OEX GROUP

REPORT ON THE ACTIVITIES

Warsaw, 10 April 2018

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Information about the Issuer;

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

1. 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 2017 in the part entitled 'Drawing up basis and accounting rules', c) Accounting Policies - Consolidation.

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

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

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

After the balance sheet date, the District Court for Gdańsk-Północ in Gdańsk, VI Commercial Division, by virtue of decision dated 19 February 2018 declared the bankruptcy of TOYS4BOYS Sp. z o.o. with registered office in Gdańsk.

On 9 January 2017, OEX S.A. signed an agreement on the basis of which it acquired 100% of shares in Voice Contact Center Sp. z o.o. (Polish limited liability company) with registered office in Warsaw. Pursuant to the agreement, the Parent Company acquired 10,000 (ten thousand) shares constituting 100% of the share capital for the price of PLN 1,000,000.00, whereby GAD S.A. sold to the Issuer 8,500 shares constituting 85% of the share capital and Neo Business Process Outsourcing S.à r.l. sold to the Issuer 1,500 shares constituting 15% of the share capital. OEX S.A. was obliged to make the designated additional payment to the selling price in accordance with the terms and conditions as defined in the Agreement pursuant to the formula laid down in the Agreement, if this is justified by the results obtained by Voice Contact Center Sp. z o.o. Such additional payment constitutes a difference between the product of the multiplier equal to 4.5 and the average value of EBITDA of Voice Contact Center Sp. z o.o. for the years 2016-2017 less the net debt and the price paid as mentioned above. The additional payment will be made in 2018 after the financial year 2017 has been closed. As part of security that the additional payment to the selling price will be made and the contractual penalties will be paid EX S.A. made a declaration agreeing to be subject to enforcement proceedings in accordance with the procedure provided for in Art. 777 of the Code of Civil Procedure for the benefit of GAD S.A. up to the total amount of PLN 5,100,000 and a declaration agreeing to be subject to enforcement proceedings in accordance with the procedure provided for in Art. 777 of the Code of Civil Procedure for the benefit of Neo Business Process Outsourcing S.à r.l. up to the total amount of PLN 900,000.

On the basis of audited statements of Voice Contact Center Sp. z o.o., the Issuer estimated the value of additional payment to the price as per the share acquisition agreement. The calculation was also confirmed by the issuer's auditor.

Calculation of the additional payment to the price of acquisition of Voice Contact Center Sp. z o.o.

EBITDA 2016	1,295,279
EBITDA 2017	2,164,829
operating profit - 31/12/2017	1,567,586
depreciation and amortization in 2017	597,243
Cash	20,888
financial debts	454,037
price	1,000,000
additional payment to the price	6,352,094
total price value	7,352,094

On 19 January 2017, OEX S.A. signed an agreement on the basis of which it acquired 100% of shares ArchiDoc S.A. (Polish joint-stock company) with registered office in Chorzów from Teronita Holdings Limited with registered office in Larnaca (Cyprus). OEX S.A. acquired 4,250,000 shares constituting 100% of the share capital of ArchiDoc S.A. for the price of PLN 17,861,000, with a reservation concerning additional payment to the price.

The Issuer was obliged to make defined additional payments to the selling price in accordance with the terms and conditions as laid down in the final agreement which depend on the financial parameters obtained by ArchiDoc S.A. (e.g. the value of EBITDA and net debt of ArchiDoc S.A.) in the years 2016 and 2017. The final agreement provides for 2 additional payments. The first additional payment will constitute a difference between the product of the multiplier equal to 7.9 and the value of ArchiDoc S.A.'s EBITDA for 2016 less the net debt and multiplied by 50% and the price paid as mentioned herein above. The second additional payment will be equal to the product of a multiplier equal to 7.9 and the value of ArchiDoc S.A.'s EBITDA for 2017 as decreased by net debt and multiplied by the value of 50% and increased or decreased, as appropriate, by the amount resulting from the first additional payment, depending on the fact whether the obtained amount is positive or negative. Both additional payments, assuming that their total value will be positive, will be made as a single payment in 2018 after the financial year 2017 has been closed. In case when the average value of the percentage increase of ArchiDoc S.A.'s selected results calculated year/year (including EBITDA) proved to be lower than the thresholds referred to in the final agreement, the value of all the additional payments will be calculated using the multiplier of 7.0. The total price, taking into account the above-mentioned additional payments, will not exceed PLN 52,000,000 (fifty-two million Polish zlotys) and the Seller will not be entitled in relation with the price for the shares in ArchiDoc S.A. to any additional amounts above the said cap.

In order to secure the additional payments to the selling price and payment of contractual penalties, the Issuer has made a declaration on agreeing to be subject to enforcement proceedings in accordance with the procedure provided for in Art. 777 of the Code of Civil Procedure up to the total amount of PLN 31,000,000.

In order to secure the satisfaction of the Buyer's claims against the Seller resulting from the agreement, a guarantees were issued by entitled related to the Seller in the amount of up PLN 9,400,000.

On the basis of audited statements of Archidoc S.A., the Issuer estimated the value of additional payments to the price as per the share acquisition agreement. The calculation was also confirmed by the issuer's auditor.

Calculation of additional payments to the price of acquisition of Archidoc S.A.

First additional payment to the price (PDdC)	
EBITDA 2016	5,284,735
operating profit - 31/12/2016	4,133,903
amortisation and depreciation	1,150,832
cash	2,070,732
financial debts	3,333,028
price	17,861,000
first additional payment to the price (PDdC)	2,382,555
Second additional payment to the price (DDdC)	
EBITDA 2017	6,543,415
operating profit - 31/12/2017	5,144,618
depreciation and amortization in 2017	1,398,797
cash	3,055,187
financial debts	3,350,603
second additional payment to the price (DDdC)	25,698,781
Total additional payment to the price (PDdC+DDdC)	28,081,335
total price value after additional payments	45,942,335

In total, the additional payments to the price of acquisition of Archidoc S.A. and Voice Contact Centre will amount to PLN 34,433,429. The payment will be made from the investment loan funds mentioned in item 18.

On 13 July 2017, the Extraordinary General Meeting of Shareholders of OEX Cursor S.A. and the Extraordinary General Meeting of Shareholders of OEX E-Business Sp. z o.o. adopted, respectively, resolutions on the division of OEX Cursor S.A. The said division was carried out as per the procedure provided in Art. 529 §1 item 4 of the Code of Commercial Companies (partial division) by the transfer to OEX E-Business Sp. z o.o. of an organised part of business of OEX Cursor S.A. (separate in organisational, financial and functional terms) comprising the following objects of business:

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

hereinafter referred to as the the 'Logistical Activities'.

The division of OEX Cursor S.A. was registered on 1 September 2017. In result of the division, the registration court registered an increase in the share capital of OEX E-Business Sp. z o.o. from PLN 10,000 to PLN 1,700,000, i.e. by the amount of PLN 1,690,000 by a creation of 33,800 shares of the nominal value

of PLN 50 each, which were subscribed in whole by OEX S.A. OEX E-Business Sp. z o.o. took over all the rights and obligations related to the Logistical Activities on the partial division date.

In February 2017, Divante created a branch in Austria which prepares its separate balance sheets. The branch carried out operating activity until July 2017. As at the balance sheet day, procedures are under way to wind down the branch formally.

3. **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
- The **Back office and Customer Service** segment - formerly **Document Management and Customer Service**. The change of the segment name results from the need to adjust it to a wider range of services provided. Currently, besides the document management, the services comprise a number of comprehensive processes supporting the client's core businesses, especially services related to the so-called 'back office'.

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. The Group achieved its position by a gradual and consistent increase of the number of its own stores and acquisition of smaller store operators.

Value of the sale network of the Retail Network Management segment

Number of stores as at the balance sheet day:

	as at 31/12/2017	as at 31/12/2016	2017/2016 in pcs.	2017/2016 in %
Orange network stores	130	138	-8	94.2%
T-Mobile network stores	100	100	0	100.0%
Plus network stores	69	71	-2	97.2%
Total stores	**299**	**309**	**-10**	**96.8%**

Average number of stores in the financial year:

	Average in 2017	Average in 2016	2017/2016 in pcs.	2017/2016 in %
Orange network stores	132	142.8	-10.8	92.4%
T-Mobile network stores	100	81.4	18.6	122.9%
Plus network stores	69	71	-2	97.2%
Total stores	**301**	**295.2**	**5.8**	**102.0%**

Revenue volumes and breakdown - the retail sale network management segment

Revenue from the sale of services and goods (in kPLN)	2017	2016	2017/2016
Revenue from the sale of telecommunication services	107,372	104,816	102.4%
Sets and pre-paid refillments	13,565	13,444	100.9%
Postpaid contract phones	117,173	84,452	138.7%
Other revenue	10,501	8,776	119.7%
Total	248,611	211,489	117.6%

Service sale volume	2017	2016	2017/2016
Postpaid activations	714,006	618,565	115.4%
Prepaid activations	153,904	143,122	107.5%
Total	867,910	761,687	113.9%

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 or creative and strategy activities all carried out under the EatMe brand owned by OEX Cursor SA. 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 processes and sale and marketing budgets of clients and may entail that the remuneration for the services rendered is linked to the performance of the KPIs assumed at the appropriate level.

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

The basic services offered to clients under this segment comprise:

- outsourcing of sales representatives
- merchandising
- examination of goods exposure and availability and communication standards

- product promotion services
- building of the brand creation strategy
- human resources management services

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

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

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

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

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

E-business Segment

In the E-business segment provides services dedicated to e-commerce, including the areas of technology, marketing and fulfilment. The segment encompassed in whole the business of Divante Sp. z o.o. (area related to IT), as well logistic operations and purchasing process services carried out by OEX E-Business Sp. z o. o. (transferred as of 1 September 2017 from OEX Cursor S.A.).

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

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

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

OEX E-Business Sp. z o.o. manages an extended warehouse infrastructure with an area of almost 30,000 sq.m. and capacity of 44,000 pallet places - based on WMS (warehouse management system). The operation quality consistency is ensured by ISO 9001:2008.

The Back Office and Customer Service Segment

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

Services rendered by the Back Office and Client Service segment comprise, but are not limited to:

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

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

3. Business process support. The offer of these services is personalised to suit the needs of specific branches, including: banks and insurance undertakings, telecoms, power engineering companies

and companies providing services to the general population, public administration and large b2b enterprises. As part of this service, the client may entrust all the back-office processes to the contractor. The services will be provided in the location indicated by the client or in the contractor's location using the INDO software and own infrastructure.

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

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

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

4. Client support services. The services are provided by Voice Contact Center Sp. z o.o. and comprise the handling of calls, text messages, e-mails, chats, social media, as well as traditional correspondence and personal contact. These activities aim at, among other things, acquiring and maintaining the clients' loyalty, and upselling. Another area of activity is the client satisfaction survey, market survey and opinion polling as well as the survey of client service quality on the basis of our own research centre and a team of carefully selected and trained interviewers. Main services offered to clients are the following: client support centre management, helplines, image campaigns, phone traffic surplus servicing.

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

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

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

Revenues and results of operating segments

	Sale network management	Sale Support	E-business	Back Office and Customer Service	Not allocated	Total
for the period from 01/01 to 31/12/2017						
Revenue from external customers	248,516	128,181	127,561	61,293	87	565,638
Revenue from the sales between segments	95	973	1,349	14	4,949	7,380
Total revenue	248,611	129,154	128,910	61,307	5,036	573,018
Segment's operating result	**16,858**	**6,632**	**1,953**	**7,228**	**-3,665**	**29,006**
Financial income						129
Financial costs						8,520
Gross profit						20,615
Income tax						4,478
Net profit						16,137
EBITDA	**18,994**	**8,476**	**3,660**	**9,224**	**-3,600**	**36,755**
Amortisation and depreciation	2,136	1,844	1,707	1,996	66	7,749

	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**
Amortisation and depreciation	2,075	1,938	1,315	65	5,393

The highest share in the total EBITDA of the operating segments in 2017 was held by the Retail Sale Network Management Segment – 47.1%. EBITDA of that segment noted a rise of 8% when compared to 2016, whereby the main driver of that rise was the significant growth in the share of instalment sale in

TELL Sp. z o.o. which generated 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 2017 amounted to 21.0%. EBITDA of that segment noted a rise when compared to EBITDA reported in 2016 by 22.4%. The growth generated in this segment comprised both the organic growth and the acquisition of Merservice Sp. z o.o. in September 2016.

The share of the E-Business Segment in total EBITDA of all operational segments in 2017 amounted to 9.1%, EBITDA of that segment noted a fall when compared to EBITDA reported in 2016 by 19.4%. The y/y fall in the result in this segment stems from the worse result of Divante Sp. z o.o., which, in turn, is a consequence of foreign expansion costs, internal structure reorganization and setting up of provisions for receivables. The said deterioration of the profit is deemed transitional only by the Issuer in view of the perspectives of considerable improvement in 2018.

The share of the Back Office and Customer Service Segment in total EBITDA of all operational segments in 2017 amounted to 22.9%.

4. 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 2017 constituted 92% of total revenue of the Group, similarly as in 2016. In terms of value, the foreign sale in 2017 went up by 37.9% to kPLN 45,325 (kPLN 32,872 in 2016).

The counterparties whose share in the Group's turnover exceeded 10% are Orange Polska S.A. and Liberty Poland S.A. (subsidiary of Polkomtel Sp. z o.o.). The Group effected, respectively, 25.3% and 12.7% of its turnover with these entities. None of the Group companies has any formal links with Orange Polska S.A. and Liberty Poland S.A. (Polkomtel Sp. z o.o.). The Group's total revenue from the market of telecommunications services distribution constituted 44% of total revenues, while last year - 53%. The remaining revenues were generated from the market of business services provided in the segments Sale Support, E-Business and Back Office and Customer Service - as described in section 4.

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

The main reason underlying the considerable growths in the basic items constituting the result of the Group in 2017 with regard to the previous year was the acquisition of Archidoc S.A. and Voice Contact Center Sp. z o.o. The detailed impact of those acquisitions on the Group's operational results was presented in section 4.

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

The revenue from the sale in 2017 amounted to kPLN 565,638 and was higher by 41.5% than in the corresponding period of previous year.

The operating profit for 2017 amounted to kPLN 29,006 and was higher by 38.4% than in the corresponding period of previous year.

EBITDA of 2017 amounted to kPLN 36,755 and was higher by 39.5% than in the corresponding period of the previous year.

The 2017 gross profit was kPLN 20,615 and was higher than in the previous year by 29.0%. The gross profit of 2017 and its relation to the profit of 2016 are influenced by the financial costs which rose on a year-to-year basis by kPLN 3,501, of which kPLN 991 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 8,520 of financial costs of 2017, the costs of the above-mentioned fees constituted kPLN 4.003 (in 2016: kPLN 3,102).

The net profit of 2017 due to the parent company's shareholders was kPLN 16,383 and was higher than in 2016 by 38.3%.

Income Statement of the Group

	From 01/01 to 31/12/2017	From 01/01 to 31/12/2016	2017/2016
Sale revenues	565,638	399,754	141.5%
Revenue from the sale of services	385,228	255,900	150.5%
Revenue from the sale of goods	180,410	143,854	125.4%
Cost of sales	474,648	335,726	141.4%
Costs of services sold	301,273	199,562	151.0%
Costs of goods sold	173,375	136,164	127.3%
Gross profit on sale	90,990	64,028	142.1%
Selling costs	26,801	15,771	169.9%
Administrative expenses	34,130	25,869	131.9%
Other operating income	2,437	1,295	188.2%
Other operating expense	3,490	2,727	128.0%
Operating result	29,006	20,955	138.4%
Financial income	129	50	257.5%
Financial costs	8,520	5,019	169.8%
Profit before tax	20,615	15,985	129.0%
Income tax	4,478	3,436	130.3%
Net profit	16,137	12,549	128.6%
Net profit - share of the shareholders of the Parent Company	16,383	11,850	138.3%
Net profit (loss) - share of the non-controlling interests	-246	699	-35.2%

Basic ROS indicators

	From 01/01 to 31/12/2017	From 01/01 to 31/12/2016	2017/2016
Gross profit on sales	16.1%	16.0%	100.4%
Profit on sales	5.3%	5.6%	94.9%
EBITDA	36,755	26,348	139.5%
EBITDA rate	6.5%	6.6%	98.6%
Rate of the operating profit	5.1%	5.2%	97.8%
Gross profit	3.6%	4.0%	91.1%
Net profit	2.9%	3.1%	90.9%

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 325,471 and is 53.9% higher than last year's total. The share of fixed assets and current assets in total assets is, respectively, 48.6% and 51.4% (2016: 47.5% and 52.5%). The value of non-current assets rose when compared to the previous year by 57.5% from kPLN 100,451 to kPLN 158,202 in 2017. The increase in the value of fixed assets is a consequence of the acquisition, among other things, of 100 % shares in Archidoc S.A. and shares in Voice Centre Contact Sp. z o.o. In result of the settlement of this business combination, the goodwill rose from kPLN 75,161 in 2016 to kPLN 116,545 in 2017.

The share of current assets in total assets fell from 52.5% in 2016 to 51.4% in 2017. The value of current assets increased from kPLN 111,059 in 2016 to kPLN 167,269 in 2017 – i.e. by 50.6%. The growth in the value of current assets in 2017 in the amount of kPLN 17,502 is related to the acquisition of control by the Group over Archidoc SA and Voice Contact Center Sp. z o.o.

With regard to the equity and liabilities, the equity constituted 33.5 % and the liabilities 66.5% (2016: 43.9% and 56.1%). Whereby, the value of equity rose from kPLN 92,809 to kPLN 108,945 in 2017 , i.e. by 17.4% y/y. Similarly, the value of liabilities and provisions rose from kPLN 118,701 to kPLN 216,526 in 2017 – growth by 82.4%. The growth in the value of liabilities and provisions in 2017 in the amount of kPLN 15,471 is related to the acquisition of control by the Group over Archidoc SA and Voice Contact Center Sp. z o.o. The rise by further kPLN 55,330 results from the issue of bonds and liabilities to make additional payments to the price for shares in Archidoc SA and Voice Contact Center Sp. z o.o.

In 2017, the interest debt structure changed. In consequence of the bond issue by the parent company, the interest debt rose by kPLN 20,000. The value of overdraft facilities rose by kPLN 13,817 and, consequently, in 2017, there was a growth in total debt under short-term loans to the amount of kPLN 35,111 from kPLN 21,294 in 2016. The acquisition of control by the Group over Archidoc SA and Voice Contact Center Sp. z o.o. resulted in the growth in the value of overdraft facilities by kPLN 305.

The total interest liabilities of the Group as at the end of 31/12/2017 amounted to kPLN 70,751, which constitutes 21.7% of the total of equity & liabilities, vs kPLN 31,583 (14.9% of the total equity and liabilities) in the corresponding period of the previous year. The acquisition of control by the Group over Archidoc SA and Voice Contact Center Sp. z o.o. resulted in the growth in the value of interest liabilities by kPLN 3,805.

In total, the short-term interest debt of the Group as at 31/12/2017 amounted to kPLN 43,302, which constitutes 24.7% of total short-term liabilities, vs kPLN 27,257 (26.2% of total short-term liabilities) in the corresponding period of the previous year. The growth in the value of short term interest debt in 2017 in the amount of kPLN 1,392 is related to the acquisition of control by the Group over Archidoc SA and Voice Contact Center Sp. z o.o.

Balance sheet of the Group

ASSETS	**31/12/2017**		**31/12/2016**		**2017/2016**
Non-current assets					
Goodwill	116,545	35.8%	75,161	35.5%	155.1%
Intangible fixed assets	11,630	3.6%	8,048	3.8%	144.5%
Tangible fixed assets	23,238	7.1%	14,046	6.6%	165.4%
Investments in other parties	250	0.1%	0	0.0%	100.0%
Receivables and loans	952	0.3%	1116	0.5%	85.3%
Long-term prepayments	1,476	0.5%	18	0.0%	8189.1%
Deferred income tax	4,111	1.3%	2,062	1.0%	199.4%
Non-current assets	158,202	48.6%	100,451	47.5%	157.5%
Current assets					
Inventories	22,782	7.0%	25,472	12.0%	89.4%
Trade receivables and other receivables	121,794	37.4%	70,744	33.4%	172.2%
Current income tax assets	431	0.1%	264	0.1%	163.2%
Loans	12	0.0%	9	0.0%	127.8%
Financial derivatives	0	0.0%	34	0.0%	
Short-term prepayments	10,803	3.3%	9,423	4.5%	114.7%
Cash and cash equivalents	11,447	3.5%	5,113	2.4%	223.9%
Current assets	167,269	51.4%	111,059	52.5%	150.6%
Total assets	325,471	100.0%	211,510	100.0%	153.9%

EQUITY AND LIABILITIES	31/12/2017		31/12/2016		2017/2016
Shareholders' equity					
Equity - share of the shareholders of the					
Share capital	1,378	0.4%	1,378	0.7%	100.0%
- Share	44,960	13.8%	44,960	21.3%	100.0%
Other Reserve Capitals	1,459	0.4%	1,459	0.7%	
Retained profits:					
- retained profit from previous years	43,042	13.2%	31,192	14.7%	138.0%
- net profit for the company's shareholders	16,383	5.0%	11,850	5.6%	138.3%
Equity - share of the parent company shareholders	107,222	32.9%	90,840	42.9%	118.0%
Equity - share of the non-controlling interests	1,723	0.5%	1,969	0.9%	87.5%
Shareholders' equity	108,945	33.5%	92,809	43.9%	117.4%
Liabilities					
Long-term liabilities					
Loans, credits, other debt instruments	21,956	6.7%	2,250	1.1%	975.8%
Finance lease	5,494	1.7%	2,077	1.0%	264.5%
Deferred tax liabilities	10,207	3.1%	8,747	4.1%	116.7%
Employee benefit liabilities and	121	0.0%	82	0.0%	147.3%
Other long-term provisions	31	0.0%	0	0.0%	100.0%
Long-term prepayments	3,478	1.1%	1,625	0.8%	214.0%
Long-term liabilities	41,287	12.7%	14,781	7.0%	279.3%
Short-term liabilities					
Trade liabilities and other	83,093	25.5%	65,884	31.1%	126.1%
Current tax	1,146	0.4%	1,029	0.5%	111.3%
Loans, credits, other debt instruments	35,130	10.8%	21,294	10.1%	165.0%
Finance lease	3,189	1.0%	1,981	0.9%	161.0%
Factoring liabilities	4,983	1.5%	3,982	1.9%	125.1%
Liabilities related to the purchase of shares	34,733	10.7%			
Employee benefit liabilities and	10,757	3.3%	9,244	4.4%	116.4%
Other short-term provisions	280	0.1%		0.0%	100.0%
Short-term prepayments	1,928	0.6%	506	0.2%	381.0%
Short-term liabilities	175,239	53.8%	103,920	49.1%	168.6%
Total provisions	216,526	66.5%	118,701	56.1%	182.4%
Total equity and liabilities	325,471	100.0%	211,510	100.0%	153.9%

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

The Group noted a fall in inventories by kPLN 2,690, a growth in receivables by kPLN 50,713 (including receivables resulting from the acquisition of control over Archidoc SA and Voice Contact Center Sp. z o.o. - growth of kPLN 15,144), a growth in prepayments and accruals by kPLN 3,010.

At the same time, there was a fall in trade liabilities by kPLN 24,688 (including liabilities resulting from the acquisition of control over Archidoc SA and Voice Contact Center Sp. z o.o. - growth of kPLN 10,708). In total, the change in the working capital amounted to (kPLN -25,613). The flows from operating activities reached the value of kPLN 1,163, while in 2016 they amounted to kPLN 11,260.

The flows from investment activities reached a value of (kPLN -21,948), which was influenced by the acquisition of fixed assets and subsidiaries. The expenditure on the purchase of tangible and intangible assets amounted to kPLN 7,257. The expenditure on the purchase of shares in subsidiaries (decreased by funds held by the subsidiaries as at the acquisition date) amounted to kPLN 16,288.

The flows from financial activities amounted to kPLN 27,119, whereby the change in net interest liabilities amounted to kPLN 8,694, the value of interest expense was kPLN 2,355 and the debt securities issued equalled kPLN 20,000.

Cash flow statement of the Group:

	from 01/01 to 31/12/2017	from 01/01 to 31/12/2016
Flows from operating activities		
Profit (loss) before taxation	20,615	15,985
Adjustments:		
Depreciation and amortisation of fixed assets	7,749	5,393
Profit (loss) on the sale of non-financial fixed assets	238	378
Interest expense	3,190	1,200
Interest and dividend income	-104	-19
Total adjustments	11,073	6,952
Change in inventories	2,690	-8,876
Change in receivables	-50,713	-1,180
Change in liabilities	24,688	8,056
Change in provisions and prepayments	-3,010	-6,197
Consolidation adjustments	732	
Changes in working capital	-25,613	-8,197
Taxes paid	-4,912	-3,481
Net cash flow from operating activity	1,163	11,260
Flows from investing activities		
Expenses to purchase fixed assets	-7,257	- 9,230
Inflows from the sale of fixed assets	234	512
Net expenses to purchase subsidiaries	- 16,288	-4,250
Net inflows from the sale of subsidiaries		50
Received repayments of loans granted	1,508	6
Loans granted	-20	-15
Expenses to purchase other financial assets	-250	
Interest income	118	19
Net cash flow from investing activity	- 21,948	-12,671

Flows from financial activities		
Inflows from debt securities in issue	20,000	
Inflows from loans and credits contracted	19,445	14,824
Repayment of loans and advances	-6,420	-4,201
Repayment of financial lease liabilities	-4,331	-2,546
Interest paid	-2,355	-1,193
Dividends paid		-5,411
Other	780	
Net cash flow from financial activity	27,119	1,472
Change in net cash position	6,334	61
Cash at the period beginning	5,113	5,052
Cash and cash equivalents at period end	11,447	5,113

6. 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.

7. 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 2017 were the following:

a) acquisition of ArchiDoc S.A. and Voice Contact Center Sp. z o.o., in consequence of which the Group was able to create a new operating segment;
b) sign of a loan agreement dated 14/12/2017 by and between all the Issuer's subsidiaries on the one hand and ING Bank Śląski S.A. and Bank Zachodni WBK S.A. on the other hand. The agreement was executed in order to refinance the existing debt of the Group companies, standardise and improve terms of financing and obtain long-term financing necessary to settle the transactions of asset acquisition made in the years 2016–2017, including an earlier redemption of bonds and additional payments to the price for acquisition of Archidoc S.A. and Voice Contact Center Sp. z o.o. (Ongoing Report No. 40/2017).

8. 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.

9. Characteristics of external and internal factors significant for the development of the issuer's business and description of the issuer's activity development perspective at

least until the end of the financial year following the financial year for which the financial statements were made, including elements of the issuer's market strategy;

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

a) uninterrupted performance of existing contracts in the Sale Support, the E-Business and the Back Office and Customer Service 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;
    d. commission and settlement systems, especially the system of provision of telecommunications equipment by Orange Polska S.A. to Tell Sp. z o.o. as advised for the second quarter of 2018. Instead of the current system, where Tell Sp. z o.o. acquires the equipment on its own account (cf. section 12), an assignment system will be implemented. The main effect of the change will be the fall in no-margin revenues, as currently generated by Tell Sp. z o.o. and in the corresponding costs of goods sold as well as the termination of the system of settling instalment sales. As part of the instalment sale system of Tell S.A., the Company receives an additional commission, bearing at the same time the financial cost equal to the value of that provision on account of the assignment of the instalment sale agreement on the operator (cf. section 6 (a)). According to the estimates of Tell Sp. z o.o., the introduction of the above-mentioned changes in 2018 will result in the fall in financial costs by approx. PLN 2 million and a simultaneous fall in the operating profit by the same amount. The change of the system of provision of telecommunications equipment to Tell S.A. is neutral in terms of the gross and net profit. Simultaneously, profitability ratios of that company, similarly as of the entire Retail Sale Network Management segment will improve. So will the ratios of current asset turnover.

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

a) general macroeconomic situation of Poland;
b) situation on the labour market;
c) changes in tax regulations effective as of the beginning of 2018 (CIT) or will come into force during the year and whose effects are difficult to assess as at the date of the publication hereof.

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

a) growth in financial debt and borrowing costs in relation with the additional payments to the price of acquisition of Archidoc S.A. and Voice Contact Center Sp. z o.o.;
b) expected improvement in operating results in the E-Business segment when compared to the results of 2017;
c) further optimisation of the Group's management systems, in particular the systems monitoring the pursuit of objectives, demand for external funds and cash flows as well as an efficient implementation of the cost control policies;

d) potential equity transactions on the market on which the Group operates.

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

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

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

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

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

Risk related to the price pressure from a part of clients

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

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

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

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

Risk of delayed payment of amounts receivable from clients

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

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

Subcontractor risk

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

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

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

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

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

Risk related to the destruction or loss of stored materials

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

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

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

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

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

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

Risk of higher market competition

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

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

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

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

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

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

The OEX Group companies aspire to take over the service of entire business processes and the high competences they have in this aspect constitute their major competitive edge. Considering the scale of

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

Labour market risk

The unemployment level, which has been decreasing in recent year, constitutes an important factor on the Polish labour market. The latest forecasts indicate a fall in the number of unemployed people to the level below 6% by the end of 2018. The downward trend is believed to continue until 2019 at least. The decreasing number of potential job candidates is also influenced by demographic factors and economic migration. The above-mentioned elements combined with payrises, both resulting from the changes of the minimum wage changes and from the pay pressure stemming from a limited pool of candidates, translate directly into the availability of employees and, consequently, increase the employee acquisition costs.

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

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

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

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

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

Risk of departure of key employees

Highly qualified and motivated managerial staff is an extremely important factor underlying the success of the business of the Group companies. The current market position and financial standing of the OEX

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

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

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, 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 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 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 means 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 (bonds, bank loans and credits, factoring, leases) the amount of which as at 31/12/2017 amounted to kPLN 70,751. 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.

11. 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 statements contain basic information which is important for the assessment of the situation of the OEX Group, whereby, for the correct interpretation of the financial results obtained by the companies: TELL Sp. z o.o., Europhone Sp. z o.o. and PTI Sp. z o.o. it is necessary to explain different ways of recognition in the books of the Companies of subsidies for the sale of mobile phones sold with post-paid activations by particular mobile phone operators. Irrespective of a different way of mobile phone sale settlement by particular operators, the result on such operations is neutral.

ORANGE

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

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

PLUS

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

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

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

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

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

The Company also sells the phones to G300 salesmen operating on the business market who resell them to their Clients. In this case, the sale is made at the original price of purchase from the operator's distribution company, but then the process is similar to a cash sale transaction, whereby it is the Company that sets off the salesmen's loss on the mobile phone sale transaction to a Client by paying an appropriate commission (received earlier from the operator).

Ratio-based analysis

No.	Name of ratio	Formula	Measure	2017	2016
1	**Efficiency ratio**				
1.1	Cost level ratio	tax deductible cost / revenue from sales		0.95	0.95
1.2	Asset turnover ratio	revenue from sales / total assets		1.74	1.89
1.3	Fixed asset turnover ratio	sale revenue / fixed assets		3.58	3.98
1.4	Current asset turnover ratio	revenue from sales / current assets		3.38	3.60
1.5	Inventory turnover ratio	revenue from sales / inventories		24.83	15.69
1.6	Inventory cycle indicator	inventories x number of days in the / sale revenue	days	14.50	22.94
1.7	Receivables turnover ratio	sale revenue / trade receivables		4.59	5.54
1.8	Receivables cycle indicator	receivables x number of days in the / sale revenue	days	78.40	64.95
2	**Effectiveness ratios**				
2.1	ROS - gross	operating profit x 100 / sale revenue	%	3.64%	4.00%
2.2	ROS - net	net profit x 100			

		sale revenue	%	2.85%	3.14%
2.3	Rate of return	net profit x 100 / total assets at period end	%	4.96%	5.93%
2.4	ROE	net profit x 100 / equity	%	14.81 %	13.52 %
3	**Financial liquidity ratios**				
3.1	Liquidity I ratio	total current assets / current liabilities		0.95	1.07
3.2	Liquidity II	current assets - inventories / current liabilities		0.76	0.73
3.3	Liquidity III ratio	cash / current liabilities		0.07	0.05
4	**Capital structure,ratios**				
4.1	Debt ratio	outside capital / shareholders' equity		1.99	1.28
4.2	Equity to debt ratio	shareholders' equity / outside capital		0.50	0.78
4.3	Asset financing structure ratio by equity	shareholders' equity / total capital		0.33	0.44
4.4	Asset financing structure ratio by liabilities	liabilities to suppliers / total capital		0.21	0.29

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).

12. 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 and the back office and customer service as particularly prospective.

13. 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.

14. 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.

Loan agreement dated 14/12/2017 by and between all the Issuer's subsidiaries on the one hand and ING Bank Śląski S.A., Bank Zachodni WBK S.A., BZ WBK Faktor sp. z o.o. and ING Commercial Finance Polska S.A. on the other hand.

b) Agreements made between the shareholders

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

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

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

16. 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 of the separate financial statements of OEX S.A.

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

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

On 14 December 2017, 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 Archidoc S.A. and Voice Contact Center Sp. z o.o.

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

(i) overdraft facilities, guarantee lines and factoring lines up to the total of PLN 75,000,000 to be used to finance the daily activities of the borrowers, the financing was granted for the period of two years;

(ii) conversion of a part of the existing overdraft facilities to term loans in the total amount of PLN 6,500,000; the above-mentioned loans will be repaid in quarterly instalments over the period of 5 years, starting on the day the loan agreement was executed;

(iii) term loan to refinance the investment loan extended to the Issuer in 2016 for the purchase of shares in MerService Sp. z o.o., in the amount of PLN 2,600,000; the above-mentioned loan will be repaid in quarterly instalments over the period of 5 years starting on the day the loan agreement was executed;

(iv) term loan of PLN 20,000,000 earmarked for the potential redemption of the Issuer's series A bonds. 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 the Issuer shall additionally repay the remaining debt in the amount of PLN 8,000,000.

(v) term loan of up to maximum PLN 30,500,000 earmarked to finance the additional payments to the price of purchase of shares in Archidoc S.A.;

(vi) term loan of up to maximum PLN 7.000.000 earmarked to finance the additional payments to the price of purchase of shares in Voice Contact Center Sp. z o.o.;

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

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

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

18. 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 2017 by OEX S.A. to the Group companies is presented in the table below. No Group company sanctioned any loans in 2017 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 3.50%. The loan maturities do not exceed 12 months with a rollover option.

Borrower	Balance as at 31/12/2016	Loans granted	Loans repaid	Balance as at 31/12/2017
in kPLN				
Europhone Sp. z o. o.	6,282	0	0	6,282
OEX E-Business sp. z o.o.	0	1050	0	1,050
Cursor S.A.	2,000	800	0	2,800
Divante Sp. z o.o.	0	502	0	502
Pro People Sp. z o.o.	50	300	350	0
Total	8,332	2,652	350	10,634

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

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

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

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

On 14 December 2007, the Group signed a loan agreement with ING Bank Śląski S.A. and Bank Zachodni WBK S.A. in order to refinance the Group's existing debt, including the redemption of the series A bonds. Pursuant to the Series A Bond Issue Terms and Conditions, OEX S.A. had a pre-emptive right to series A bonds. All 20,000 bonds of the A series were redeemed on 17 January 2018.

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

On 18 May 2017, the Management Board published the forecast of the 2017 results, containing the following forecast values (ongoing report No. 16/2017):

- Consolidated operating profit of the Group – in the amount of PLN 27.3 million,
- Consolidated EBTIDA profit of the Group – in the amount of PLN 34.9 million,
- Consolidated net profit attributable to the Issuer's shareholders – in the amount of PLN 15.8 million.

The actual results of 2017 are the following:

- Consolidated operating profit of the Group: PLN 29.0 million (106.2% of the forecast amount),
- Consolidated EBITDA of the Group: PLN 36.8 million (105.3% of the forecast amount),
- Consolidated net profit for the Issuer's shareholders: PLN 16.4 million (103.7% of the forecast amount).

The fact that the forecast amounts were exceeded results mainly from higher commissions in the Retail Sale Network Management segment, which, in turn, was a consequence of a very high volume of sales of services in December 2017.

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

The investment intentions will be pursued owing to the funds earned in the current operations, bank loans or a bond issue, if any.

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

In 2017, 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.

24. 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.

25. 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 28.3 of the consolidated financial statements.

26. 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.,	1,280,206	1,439,814	18.58%	17.41%
Michał Szramowski, directly and indirectly via MS Investment Sp. z o.o. s.k.	390,354	390,354	5.67%	4.72%
Members of the Management Board				
Jerzy Motz, indirectly via Precordia Capital sp. z o.o. and Real Management S.A.	520,114	520,114	7.55%	6.29%
Rafał Stempniewicz	94,590	94,590	1.37%	1.14%
Robert Krasowski	7,889	7,889	0.11%	0.10%
Artur Wojtaszek	50,000	50,000	0.73%	0.60%

27. 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.

28. 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 2017.

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

Companies of the Group do not carry out any research.

30. Information about the employee shareholding plan control system;

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

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

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

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

The OEX Group companies is involved in activities that engage the employees in social responsibility area projects. An important role is played by employee voluntary activities as well as actions for the benefit of local communities aimed at helping children and young people in difficult situations as well as at supporting the environmental protection and healthy lifestyle. Activities related to the corporate social responsibility are conducted, without limitation, in the following areas: responsible employer, employee voluntary work, education and ecology.

Selected actions the OEX Group companies supported in 2017:

- **'#Wszyscy do wioseł'**
  (#Let's row together) - The OEX Group supported the action organised by the Legia foundation the purpose of which was to finance the purchase of an ambulance for the Warsaw's Children's Memorial Health Institute.
- **'St. Claus' Courier'**
  The OEX Group has actively supported the action organised by the Friend's Foundation which helps children from most remote corners of Poland to make their dreams come true. In 2017, the employees of the OEX Group companies prepared Christmas gifts for children from day care centres from Orneta and Jasło.
- **Support for the 'Give Some Tea' Foundation**
  In 2017, the OEX Group joined the action organised by the 'Give Some Tea' foundation which distributes essentials for the homeless in wintertime. The employees of the OEX Group companies distributed such essentials, including clothes, shoes, duvets, blankets and toiletries among those in need.
- **'Teddy Bear's Day'**
  The OEX Group participated in the collection of new toys, board games, school articles and books for the young patients of children's oncological departments organised by the I HAVE A DREAM foundation.
- **'Noble Parcel'**
  Every year, during the Noble Parcel action, the OEX Group companies become engaged in the preparation of Christmas gifts for people in difficult economic situation.

33. Report on non-financial information

Pursuant to Art. 49b (1) of the Accounting Act, the Company drew up as a separate document the Statement of the OEX Group on non-financial information for 2017 attached to this report on the activities of OEX S.A.

34. Approval for publication

These 2017 financial statements f the Issuer's Group were approved for publication by the Management Board of the Parent Company on days 10 April 2018.

Signatures of all Management Board Members

Date	Name and Surname	Function	Signature
10 April 2018	Jerzy Motz	President of the Management Board	
10 April 2018	Rafał Stempniewicz	Management Board Member	
10 April 2018	Robert Krasowski	Management Board Member	
10 April 2018	Artur Wojtaszek	Management Board Member	
10 April 2018	Tomasz Słowiński	Management Board Member	