouraging the involvement of all employees in the pursuit of social responsibility area projects. A significant part of these activities constitutes employee voluntary work whereby the employees become involved in various charitable initiatives.

Selected actions the OEX Group companies supported in 2016:

- ST. CLAUS'S QURIER – we actively supported the action organised by the Friend's Foundation which helps children from God forsaken corners of Poland to make their dreams come true;
- Noble Present Box – flag project of the SPRING Association - giving assistance to families in most need of help;
- Support the charitable causes for the benefit of the charges of Poznan Lions Club;
- Support of the orphanage in Pęchery – educational activities and organisation of practices for the children in care, assistance in painting the rooms.

35. Approval for publication

These 2016 financial statements of the Issuer's Group were approved for publication by the Management Board of the Parent Company on days 27 March 2017.

Signatures of all Management Board Members

Date	Name and Surname	Function	Signature
27 March 2017	Jerzy Motz	President of the Management Board	
27 March 2017	Rafał Stempniewicz	Management Board Member	
27 March 2017	Robert Krasowski	Management Board Member	
27 March 2017	Artur Wojtaszek	Management Board Member	
27 March 2017	Tomasz Kwiecień	Management Board Member	