



# Management Board's Report on operations for 2019

31.03.2019

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## LETTER FROM THE PRESIDENT OF THE BOARD

Dear Sir/Madam,

I am pleased to provide you with the annual report on the activities of the OPONEO.PL Group and the OPONEO.PL S.A. company for the year 2019, which was yet another consecutive year of dynamic growth of the Group and rise in financial results.

In 2019, we strengthened the position of the OPONEO.PL brand on the tyre sales market and generated a net profit of PLN 20,246,000, i.e. by 23.5% more than in the previous year.

The Group's revenues increased by 14.1% year on year and amounted to PLN 962,058,000. From the sale of tyres, we generated revenue of PLN 876,807,000, selling a record number of 3,653,900 tyres in Poland and abroad. In comparison to the year 2018, the increase in sales of tyres on all markets reached 11.3%.

We generated PLN 769,727,000 in revenue from domestic sales, which translates into an increase of 16.6%. The share of domestic revenues in total sales revenues of the OPONEO.PL Group reached 80%. Sales on foreign markets increased by 5.3% and amounted to PLN 192,331,000.

In 2019, we sent 3,029,900 tyres to Polish customers, which is 12.8% more than in 2018. Foreign customers received 4.8% more tyres than last year, i.e. 624,100 pcs.

We achieved sales increases despite the downward trends on the Polish and European tyre markets. On a national scale, sales of tyres for passenger cars dropped by 8.1% in 2019 and by 2% in Europe.

However, the Group's activities were supported by the dynamic growth of the e-commerce market. In 2019, B2C e-commerce turnover in Europe increased by 13.6% year-on-year.

Such good results in sales of tyres are, among other things, the effect of high quality of our services and a very extensive assortment base of tyre products. In 2019, the Group's offer on all markets included about 76.2 thousand tyres, with 4.8 thousand models from 244 manufacturers. Together with the on-line tyre purchases, we also offer customers the option to book a tyre replacement at one of our service partners, and there were 1,093 of them at the end of the previous year. In all markets in total, we cooperated with 6.4 thousand tyre fitting stations.

In 2019 we sold shares of AutoCentrum.pl S.A. to Wirtualna Polska Media S.A. This transaction had a positive impact on the result on financial activity.

Moreover, we continued the process of expanding our activities by sales of bicycles and bicycle accessories. Our involvement in this segment was effected through the company Dadelo S.A., which ended 2019 with a net profit of PLN 751 thousand.

The perspective of active growth of the e-commerce segment and also the expected increase in share of e-commerce in the sales of tyres in combination with our know-how, well-qualified personnel, well-developed logistic facilities, advanced and safe IT solutions and, last but not least, stable financial standing assure us that the Group's growth strategy is appropriate. Therefore, in 2020 we will be continuing our efforts aiming at further increase of our share in online sales of tyres and wheels.

The well-established position of the OPONEO.PL Group on the e-commerce market is nowadays particularly important also from the point of view of recent events related to the coronavirus outbreak. Currently, most customers choose online shopping for the sake of their safety and that of their loved ones. The courier companies that work with us adopt special precautionary measures to reduce the risk of the spread of SARS-COV-2. Also, some of the fitting stations cooperating with OPONEO.PL have

introduced additional safety measures for tyre fitting. At the same time, we place great emphasis on the health and protection of our employees, providing them with remote access to work, while keeping in mind the need to ensure business continuity.

I would like to sincerely thank all the customers, contractors and employees, who contributed to the development of the OPONEO.PL Group, and invite you to read the annual report for 2019.

Yours faithfully,

*Dariusz Topolewski*

President of the Management Board

## ABOUT OPONEO.PL GROUP

The OPONEO.PL Group is the leader in online tyre sales in Poland.  
It is already present in **14** countries around the world.



In 2019, the OPONEO.PL Group generated PLN 962,058,000 of revenue, a **14,1%** increase compared to the year 2018.

The company debuted on the Warsaw Stock Exchange in 2007, its capitalisation as of 31 December 2019 was PLN 313.6 million.

**The OPONEO.PL Group systematically improves its financial results**, which translates into regular dividend payments to shareholders.

**Brief information on the financial results of the OPONEO.PL Group, for the years 2007-2019**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues in PLN million	962	843	708.5	545.8	416.5	322.7	259.1	207.1	171	144,1	85.7	94.3	64.8
Profit/loss on sales in PLN million	187	161.9	131.4	95.5	72.3	53	39.6	33.6	32	27.7	12.5	5.5	5
Operating result in PLN million	28.7	24.4	15.5	23.6	11.2	4.4	4.2	-1.1	6.2	9.4	1.7	6.7	5.1
Gross result in PLN million	30.3	24	21.3	26.7	10.9	4.7	3.7	2	10	9.5	2.5	7.5	5.2
Net result in PLN million	20.2	16.4	17.5	15.9	10.3	4.2	3.4	1.4	7.5	7.4	1.9	6	4.1
Profit per share in PLN	1.45	1.2	1.2	1.14	0.74	0.3	0.24	0.1	0.57	0.59	0.15	0.47	0.33
Declared or paid dividend per one share in PLN	0.4	0.35	0.2	0.1	0.05	0.03	0.03	0.2	0	0.01	0	0.1	0

## SELECTED FINANCIAL DATA

Selected financial data of the OPONEO.PL Group	in PLN '000		in EUR '000	
	01.01.2019-31.12.2019	01.01.2018-31.12.2018	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Net revenues from sales of products, goods and materials	<b>962,058</b>	<b>842,956</b>	<b>223,641</b>	<b>197,557</b>
Profit (loss) from sales	186,954	161,905	43,459	37,944
Operating income (loss)	28,667	24,375	6,664	5,713
Gross profit (loss)	30,252	24,011	7,032	5,627
Net profit (loss)	<b>20,246</b>	<b>16,393</b>	<b>4,706</b>	<b>3,842</b>
Net cash flows from operating activities	22,579	10,761	5,302	2,503
Net cash flows from investing activities	-2,951	-16,535	-693	-3,845
Net cash flows from financial activities	-11,446	-5,172	-2,688	-1,203
Net cash flows in total	<b>8,182</b>	<b>-10,946</b>	<b>1,921</b>	<b>-2,546</b>
<b>Assets in total</b>	<b>346,950</b>	<b>300,469</b>	<b>81,472</b>	<b>69,877</b>
Liabilities and provisions for liabilities	174,771	137,395	41,041	31,952
Long-term liabilities	14,536	7,243	3,413	1,684
Short-term liabilities	160,235	130,152	37,627	30,268
<b>Equity</b>	<b>172,179</b>	<b>163,074</b>	<b>40,432</b>	<b>37,924</b>
Share capital	13,936	13,936	3,273	3,241
<b>Number of shares (pcs)</b>	<b>13,936,000</b>	<b>13,936,000</b>	<b>13,936,000</b>	<b>13,936,000</b>
Profit (loss) per ordinary share (in PLN/EUR)	1.45	1.18	0.34	0.28
Diluted profit (loss) per ordinary share (in PLN/EUR)	1.45	1.18	0.34	0.28
Accounting value per one share (PLN/EUR)	12.35	11.70	2.90	2.47
Diluted accounting value per one share (PLN/EUR)	12.35	11.70	2.90	2.47

Selected financial data of OPONEO.PL S.A.	in PLN '000		in EUR '000	
	01.01.2019- 31.12.2019	01.01.2018- 31.12.2018	01.01.2019- 31.12.2019	01.01.2018- 31.12.2018
Net revenues from sales of products, goods and materials	<b>918,005</b>	<b>811,599</b>	<b>213,400</b>	<b>190,208</b>
Profit (loss) from sales	174,618	152,175	40,592	35,664
Operating income (loss)	5,961	7,461	1,386	1,749
Gross profit (loss)	23,136	21,716	5,378	5,089
Net profit (loss)	<b>17,006</b>	<b>16,832</b>	<b>3,953</b>	<b>3,945</b>
Net cash flows from operating activities	6,416	-1,530	1,507	-356
Net cash flows from investing activities	12,535	-709	2,944	-165
Net cash flows from financial activities	-11,212	-5,103	-2,633	-1,187
Net cash flows in total	<b>7,739</b>	<b>-7,342</b>	<b>1,817</b>	<b>-1,707</b>
<b>Assets in total</b>	<b>367,962</b>	<b>322,623</b>	<b>86,406</b>	<b>75,029</b>
Liabilities and provisions for liabilities	178,937	145,029	42,019	33,728
Long-term liabilities	19,960	12,667	4,687	2,946
Short-term liabilities	158,977	132,362	37,332	30,782
<b>Equity</b>	<b>189,025</b>	<b>177,594</b>	<b>44,388</b>	<b>41,301</b>
Share capital	13,936	13,936	3,273	3,241
<b>Number of shares (pcs)</b>	<b>13,936,000</b>	<b>13,936,000</b>	<b>13,936,000</b>	<b>13,936,000</b>
Profit (loss) per ordinary share (in PLN/EUR)	1.22	1.21	0.29	0.28
Diluted profit (loss) per ordinary share (in PLN/EUR)	1.22	1.21	0.29	0.28
Accounting value per one share (PLN/EUR)	13.56	12.74	3.19	2.96
Diluted accounting value per one share (PLN/EUR)	13.56	12.74	3.19	2.96

For the purpose of converting the presented data into euro, the following euro exchange rates were used:

1. For items of the statements of comprehensive income and the statements of cash flows:
  - 4.3018 – the exchange rate calculated as the average of NBP exchange rates for the last day of each month of the year 2019,
  - 4.2669 – the exchange rate calculated as the average of NBP exchange rates for the last day of each month of the year 2018.
2. For the items of the statement of financial position:
  - 4.2585 – NBP exchange rate from 31 December 2019,
  - 4.3000 – NBP exchange rate from 31 December 2018,

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# 1. MACROECONOMIC SITUATION AND E-COMMERCE SECTOR



## 1. MACROECONOMIC SITUATION AND E-COMMERCE SECTOR

### 1.1. ECONOMIC GROWTH RATE

According to World Bank estimates, the global Gross Domestic Product (GDP) in 2019 was 2.4%, against 3% in 2018. Meanwhile, GDP for the euro zone slowed down in 2019 from 1.9% in 2018 to 1.1% in 2019<sup>1</sup>.

In 2019, according to estimates of the Central Statistical Office (GUS), the Polish GDP increased by 4% compared to 2018. Domestic demand, which was the main driver of the economic growth, grew by 3.8%. Total consumption increased by 4.0% compared to a 4.1% increase in 2018, of which household consumption grew by 3.9%, compared to 4.3% in 2018. The gross accumulation y/y increased by 3.0%, of which gross fixed capital formation increased by 7.8%. The investment rate in the national economy in 2019 was 18.8% compared to 18.2% in 2018<sup>2</sup>.

A substantial improvement of the labour market situation was experienced in 2019. The number of people working in the country's economy and average employment in the enterprise sector increased, although to a slightly lesser degree than in the previous year.

The unemployment rate registered by the Polish Central Statistical Office (GUS) at the end of December 2019 was 5.1%, whereas in December 2018 it was 5.8%. The number of registered unemployed at the end of 2019 was 860,900 compared to 963,200 at the end of 2018.<sup>3</sup> Such a low unemployment rate places Poland among top EU countries with the lowest unemployment rates.

The record number of jobs was also linked to the increase in nominal and real gross remunerations in the enterprise sector. The average monthly gross nominal remuneration in the enterprise sector amounted in October to PLN 5.2 thousand and increased by 5.9% compared to the previous year. The situation of the lowest paid workers also improved. In 2019, the minimum gross wage was PLN 2.3 thousand<sup>4</sup>.

According to the estimates of the Central Statistical Office (GUS), the inflation rate in annual terms increased by 3.4%. It is the largest increase since 2012. The annual average inflation rate in 2019 was 2.3%, compared to 1.6% in the previous year. The prices of food and non-alcoholic commodities, whose share in the inflation basket is the largest and accounts for 24.9%, have increased more than in the previous year. The highest inflation growth in 2019 was recorded in December (3.4%), with growing prices of goods and services related to transport (air tickets, liability insurance) and clothing<sup>5</sup>.

<sup>1</sup> Money.pl, World Bank: Global GDP growth is 2.4% in 2019 and 2.5% in 2020, <https://www.money.pl/gielda/bank-swiatowy-globalny-wzrost-pkb-to-2-4-w-2019-r-i-2-5-w-2020-r-6465769406932609a.html>, January 2020.

<sup>2</sup>The Polish Central Statistical Office, Gross Domestic Product in 2019 - preliminary estimate, <https://stat.gov.pl/obszary-tematyczne/rachunki-narodowe/roczne-rachunki-narodowe/produkt-krajowy-brutto-w-2019-roku-szacunek-wstepny,2,9.html>, January 2020.

<sup>3</sup> Polish Central Statistical Office (GUS), Seasonal adjustment - Registered unemployed and unemployment rate in the years 2011-2020, <https://stat.gov.pl/obszary-tematyczne/rynek-pracy/bezrobocie-rejestrowane/wyrownania-sezonowe-bezrobotni-zarejestrowani-i-stopa-bezrobocia-w-latach-2011-2020,5,1.html>, February 2020.

<sup>4</sup> Labour market in 2019 – summary, <https://kadry.infor.pl/wiadomosci/3577850,Rynek-pracy-w-2019-r-podsumowanie.html>, December 2019.

<sup>5</sup> The Polish Central Statistical Office, *Average annual price index of consumer goods and services in 2019 (Komunikat w sprawie średniorocznego wskaźnika cen towarów i usług konsumpcyjnych ogółem w 2018 roku)*,

The scale of the impact of individual categories on GDP growth in Poland has been shaped in recent years in the following way<sup>6</sup>.

## 1.2. FINANCIAL MARKET

Although 2019 was a period of insecurity caused primarily by trade tensions, the risk of recession in the global economy, geopolitical risks, delays and lack of Brexit conditions, the value of global shares in developed markets increased by about 25%. Also, bonds on developed markets generated high growth rates. The situation was further supported by central banks' interest rate cuts. Compared to developed markets, the Polish stock market performed poorly; the WIG and WIG20 indices ended the year around the levels at the end of 2018. Therefore, 2019 was not a period of investment in Polish stocks for global investors.

The European Central Bank (ECB) completed its financial asset buyback programme by the end of 2018 and confirmed that interest rates would remain unchanged for a longer time. According to an ECB publication in September 2019, the corporate sector purchase programme (CSPP) stimulated the net issuance of corporate bonds and reduced the demand for credit from companies that were able to issue such instruments. The launch of the CSPP created free space in the banks' balance sheets and provided an opportunity for additional lending, mainly to small and medium-sized enterprises, which had no access to the corporate bond market. As a result, it was easier for smaller companies to obtain financing from the banking sector.<sup>7</sup>

Like in 2018, the political and economic situation determined currency prices. 2019 was a continuation of the unresolved Brexit issue, a trade war between the US and China, which only at the end of the year gave hope for an agreement, increasing tensions in the Middle East, Donald Trump's attacks on the FED and finally the impeachment attempt. When concerning Poland, it was a year of a double election campaign, announcements of a minimum wage increase, reluctance of the Monetary Policy Council to change interest rates and accelerating inflation. Ultimately, however, the balance of the Polish currency at the end of 2019 was neutral. The zloty depreciated against the dollar by 1.4% and strengthened against the euro by 0.85%.

## 1.3. AUTOMOTIVE MARKET

Trends which are favourable to the Company have been observed in the automotive industry. During the whole 2019, the number of new car registrations increased compared to 2018. According to the data presented by Automotive Market Research Institute SAMAR, a total of 555.6 thousand passenger cars had been registered in Poland from January to December 2019, a 4.4% increase year on year. It is a new annual record of registrations of this kind of vehicles. The previous record was established in 2018, and earlier in 2008. The total number of registrations of new cars with a gross vehicle mass (GVM) of up to 6 tonnes increased by 4.1% and amounted to 625.4 thousand vehicles.

In the case of vehicles with a gross vehicle mass (GVM) over 3.5 tons, that is light commercial vehicles and buses, 64,738 registration documents were issued in 2018, that is a year-on-year increase of 7.1%. Registrations of new vehicles reached 32,18 - a year-on-year increase of 5.8%. On the other hand, there

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<https://stat.gov.pl/sygnalne/komunikaty-i-obwieszczenia/lista-komunikatow-i-obwieszczen/komunikat-w-sprawie-sredniorocznego-wskaznika-cen-towarow-i-uslug-konsumpcyjnych-ogolem-w-2019-r-,50,7.html>, January 2020.

<sup>6</sup>The Polish Central Statistical Office, Gross Domestic Product in 2019 - preliminary estimate, January 2020.

<sup>7</sup> ECB corporate QE and the loan supply to bank-dependent firms, <https://www.ecb.europa.eu/pub/pdf/scpwps/ecb.wp2314~5d3910cb50.en.pdf>, September 2019.

were 32,557 registrations of new light commercial vehicles and buses - an increase of 8.7% year-on-year<sup>8</sup>.

Most first registrations involve used imported cars. Last year, 1 million second-hand cars were imported to Poland, which means a year-on-year increase of 0.6%. The vast majority are passenger cars - over 928,000 cars, which accounts for 92% of the market. The average age of vehicles imported to Poland was 11 years and 11 months<sup>9</sup>.

#### 1.4. TYRE MARKET

The data gathered by ETRMA (European Tyre and Rubber Manufacturers' Association) indicates that 218.7 million pcs of replacement tyres for passenger cars were sold in Europe in 2019, that is a year-on-year decrease of 2%. The truck tyre segment also saw a decrease (-1%), with motorcycle tyre sales increasing by 3%.

10.78 million of car tyres (including SUV's and light commercial vehicles) were sold in Poland in 2019, that is 8.1% less than in the previous year. Sales in the truck tyre segment also fell (4.5%). In Poland, following the positive European trend, sales of motorcycle tyres in the entire 2019 increased by 9,8%<sup>10</sup>.

#### 1.5. E-COMMERCE MARKET

##### Market growth rate in Europe

The European Ecommerce Report 2019 indicates that B2C trade turnover should reach EUR 621 billion in the whole of 2019, which is an increase of 13.6% y/y. As much as 66% of e-commerce turnover is concentrated in Western Europe. The average annual spending on Internet purchases is EUR 1.3 thousand per person per year, but there is a significant disparity between Northern Europe, where the figure reaches EUR 2 thousand, compared to EUR 0.3 thousand in Eastern countries. Such results are influenced by the Internet penetration rate, which ranges from 99% in Iceland to 64% in Ukraine. The average Internet penetration rate in 2019 is estimated at 82%.

The percentage of people shopping online is much more diverse, ranging from 88% to 22%. The highest percentage (88%) of people shopping online is achieved by Switzerland. The United Kingdom with 87% is just behind Switzerland, and Germany scores 82%. A high percentage of online shoppers, can be observed in France (76%), Spain (62%) and Poland (61%). Italy and Portugal have not yet exceeded the 50% threshold. The lowest percentage (22%) of online shoppers was recorded in Ukraine.

E-commerce in Poland has been growing dynamically, and Poles often buy online. Only 2% of Poles prefer traditional shopping over online shopping, while the highest percentage of people (55%) prefer traditional shopping in Kosovo and Montenegro. Just behind Poland is the United Kingdom with 10%.

In 2019, Europe's population was 798.4 million, which means a potential of over 500 million buyers. The annual GDP per capita in Western Europe is over EUR 39,000 and EUR 44,000 per capita in Northern Europe. The share of e-commerce in GDP is estimated at 4.1% and 3.6% respectively<sup>11</sup>.

<sup>8</sup> Samar, Registrations of cars and light commercial vehicles in December 2019., [https://www.samar.pl/\\_/3/3.a/106385/Rejestracje-samochod-w-osobowych-i-dostawczych-w-grudniu-2019r-.html?12p.s=-89006049.7&12p.a=106385&locale=pl\\_PL](https://www.samar.pl/_/3/3.a/106385/Rejestracje-samochod-w-osobowych-i-dostawczych-w-grudniu-2019r-.html?12p.s=-89006049.7&12p.a=106385&locale=pl_PL), January 2020.

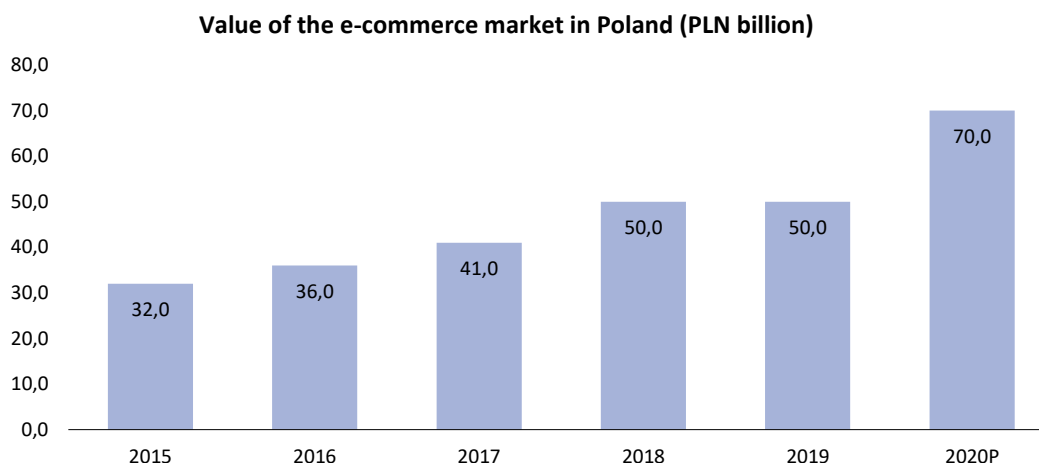
<sup>9</sup> Samar, Import exceeded 1,000,000 vehicles, [https://www.samar.pl/\\_/3/3.a/106397/Import-przekroczy--1-000-000-sztuk.html?12p.s=-89006049.7&12p.a=106397&locale=pl\\_PL](https://www.samar.pl/_/3/3.a/106397/Import-przekroczy--1-000-000-sztuk.html?12p.s=-89006049.7&12p.a=106397&locale=pl_PL), January 2020.

<sup>10</sup> Etrma, ETRMA Members' Tyre Sales in Europe: Weaker Market for 2019, <https://www.etrma.org/wp-content/uploads/2020/01/20200121-2019-market-appraisal-FINAL.pdf>, January 2020.

<sup>11</sup> European Ecommerce Report 2019, [https://www.ecommerce-europe.eu/wp-content/uploads/2019/07/European\\_Ecommerce\\_report\\_2019\\_freeFinal-version.pdf](https://www.ecommerce-europe.eu/wp-content/uploads/2019/07/European_Ecommerce_report_2019_freeFinal-version.pdf), June 2019.

## E-commerce market in Poland

The value of the Polish e-commerce market is estimated at PLN 50 billion, and forecasts for the next year are even more promising. According to experts, it can reach up to PLN 70 billion<sup>12</sup>.



According to the report "E-commerce in Poland 2019" by Gemius, the internet penetration in Poland is 83.4%. The total number of Internet users in Poland is 27.5 million people. 60% of Internet users buy in Polish online shops, while 26% of them buy in foreign ones. Taking into account age groups, persons aged 15-24 are the least active, and the most active groups are aged 35-49. When analysing the place of residence, online shopping is mostly declared by those living in cities with up to 200 k inhabitants (45%) and over 200 k inhabitants (32%). The most frequently chosen form of payment in 2019, reaching 55%, was payment by PayU, 28% of buyers paid by Przelewy24. The report shows that 74% of respondents declare to buy online using a laptop, 61% using a smartphone, 54% using a desktop computer and 27% a tablet. According to Polish Internet users, the three most frequently mentioned advantages of e-shopping are the possibility to buy at any time (75%), no need to go to the store (72%) and unlimited time for making a choice (68%). Poles regard online shopping as easier and cheaper. Among the most popular categories of products purchased online are clothing and accessories (69%), footwear (55%), culture, i.e. books, records, films (54%), beauty products (52%), consumer electronics and household appliances (49%) and cinema or theatre tickets (49%). Cars and car parts are bought by 35% of Poles according to the respondents surveyed. The list ends with articles for collectors with 16% share<sup>13</sup>.

### 1.6. LEGAL CHANGES

On 30 November 2019, an extensive amendment to the provisions of the Public Offer of Financial Instruments Act ("Act") came into force, introducing a number of changes aimed primarily at fully and correctly adjusting Polish regulations to Directive 2017/828 of the European Parliament and of the Council (EU) of 17 May 2017. The key elements in this regard include especially:

- introduction of a new definition of a public company - as of 30 November 2019, a public company is a company whose at least one share is admitted to trading on a regulated market;
- introduction of a new supervisory institution in the form of remuneration policy for members of management and supervisory boards of listed companies. The change envisages

<sup>12</sup>E-commerce 2020, <https://interaktywnie.com/biznes/newsy/biznes/wartosc-polskiego-ryнку-e-commerce-w-2019-roku-wyniosła-50-mld-złoty-ch-a-w-2020-sięgnie-70-mld-raport-259707>, February 2020.

<sup>13</sup>E-commerce in Poland 2019, [https://eizba.pl/wp-content/uploads/2019/07/raport\\_GEMIUS\\_2019-1.pdf](https://eizba.pl/wp-content/uploads/2019/07/raport_GEMIUS_2019-1.pdf), June 2019.

shareholders' voting on remuneration issues, setting their individual objectives, remuneration rates as well as non-wage benefits. The companies are expected to adopt a resolution on the remuneration policy for members of the management and supervisory boards by 30 June 2020;

- introduction of an obligation on the supervisory board to prepare annually a remuneration report presenting a comprehensive review of remunerations, including all benefits received by or due to individual members of the management and supervisory boards in the last financial year, in accordance with the remuneration policy. The first report has to be prepared by the supervisory board collectively for the period 2019 - 2020;
- introduction of an obligation for the company to publish on its website information on a significant transaction with an affiliated entity at the latest at the time of conclusion of the transaction, where a significant transaction is a transaction concluded by the company with an affiliated entity, the value of which exceeds 5% of the total assets within the meaning of the Accounting Act, as determined on the basis of the company's most recent approved financial statements. If the subject of the transaction are recurrent payments to be provided under a fixed-term contract, the value of the transaction is deemed to be the sum of the benefits for the entire duration of the contract;
- starting from 30 November 2019, the conclusion of a significant transaction with an affiliated entity by a public company requires the consent of the supervisory board;
- The threshold for announcing a forced buyout of shares of a public company by a majority shareholder was increased from 90% to 95% of the total number of votes;
- In cases where contributions due on account of shares in order to increase the share capital by a public company are to be made by deducting the company's claim on this account from the subscriber's claim on the company, the management board of the public company is obliged to prepare a report containing the most important data about such a transaction and submit it to the opinion of a statutory auditor;
- a new category of security was established – “stock market derivative law” [*stock exchange derivative right*].

The rules of using the split payment mechanism have also changed. Under the new regulation, the use of the split payment method is mandatory when all of the following conditions are met:

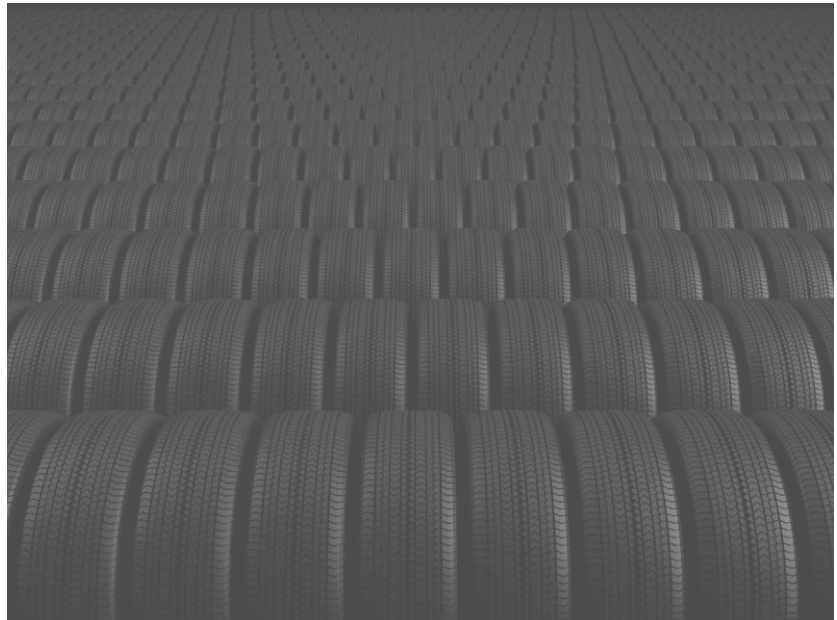
- tax obligation, supply of goods or services and the date of the invoice is after 31 October 2019;
- the gross value of the transaction is over PLN 15,000 or the equivalent of that amount;
- at least one item of the invoice is included in Annex 15 to the amended VAT Act;
- both the seller and the customer are taxpayers.

On 01 September 2019, the Act introducing an electronic list of active VAT taxpayers (the so-called white list of taxpayers) entered into force. After 1 January 2020, if the payment of the amount constituting the equivalent of or exceeding PLN 15,000 is made to the counterparty's bank account other than the one specified in the list (as at the date of the transfer order), the entrepreneur will lose, among others, the possibility to include the amount in the part exceeding PLN 15,000 as tax deductible costs. It is important that the fact of dividing a payment resulting from one invoice into several transactions will remain irrelevant. If such an expense is recognised as a deductible expense, the taxpayer will be required to make an adjustment. An exception to the application of sanctions provided for by the legislator has been introduced, namely it will be possible to settle the amount in excess of PLN 15 thousand in costs, despite making a payment to a different bank account than the one indicated in the list, if the payer reports this fact to the tax office competent for the seller within three days of the transfer order.

On 01 January 2019, the Act on Employee Capital Plans came into force. In accordance with its requirements, OPONEO.PL S.A. was obliged to conclude an agreement on management of employee capital plans. An important feature of employee capital plans (*Pracownicze Plany kapitałowe* - PPK) is that the voluntary nature of collecting savings under the scheme. Each employee is automatically enrolled in the program, but may withdraw from making payments to the PPK on the basis of a written declaration submitted to the employer.

In 2019 traditional stores were closed for on 2 Sundays a month. In 2020, the legislator is implementing the next stage of application of the law restricting Sunday trading. At present, trade ban will apply on all Sundays except seven in a given year. The trade ban will not apply on the two Sundays preceding the first Christmas day, on the Sunday immediately before Easter and on the last Sundays of January, April, June and August. This restriction may affect the operation of online stores in Poland.

## 2.COMMENTARY ON THE FINANCIAL RESULTS OF THE OPONEO.PL GROUP IN 2019



## 2. COMMENTARY ON THE RESULTS OF THE OPONEO.PL GROUP AND OPONEO.PL S.A.

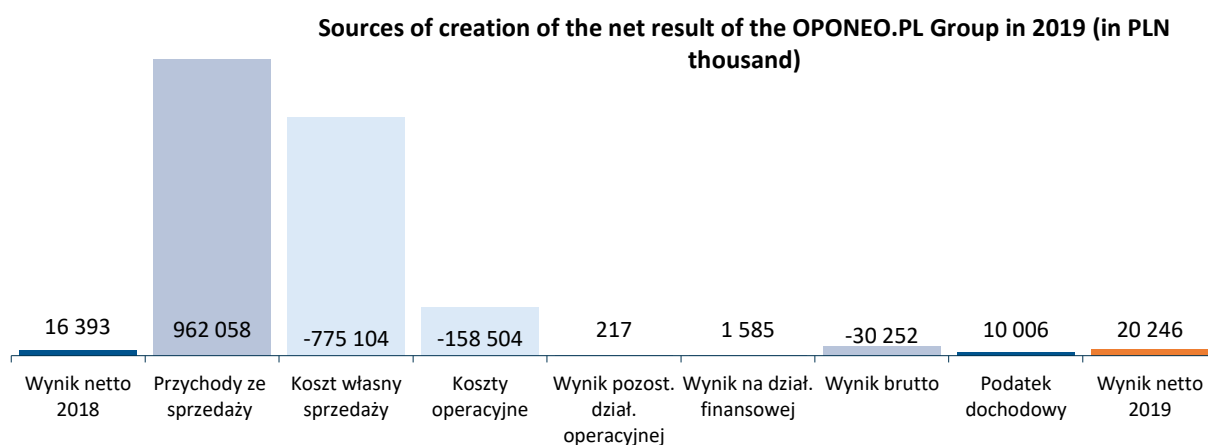
### 2.1. MAIN FACTORS AFFECTING FINANCIAL RESULTS

#### 2.1.1. OPONEO.PL Group

In 2019, the OPONEO.PL Group generated gross profit of PLN 30,252,000 (a 26% increase in comparison to the gross profit for 2018), net profit was 23.5% higher than in the previous year and reached PLN 20,246,000.

The main factors shaping the OPONEO.PL Group's financial result in 2019 were:

- **Dynamic growth of sales revenue.**  
In 2019, it amounted to PLN 962,058,000, i.e. an increase of 14.1% compared to 2018. At the same time, domestic sales revenues amounted to PLN 769,727,000 and increased by 16.6% compared to 2018. Inflows from overseas sales amounted to 192,331,000, i.e. a year-on-year increase of 5.3%.
- **An increase in operating expenses of 17.3% (i.e. costs of sales and administrative expenses) to PLN 158,504,000.**  
The increase in the number of contracts executed impacted the costs of external services (including mainly transport, freight and storage services) and staff costs.
- **Positive result on other operating activities.**  
It reached PLN 217,000 compared to - 2,411,000 in 2018. The change in the result on operating activities was mainly influenced by the increase in receivables received due to complaints.
- **Positive result on financial activities.**  
It reached PLN 1,585,000 compared to PLN -364,000 in 2018. The higher result on these activities, despite the increase in the costs of interest and fees resulting from the concluded lease agreements, is an effect of the transaction of sale of shares in AutoCentrum.pl S.A., which affected the result on financial activities by PLN 2, 418, 000.
- **Higher income tax burden than in the previous year.**  
Income tax in 2019 amounted to PLN 10,006,000, an increase of 31,3% compared to 2018. The increased tax burden is related to higher current taxation of individual companies within the Group and with separate taxation of income from capital gains (sale of shares in AutoCentrum.pl S.A.).



Basic items of the consolidated statement of comprehensive income	01.01.2019-31.12.2019	01.01.2018-31.12.2018	Change
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of the OPONEO.PL group			in PLN thousands	in %
Sales revenues	962,058	842,956	119,102	14.13%
Prime costs of the sale	-775,104	-681,051	-94,053	13.81%
Operating expenses (administrative and selling expenses)	-158,504	-135,119	-23,385	17.31%
Result on other operating activities	217	-2,411	2,628	X
Result on financial activities	1,585	-364	1,949	X
Gross result	30,252	24,011	6,241	25.99%
Income tax	-10,006	-7,618	-2,388	31.35%
<b>Net result including</b>	<b>20,246</b>	<b>16,393</b>	<b>3,853</b>	<b>23.50%</b>
<i>Attributable to the shareholders of the parent entity</i>	<i>20,246</i>	<i>16,763</i>	<i>3,483</i>	<i>20.78%</i>

### Sales revenue

In 2019, the Group's sales revenue amounted to PLN 962,058,000 compared to PLN 842,956,000 in 2018. Domestic sales amounted to PLN 769,727,000, an increase of 16.6% year-on-year. The revenue from foreign operations amounted to PLN 192,331,000, which means an increase by 5.3% year on year. The share of domestic revenue in total sales revenue of the OPONEO.PL Group reached 80%.

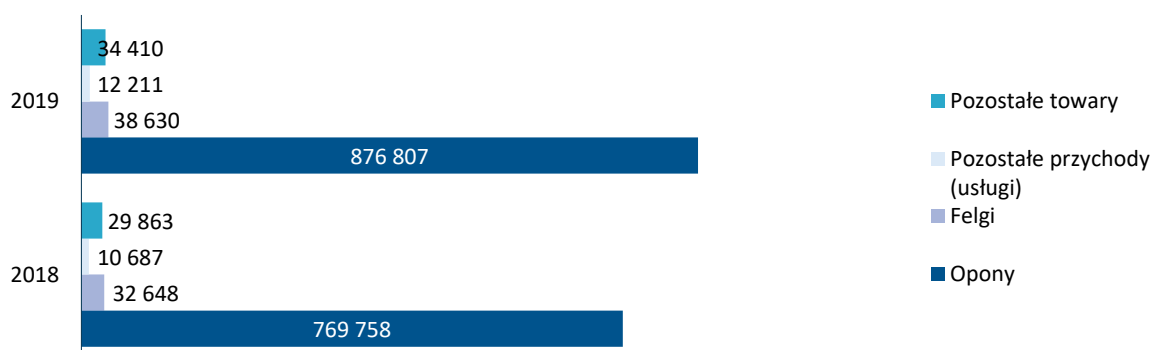
The main source of revenue was the sales of tyres. In the first half of 2019 it amounted to PLN 876,807,000

and constituted 91% of the Group's total sales revenue. Throughout 2019, the OPONEO.PL Group sold 3,653,900 tyres, i.e. by 11.3% more than in the previous year. When concerning the volume of tyres, sales in Poland increased by 12.8% and by about 3.1% abroad when compared to 2018.

In 2019, the Group earned PLN 38,630,000 of revenue from sales of wheels, i.e. by 18.3% more than in the previous year.

Revenue from sales of other goods amounted to PLN 34,410,000 in 2019. The revenue from the sale of other goods resulted mainly from the activities conducted by the Dadelo S.A. subsidiary, i.e. sale of bicycles and bicycle accessories.

**Sales revenues of the OPONEO.PL Group (in PLN thousand)**



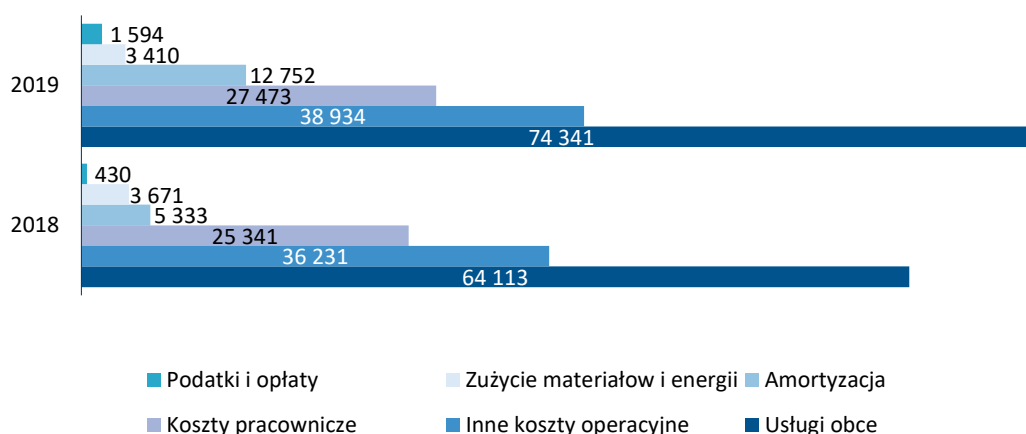
## Result on other operating activities

The Group's result on other operating activities in 2019 was PLN -217,000, compared to PLN -2,411,000 in the previous year. The change in the result on operating activities was mainly influenced by the increase in receivables received due to recognised complaints submitted by OPONEO.PL Group.

## Operating costs

The main item of operating costs of the OPONEO.PL Group are the costs of outsourcing. In 2019, they amounted to PLN 64,113,000 and accounted for 46.9% of total operating costs. They were by 16% higher than the previous year. Their growth was due to the dynamic development of the Group's business. Personnel costs (salaries and other employee benefits) also played a significant role in the cost structure. In 2019, they closed with the amount of PLN 27,473,000 and represented 17.3% of the Company's operating expenses. Personnel costs increased by 8.4% compared to 2018. In 2019, other operating costs accounted for 24.6% of operating costs and amounted to PLN 38,934,000, which means a year-on-year increase of 7.5%.

Structure by type of costs of the OPONEO.PL Group (in PLN thousand)



## Result on financial activities

In financial revenues the Group includes exchange gains, received interests, bonuses and discounts related to financial revenues. The main cost items are: exchange losses, interest rates paid and created write-downs.

In 2019, the Group's result on financial activities was PLN 1,585,000, compared to PLN -364,000 in 2018. The higher result on these activities, despite the increase in the costs of interest and fees resulting from the concluded lease agreements, is an effect of the transaction of sale of shares in AutoCentrum.pl S.A., which affected the result on financial activities by PLN 2,418,000 (note 4.1.3, item: profit on sale of financial assets in financial income).

## Income tax

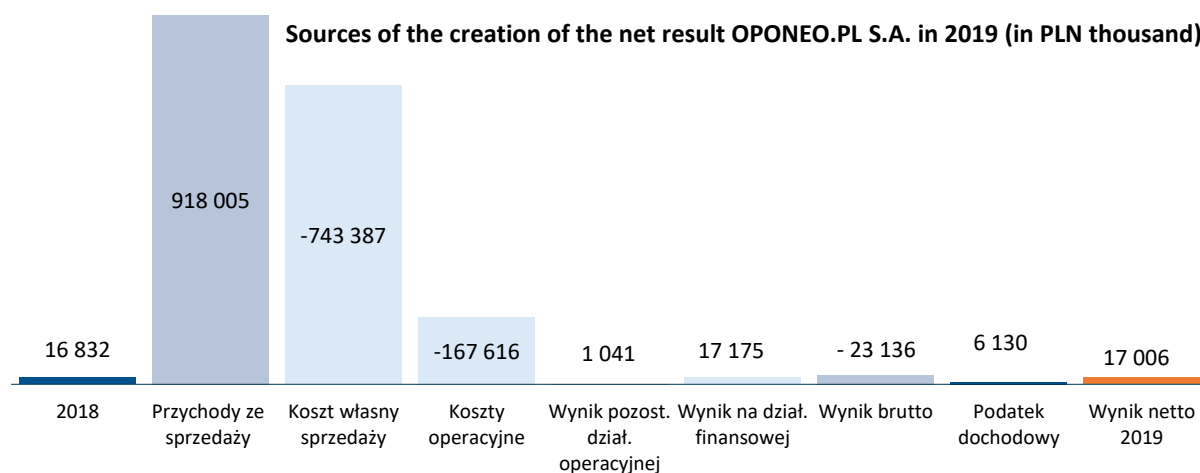
In 2019, the Group in the income statement showed PLN 10,006,000 of income tax compared to PLN 7,618,000 in 2018. In the profit and loss account for 2019 the Group included PLN 228,000 of deferred tax. In 2019, current tax burdens amounted to PLN 9,778,000, compared to 6,069,000 in 2018. The increase in the current income tax burden results from the increase in revenue and the difference between the balance sheet costs and the costs reducing the tax base. The value of income tax in 2019 was also affected by separate taxation of income from capital gains (sale of AutoCentrum.pl S.A.).

### 2.1.2. OPONEO.PL S.A.

In 2019, OPONEO.PL S.A. generated a net profit of PLN 17,006,000, compared to a net profit of PLN 16,832,000 in 2018.

The main factors shaping the Company's financial result in 2019 were:

- **Dynamic growth of sales revenue.**  
In 2019, it amounted to PLN 918,005,000, i.e. an increase of 13.1% compared to the previous year. At the same time, domestic sales revenue amounted to PLN 734,923,000 and increased by 16.5% compared to 2018. Inflows from foreign sales amounted to PLN 183,082,000 (1.2% increase).
- **An increase in operating expenses of 17.7% (i.e. costs of sales and administrative expenses) to PLN - 167,616,000.**  
The increase in the number of contracts executed significantly impacted the costs of external services (including mainly transport, freight and storage services) and staff costs.
- **Negative result on other operating activities.**  
It reached PLN -1,041,000 in 2019, compared to PLN -2,307,000 in 2018. Obtaining compensation for the complaint submitted by the Company had a significant impact on the amount of the result on other operating activities.
- **Result on financial activities**  
In 2019, it amounted to PLN 17,175,000 and increased by 20.5% year on year, this is a result of a higher dividend income compared to 2018 and the sale of financial assets (AutoCentrum S.A.).
- **Higher income tax burden.**  
The income tax for 2019 was 25.5% higher than the tax for 2018 and amounted to PLN 6,130,000. The increase of tax burden in 2019 was influenced by, among others, the transaction related to the sale of financial assets and the increase of the Company's revenue.



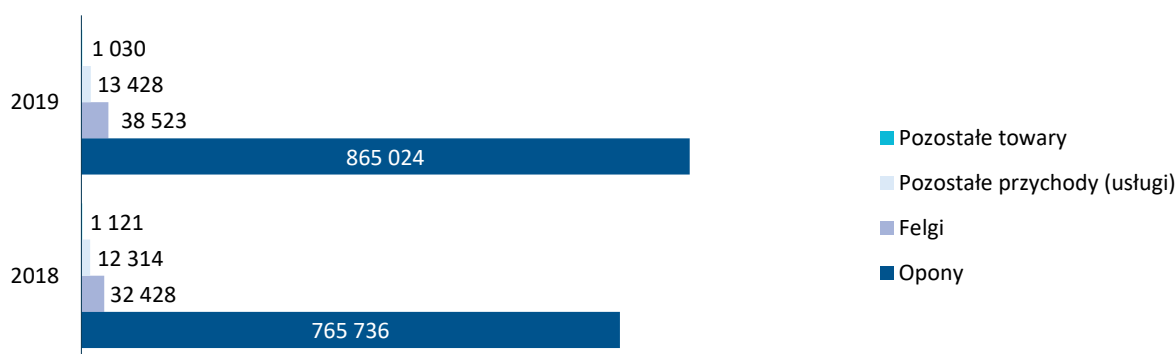
Basic items of the separate statements of comprehensive income of OPONEO.PL S.A.	01.01.2019-31.12.2019	01.01.2018-31.12.2018	Change	
			in PLN thousands	in %
Sales revenues	918,005	811,599	106,406	13.11%
Prime costs of the sale	-743,387	-659,424	-83,963	12.73%

Operating expenses (administrative and selling expenses)	-167,616	-142,407	-25,209	17.70%
Result on other operating activities	-1,041	-2,307	1,266	-54.88%
Result on financial activities	17,175	14,255	2,920	20.48%
Gross result	23,136	21,716	1,420	6.54%
Income tax	-6,130	-4,884	-1,246	25.51%
<b>Net result</b>	<b>17,006</b>	<b>16,832</b>	<b>174</b>	<b>1.03%</b>

## Sales revenue

The main element of sales revenue was the sales of tyres, which amounted to PLN 865,024,000 and represented 94.2% of Company's total sales revenue. It was 13% higher than in 2018. In 2019, the Company earned PLN 38,523,00 of revenue from sales of wheels, i.e. 18.8% more than in the previous year.

**Sales revenues of OPONEO.PL S.A. (in PLN thousand)**



## Result on other operating activities

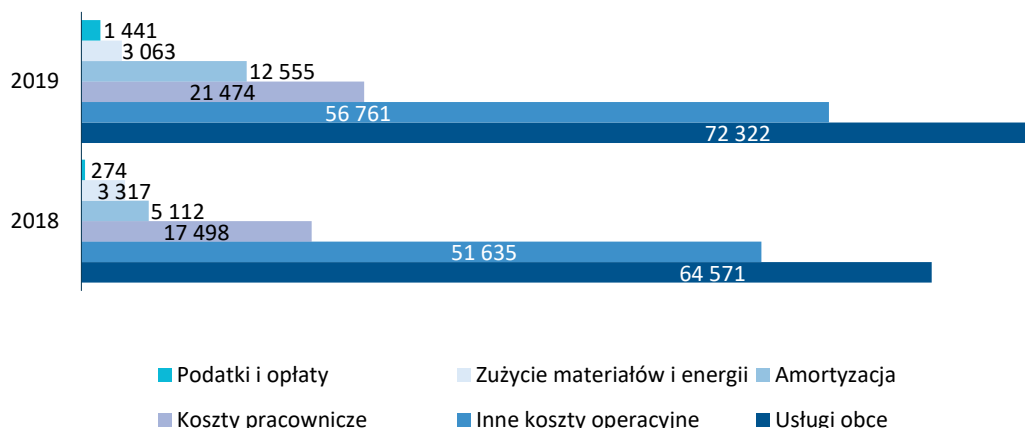
It reached PLN -1,041,000 in 2019, compared to PLN -2,307,000 in 2018. Obtaining compensation for the complaint submitted by the Company had a significant impact on the amount of the result on other operating activities.

## Operating costs

The main item of operating costs of OPONEO.PL S.A are the costs of outsourcing. In 2019 these amounted to PLN 72,322,000 and constituted 43.1% of the total operating costs. They were by 12% higher than the previous year. Their growth was due to the dynamic development of the Company's business. Personnel costs (salaries and other employee benefits) also played a significant role in the cost structure. In 2019, they closed with the amount of PLN 21,474,000 and represented 12.8% of the Company's operating expenses. Personnel costs increased by 22.7% compared to the previous year, mostly due to higher employment and changes in salaries resulting from the developments on the labour market.

In 2019, other operating costs, accounting for 33.8% of operating costs, amounted to PLN 56,761,000, which means a year-on-year increase of 9.9%. Other operating costs include primarily advertising and fees and commissions, including those related to banking services and electronic payments.

**Cost structure by type of OPONEO.PL S.A. (in PLN thousand)**



**Result on financial activities**

In 2019, it amounted to PLN 17,175,000 and increased by 20.5% year on year, this is a result of a higher dividend income compared to 2018 and the sale of financial assets (AutoCentrum S.A.).

**Income tax**

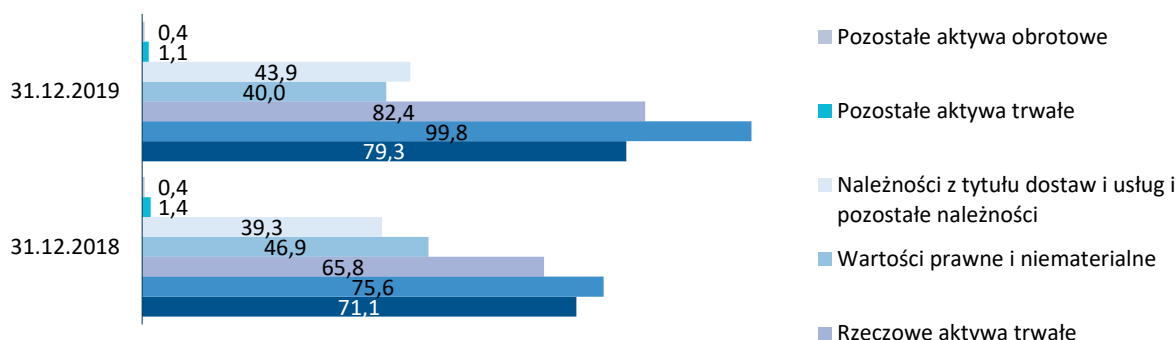
The income tax for 2019 was 25.5% higher than the tax for 2018 and amounted to PLN 6,130,000. The increase of tax burden in 2019 was influenced by, among others, the transaction related to the sale of financial assets and the increase of the Company's revenue. In the profit and loss account for 2019 OPONEO.PL S.A included PLN 197,000 of deferred tax. It was related to, among others, settlement at the time of revenue from deferred payments and revenues related to the adaptation of warehouse space, provision for leaves and discount adjustments. In 2019, current tax burdens amounted to PLN 5933,000, compared to 3,301,000 in 2018.

**2.2. FINANCIAL SITUATION**

**2.2.1. OPONEO.PL Group**

As at 31 December 2019, total assets of the OPONEO.PL Group amounted to PLN 346,950,000 and were 15.5% higher than at the end of 2018. The increase in the value of assets results primarily from the Group's expansion and changes in presentation resulting from the IFRS requirements.

### Structure of assets of the OPONEO.PL Group (in PLN million)



The main assets of the Group are:

- Cash and cash equivalents - as at 31 December 2019 they amounted to PLN 79,329,000, i.e. 22.9% of assets. Their level was 11.5% lower than at the end of 2018. The change is mainly due to an increase in turnover over the reporting period.
- Inventories recognised at PLN 99,779,000 (28.8% of assets). As a result of a substantial increase in the business volumes of the Group, they increased within a year by 32.0%.
- Tangible fixed assets - of a value of PLN 82,365,000 (21.8% of assets). Compared to 2018, their value grew by 25.2%. This is mainly the result of a change in the presentation of the warehouse space leased. Since January 2019, the lease has been presented in accordance with IFRS 16, which increased the value of the Group's fixed assets.
- Intangible assets - recognised at the value of PLN 40,010,000 (11.5% of assets). They were lower by 14.6% as compared to 31 December 2018.
- Trade receivables and other receivables - they amounted to PLN 43,929,000, that is 12.7% of total assets. They were by 11.7% higher than as at the end of 2018. The increase stems from receiving higher discounts when compared to 2018 and also from prepayments for goods and from settlements with logistics and payment operators falling on the reporting date.

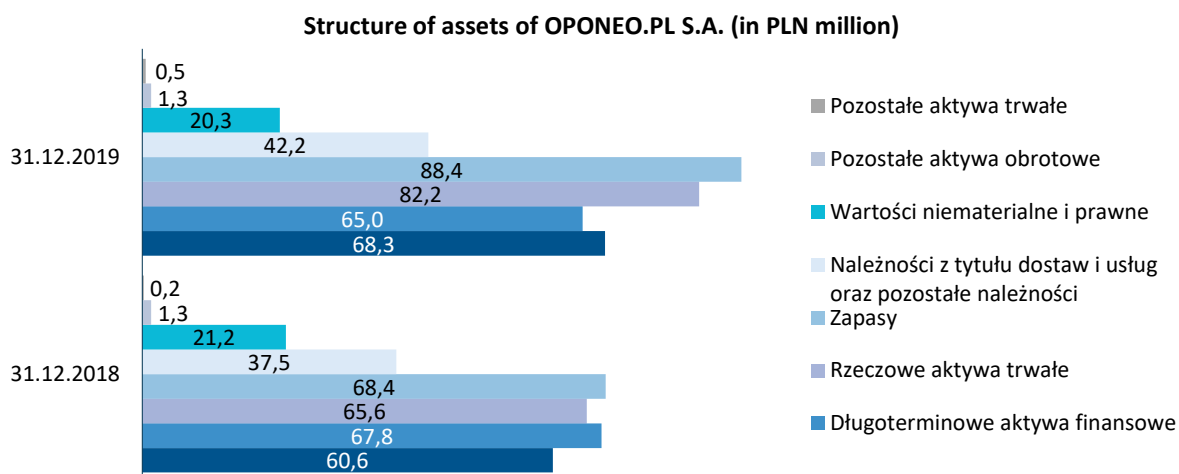
### Structure of liabilities of the OPONEO.PL Group (in PLN million)



On 31 December 2019, the OPONEO.PL Group financed its activities in 49.6% from its own resources. Equity was PLN 172,179,000, compared to PLN 163,074,000 at the end of 2018 (an increase of 5.6%). A significant share in the Group's total balance sheet also comes from short-term trade payables and other liabilities of PLN 149,204,000 (43.0% of liabilities). Their amount increased by 17.9% compared to the end of 2018.

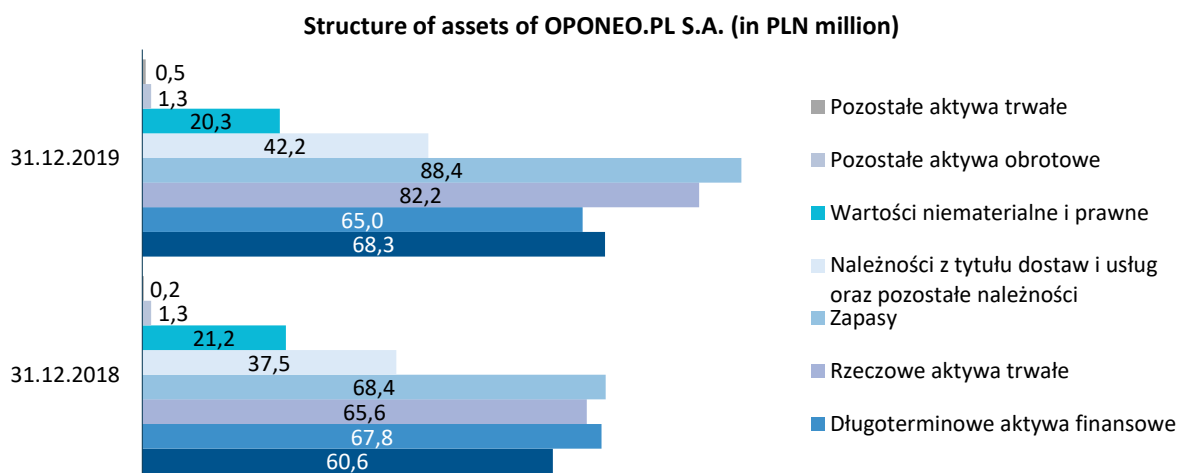
### 2.2.2. OPONEO.PL S.A.

On 31 December 2019, the total assets of OPONEO.PL S.A amounted to PLN 367,962,000 and were 14.1% higher than at the end of 2018.



The main elements of the Company assets are:

- Cash and cash equivalents - as at 31 December 2019 they amounted to PLN 68,291,000, i.e. 18.6% of assets. They were lower by 12.8% as compared to June 2018.
- Long-term financial assets in the form of shares in subsidiaries and associates amounted to PLN 64,953,000, which is 4.2% less than in 2018. This is due to the sale of shares in one of the entities. They accounted for 17.7% of assets.
- Tangible fixed assets - amounting to PLN 82,158,000 (22.3% of assets) were 25.2% higher than at the end of 2018. This is mainly the result of a change in the presentation of the warehouse space leased. Since January 2019, the lease has been presented in accordance with IFRS 16, which increased the value of the Company's fixed assets.
- Inventories worth PLN 88,376,000 (24.0% of assets) - they increased by 29.3% year on year. Increase in the Company's business volumes lead to higher stock levels of commercial goods. These goods are moving properly and are sold under current tyre change seasons.
- Trade receivables and other receivables - they amounted to PLN 42,206,000, i.e. 11.5% of total assets. Their value was 12.4% higher than at the end of 2018. These receivables resulted mainly from cycles of settlements with courier companies and non-cash payment operators as at the reporting date, as well as prepayments for goods and discount adjustments made.
- Intangible assets - recognised at the value of PLN 20,319,000 (5.5% of assets). They were by 4.0% lower than as at 31 December 2018.



On 31 December 2019, equity accounted for 51.4% of the Company's liabilities. They amounted to PLN 189,025,000 against PLN 177,594,000 at the end of 2018 (increase by 6.4%). At the General Meeting of OPONEO.PL S.A., which took place on 18 June 2019, the shareholders decided to transfer PLN 11,257,000 from the profit of 2018 to the supplementary capital of the Company and to cover the unsettled loss for 2014 in the amount of PLN -2,000 from the supplementary capital.

A significant share in the total balance sheet of OPONEO.PL S.A also comes from short-term trade payables and other liabilities of PLN 149,808,000 (40.7% of liabilities). Their amount increased by 15.6% compared to the end of 2018.

## 2.3. CASH FLOWS

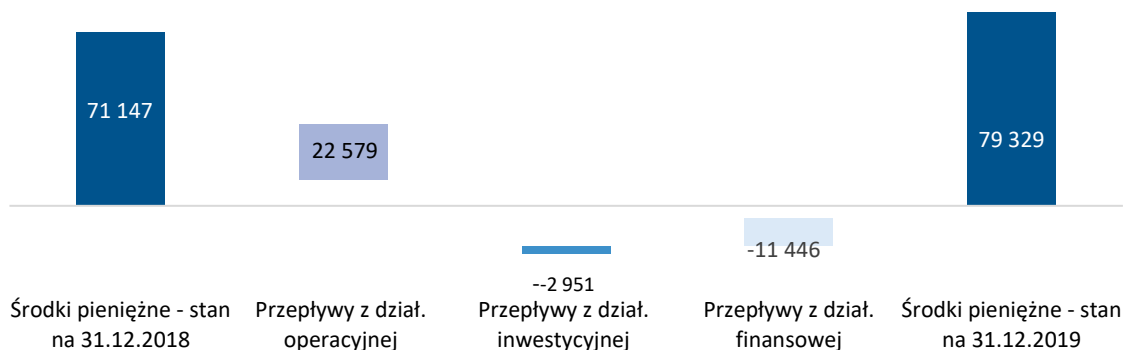
### 2.3.1. OPONEO.PL Group

In 2019, the OPONEO.PL Group recorded cash flows at the level of PLN 8,182,000, compared to PLN -10,946,000 in 2018. They consisted of:

- Positive cash flows from operating activities of PLN 22,576,000.  
The following had positive impact on cash flows: generating profit (PLN 20,246,000), change in liabilities excluding loans and borrowings (PLN 25,175,000) and amortisation and/or depreciation (PLN 12,752,000). While cash flows from operating activities were negatively impacted mainly by higher inventories (PLN -24,169,000) and change in the level of liabilities (PLN -7,458,000). Last year, cash flows from operating activities amounted to PLN 10,761,000.
- Negative cash flows from investing activities amounting to PLN -2,951,000.  
This resulted mainly from: purchase of intangible fixed assets as well as tangible fixed assets (PLN -7,957,000) and the acquisition of financial assets (-4,377,000). The positive impact resulted from the sale of the asset (PLN 9,350,000). In the previous year, cash flows from investing activities reached PLN -16,535,000.
- Negative cash flows from financial activities amounting to PLN -11,446,000.  
In 2019, loans and borrowings received (PLN 49,341,000) were balanced by repayment of this type of liabilities (PLN -48,378,000). Negative flows from financial activities were determined by the payment of dividend (PLN -5,575,000), fees resulting from lease agreements (PLN -5,637,000) and exclusion from the Group of cash of AutoCenturm.pl S.A. resulting from the sale of the asset (PLN -1,188,000). In 2018, flows from financial activities amounted to PLN 5,172,000.

As at the end of 2019, the OPONEO.PL Group had PLN 79,329,000 of cash, 58,854,000 of which was in the Polish zloty and 17,607,000 was in euro. Cash amounted to PLN 71,147,000 in the previous year.

Cash flows of the OPONEO.PL Group in 2019 (in PLN thousand)



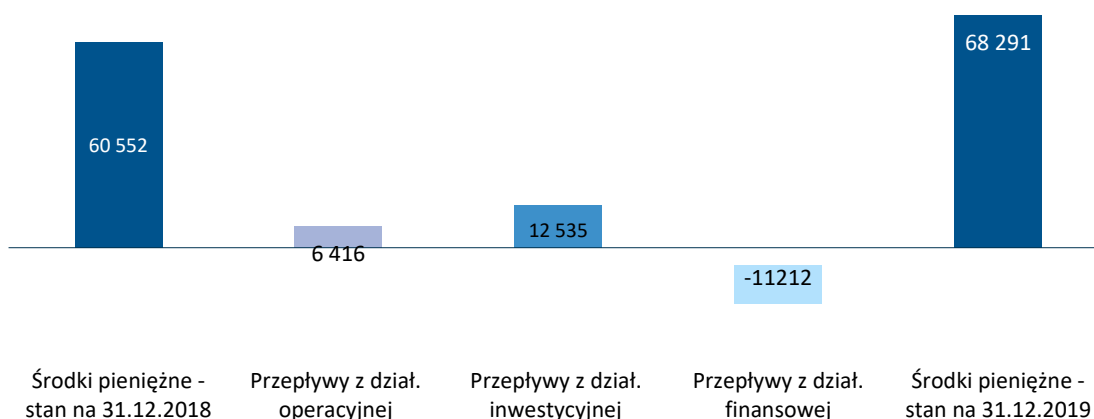
2.3.2. OPONEO.PL S.A.

In 2019, OPONEO.PL S.A recorded cash flows at the level of PLN 7,739,000, compared to PLN -7,342,000 in the previous year. They consisted of:

- Positive cash flows from operating activities of PLN 6,416,000.  
The following had positive impact on cash flows: generating profit (PLN 17,006,000), change in liabilities (PLN 20,214,000) and amortisation and/or depreciation (PLN 12,555,000). On the other hand, change in inventories (PLN -20,025,000), interests and dividends (-15,489,000) and change in receivables (PLN -4,671,000) had negative impact on cash flows. Last year, cash flows from operating activities amounted to PLN -1,530,000.
- Positive cash flows from operating activities of PLN 12,535,000.  
It resulted from balancing the positive impact of dividends and share in profits (PLN 15,489,000), sale of a financial asset (9,350,000) and inflows from repayment of the loan granted to Dadelo S.A. qualified as other investment inflows (PLN 6,110,000) and negative influence of expenditure on investment in real estate and other intangible fixed assets (PLN -7,857,000), acquisition of financial assets (PLN -4,377,000 thousand) and other investment expenditures (PLN -6,203). In the previous year, cash flows from investing activities reached PLN -709,000
- Negative cash flows from financial activities amounting to PLN -11,212,000.  
In 2019, loans and borrowings received (PLN 48,378,000) were balanced by repayment of this type of liabilities (PLN -48,378,000). Negative flows from financial activities were determined by the payment of dividends (PLN -5,575,000) and fees resulting from lease agreements (PLN -5,637,000). Cash flows from financial activities amounted to PLN -7,342,000 in 2018.

As at the end of 2019, the OPONEO.PL S.A had PLN 68,291,000 of cash, 51,941,000 of which was in the Polish zloty and 15,145,000 in euro. Cash amounted to PLN 60,552,000 in the previous year.

Cash flows of OPONEO.PL S.A. in 2019 (in PLN thousand)



## 2.4. CHANGES IN EQUITY

### 2.4.1. OPONEO.PL Group

As at the end of 2019, the equity of the Group amounted to PLN 172,179,000, compared to PLN 163,074,000 in 2018. In addition to the current period's profit, they were affected by the dividend paid for 2018.

### 2.4.2. OPONEO.PL S.A.

On 31 December 2019, the Company's equity capital amounted to PLN 189,025,000, compared to PLN 177,594,000 at the end of 2018, which is due to the payment of dividend for 2018 and the financial result achieved in 2019.

## 2.5. FINANCIAL RATIOS

### 2.5.1. OPONEO.PL Group

In 2019, the Company improved its gross profitability on sales. It reached the level of 19.4%, that is 0.2% increase year on year. The EBIT margin was 3% compared to 2.9% in 2018, while the EBITDA margin, which amounted to 4.3%, increased by 0.2 p.p. compared to 2018. In 2019 the net profit margin amounted to 2.2% compared to 1.9% in 2018. Return on assets and capital was respectively 5.8% and 11.8% in 2019.

The increase in the above profitability ratios results from the increase in the scale of operations.

Profitability ratios %	2019	2018
EBIT Margin in % (EBIT / Sales revenue) x 100%	2.98%	2.89%
EBITDA Margin in % (EBITDA / Sales revenue) x 100%	4.31%	3.52%
Gross margin on sales in % (Gross profit from sales / Sales revenue) x 100%	19.43%	19.21%
Net profit margin (loss) in % (Net profit / Sales revenue) x 100%	2.10%	1.94%
Return on Assets - ROA (Net Profit / Assets) x 100%	5.84%	5.46%
Return on Equity - ROE (Net Profit / Equity) x 100%	11.76%	14.72%

The liquidity ratios for 2019 were at satisfactory levels. What is more, total debt ratio was relatively low. The equity-to-fixed-assets-ratio increased from 69.9% to 71.7%.

Liquidity and debt ratios	31.12.2019	31.12.2018
<b>Current liquidity ratio</b> (Current assets / Short-term liabilities)	1.39	1.43
<b>Quick Liquidity Ratio</b> (Current assets - inventories - accrued expenses) / Short-term liabilities	0.77	0.85
<b>Cash liquidity ratio</b> (Cash and cash equivalents / short-term liabilities)	0.50	0.54
<b>Total debt ratio in %</b> (Total liabilities / Total assets) x 100%	50.37%	45.80%
<b>Equity-to-fixed-assets ratio</b> (fixed assets / equity) x 100%	71.74%	69.90%

In 2019, inventories were rotating slower than in the previous year. The receivables rotation cycle had shortened to 16.4 days. In turn, the liability rotation cycle has become longer, as has the cash cycle.

Asset turnover ratios	2019	2018
<b>Inventory cycle in days</b> (Inventories*360 / Prime costs of the sale)	46.34	39.96
<b>Receivables cycle in days</b> (Trade and other receivables*360 / Sales revenue)	16.43	16.97
<b>Current liabilities cycle in days</b> (Short-term liabilities*360 / Sales revenue)	59.96	55.58
<b>Cash cycle in days</b> (inventories cycle + receivables cycle - current liabilities cycle)	2.82	1.17

The financial indicators of the OPONEO.PL Group have been presented in accordance with the guidelines of the European Securities and Markets Authority (ESMA) regarding Alternative Performance Measurements in order to harmonize the method of calculating the indicators of listed companies on the WSE market.

#### 2.5.2. OPONEO.PL S.A.

In 2019, the Company improved its gross profitability on sales. It reached the level of 19%, that is 0.2% increase year on year. The EBIT margin was 0,7% compared to 0.9% in 2018, while the EBITDA margin, which amounted to 2%, increased by 0.5 p.p. compared to 2018. The increase in the above profitability ratios results from the increase in the scale of operations. In 2019 the net profit margin was 1.9% compared to 2.1% in 2018. It should be noted that in 2019 the returns on assets and capital were relatively high and amounted to 4.6% and 9% respectively.

Profitability ratios %	2019	2018
<b>EBIT Margin in %</b> (EBIT / Sales revenue) x 100%	0.65%	0.90%
<b>EBITDA Margin in %</b> (EBITDA / Sales revenue) x 100%	2.02%	1.50%
<b>Gross margin on sales in %</b> (Gross profit from sales / Sales revenue) x 100%	19.02%	18.80%
<b>Net profit margin (loss) in %</b> (Net profit / Sales revenue) x 100%	1.85%	2.10%
<b>Return on Assets - ROA</b> (Net Profit / Assets) x 100%	4.62%	5.20%

<b>Return on Equity - ROE</b> (Net Profit / Equity) x 100%	9.00%	9.50%
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The liquidity ratios for 2019 were at satisfactory levels. What is more, total debt ratio was relatively low. The equity-to-fixed-assets-ratio increased from 87.8% to 89.2%.

Liquidity and debt ratios	31.12.2019	31.12.2018
<b>Current liquidity ratio</b> (Current assets / Short-term liabilities)	1.25	1.26
<b>Quick Liquidity Ratio</b> (Current assets - inventories - accrued expenses) / Short-term liabilities	0.70	0.74
<b>Cash liquidity ratio</b> (Cash and cash equivalents / short-term liabilities)	0.43	0.46
<b>Total debt ratio in %</b> (Total liabilities / Total assets) x 100%	48.63%	45.00%
<b>Equity-to-fixed-assets ratio</b> (fixed assets / equity) x 100%	89.16%	87.80%

In 2019, inventories were rotating slower than in the previous year. The receivables rotation cycle had shortened. In turn, the liability rotation cycle had extended. Negative value for the cash cycle indicates that the Company managed the merchant loan appropriately.

Asset turnover ratios	2019	2018
<b>Inventory cycle in days</b> (Inventories*360 / Prime costs of the sale)	42.80	37.31
<b>Receivables cycle in days</b> (Trade and other receivables*360 / Sales revenue)	16.55	16.65
<b>Current liabilities cycle in days</b> (Short-term liabilities*360 / Sales revenue)	62.34	58.71
<b>Cash cycle in days</b> (inventories cycle + receivables cycle - current liabilities cycle)	-2.99	-4.75

The financial indicators of the OPONEO.PL S.A. have been presented in accordance with the guidelines of the European Securities and Markets Authority (ESMA) regarding Alternative Performance Measurements in order to harmonize the method of calculating the indicators of listed companies on the WSE market.

## 2.6. OTHER FINANCIAL INFORMATION

### 2.6.1. Loans and borrowings

OPONEO.PL S.A. has the possibility to use the multipurpose credit line taken from the BGŻ BNP Paribas S.A. Bank. The limit resulting from this line amounts to PLN 95,000,000. The credit term was determined by 23 August 2028. The interest rate on the credit is the WIBOR base rate for one-month deposits plus a margin of 0.8 p.p.

The credit line is secured by the following:

- blank promissory note,
- capped mortgage up to PLN 45,000,000,
- assignment of insurance claims,
- assignment of claims from the inventory insurance contract,

- borrower's declaration of submission to Bank's debt enforcement,
- registered pledge on stock inventory,
- transfer of existing and future receivables for all commercial receivables which are payable to the Borrower from all its debtors.

At the end of 2019 OPONEO.PL S.A. did not use this line.

In 2019, OPONEO.PL S.A. granted the subsidiary Dadelo S.A. a loan in the amount of PLN 6,072,000, intended to increase the stock of commercial goods in order to maximize revenues, which had been fully repaid until the end of the year.

In 2019, OPONEO.PL S.A. guaranteed an agreement on a multi-option credit line granted to the affiliated company, Dadelo S.A., by BNP Paribas Bank Polska Spółka Akcyjna with the limit of PLN 7,000,000. The guarantee was granted up to PLN 10,500,000 until 30 September 2032.

Moreover, neither OPONEO.PL S.A. nor its subsidiaries granted any credit or loan sureties or guarantees to a single entity or its subsidiary with a significant value for the operations of the OPONEO.PL Group.

### 2.6.2. Receivables and off-balance sheet liabilities

OPONEO.PL S.A. has concluded contracts for the lease of warehouse space with the following companies:

- AIFM PL III Sp. z o.o. (earlier: PDC Industrial Center 43 Sp. z o.o.),
- AIFM PL I Sp. z o.o. (earlier: ACCOLADE PL IV Sp. z o.o.)

which, in accordance with point 13, obliges it to present to the landlord within 21 days from the day of its signing its unconditional, transferable and payable on first demand bank guarantee expressed in EUR. The guarantee is to be maintained for the entire rental period of the storage facilities.

Due to the conclusion of a further agreement with AIFM PL III Sp. z o.o. (earlier: PDC Industrial Center 43 Sp. z o.o.) for the lease of additional storage space, on 18 December 2018 the bank guarantee issued by BNP Paribas was changed to EUR 304,6 thousand. The guarantee is valid until 30 January 2020.

Due to the conclusion of a further agreement with AIFM PL I Sp. z o.o. for the lease of additional storage space, on 18 December 2018, the bank guarantee was issued by BNP Paribas to EUR 230,8 thousand. The guarantee is valid until 30 January 2020.

In connection with the development of the company's warehouse base, BNP Paribas issued a bank guarantee for Castleport Investments sp. z o. o., ul. Towarowa 28, 00-839 Warsaw up to the amount of EUR 1,134,000. The guarantee is valid until 31 December 2020.

The Company still uses fixed assets (cars) in accordance with lease agreements, entered into with Millenium Leasing Sp. z o.o. with its registered office in Warsaw, concluded for the period of 24 months and for the amount of PLN 1,451,000. The agreements are secured with blank bills of exchange without protest, issued by the Company.

In 2019, there were no significant off-balance sheet items in the OPONEO.PL Capital Group.

## 2.7. PROSPECTS OF THE OPONEO.PL GROUP AND OPONEO.PL S.A.

### 2.7.1. External factors affecting results

#### **GDP growth**

According to the information of the Monetary Policy Council published on the 4th of March 2020, the Council maintains the interest rates on the unchanged level. Although the economic situation in Poland was still favourable at the beginning of the year, despite the slowdown in economic growth in recent weeks, the uncertainty about the scale and duration of the economic slowdown abroad and its impact on domestic economic activity has increased. As the coronavirus spreads, the uncertainty about global economic prospects increases. The sentiment in the financial markets is also deteriorating. Oil prices on the global market have fallen sharply. The prices of many food and medical raw materials remain high. As a result, inflation in the global economy, including the Polish economy, has increased in recent months. The U.S. Federal Reserve reduced interest rates in March this year. The European Central Bank maintains the deposit rate below zero, as well as purchases assets and signals the maintenance of loose monetary policy in the subsequent quarters of this year.

According to preliminary data of the Polish Central Statistical Office (GUS), inflation in Poland in January 2020 rose to 4.4% year on year. Regulatory and supply-side factors outside the influence of the national monetary policy contributed to the increase in inflation above the upper limit of deviation from the inflation target. These included mainly increases in electricity prices, higher fuel prices, increases in refuse collection fees, increases in excise taxes on alcoholic beverages and tobacco products, and continued increases in unprocessed food prices. The favourable financial situation of households and the related increase in consumer demand also contributed to price increases. According to the Inflation Report of March 2020, the Council estimates that in the coming quarters the annual inflation rate may remain above the upper limit of deviation from the inflation target due to supply and regulatory related factors, i.e. being outside the direct influence of the national monetary policy. The inflation will be slowing down with the cessation of these factors and the expected slowdown in GDP growth<sup>14</sup>.

The dynamics of events related to the coronavirus epidemic makes forecasting of economic effects very risky. It must be assumed, however, that the epidemic will have a significant impact on the economic situation of the country and Europe in 2020.

#### **Development of e-commerce**

According to the Digital Market Outlook report by Statista, Poland is ranked 13th in the fastest growing e-commerce markets in the world, and according to IAB forecasts, in 2020 the e-commerce market in Poland will grow by 70 billion PLN compared to the previous year. The pace of e-commerce growth in Poland will certainly not be as high as in Asia, but it will continue to grow, and the line between offline and online will gradually become blurred.

The e-commerce market is undoubtedly driven by the user. The Ecommerce Trends 2020 report indicates that modern solutions such as mobile payments, social selling, artificial intelligence, voice commerce are to serve users and even go beyond their needs. The latest technological trends are solutions based on data (Big Data, Machine Learning) or Artificial Intelligence. Artificial intelligence supports companies in understanding data and providing the user with perfectly tailored suggestions. Companies from the e-commerce market increasingly care about ensuring an appropriate level of security (GDPR). With the development of advanced technologies, such as cryptocurrencies, the

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<sup>14</sup> Information after the meeting of the Monetary Policy Council held on 3-4 March 2020, [https://www.nbp.pl/polityka\\_pieniezna/dokumenty/files/rpp\\_2020\\_03\\_04.pdf](https://www.nbp.pl/polityka_pieniezna/dokumenty/files/rpp_2020_03_04.pdf), March 2020.

importance of security will grow even more. The challenges in this respect will only come to light in the future.

Mobile technologies, such as applications, payments, social commerce or marketplaces, proved to be the most important group of investments carried out in 2019 in the e-commerce sector. In the near future, the role of mobile payments will increase, as will that of social media platforms.<sup>15</sup>

In the coming years, modern ways of searching for information, such as voice search and visual search, will also become increasingly important. Still, especially in the case of voice search, its wide application is not obvious, but the expansion of these solutions will be forced by the growing market of smart speakers<sup>16</sup>.

Below are presented the most important trends in the e-commerce market for the next 5 years<sup>17</sup>:

### Upcoming legal changes

On 01 February 2020, the United Kingdom of Great Britain and Northern Ireland ceased to be a member of the European Union. The departure of the United Kingdom from the European Union under the Exit Agreement entails the commencement of a transitional period. This means that the UK will only be subject to the same rules as the whole European Union until the end of 2020. On the basis of negotiations conducted by the European Council, in accordance with Article 218(3) of the Treaty on the Functioning of the European Union, an agreement has been concluded laying down the conditions under which the United Kingdom may leave the European Union. For Polish entrepreneurs, the transition period means no fundamental changes in relations with the United Kingdom until the end of 2020, in particular:

- maintaining the existing rules on the free movement of persons;
- no duties, quotas and other additional trade barriers;
- the possibility of exporting goods to the UK under the current rules; no need for customs declarations, additional documents or certificates for products that have not been previously required;
- maintaining the previous VAT and excise regulations;
- maintaining the existing rules for road and air transport between the European Union and the United Kingdom.

The conditions of the transitional period were confirmed in the Polish legal system by the Act of 19 July 2019 on the transitional period referred to in the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community (Dz.U. [*Journal of Laws*] of 2019, item 1516).

However, the conditions governing further economic cooperation between the UK and the EU after 1st January 2021 will depend on the content of the future free trade agreement. For Polish entrepreneurs and citizens this means that the future relations may change. Legal uncertainty may involve additional obligations and restrictions, in particular the application to the United Kingdom of the tariffs currently applicable to third countries. In addition, the rules of VAT settlement may change, as well as the rules of excise duty collection.

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<sup>15</sup> Divante, eCommerce Trends 2020 report, <https://divante.com/ecommerce-trends>, January 2020.

<sup>16</sup> E-commerce 2020, <https://interaktywnie.com/biznes/newsy/biznes/wartosc-polskiego-ryнку-e-commerce-w-2019-roku-wyniosla-50-mld-zlotych-a-w-2020-siegnie-70-mld-raport-259707>, February 2020.

<sup>17</sup> Divante, eCommerce Trends 2020 report, <https://divante.com/ecommerce-trends>, January 2020.

Moreover, after the UK withdraws from the European Union, it will be crucial for entrepreneurs involved in trade with the UK to have an EORI (Economic Operators Registration and Identification) number, which creates a mandatory condition for making customs declarations. The United Kingdom's exit from the European Union is important for the OPONEO.PL Group, as the United Kingdom is one of the Group's major foreign markets.

The level of competitiveness of Polish carriers, and thus the level of demand for truck tyres, may be affected by changes in environmental legislation, namely the climate and energy framework with EU-wide targets and policy objectives for the period from 2021 to 2030. The most important ones include:

- at least 40% cuts in greenhouse gas emissions (from 1990 levels);
- increasing the share of renewable energy in gross final energy consumption to 32%;
- at least 32.5% improvement in energy efficiency.

By the Act of 13 February 2020 amending the Act - Code of Civil Procedure and certain other acts, the date of introduction of the electronic register of entrepreneurs of the National Court Register (hereinafter: "KRS") was postponed. According to new legal regulations, it will be in force from 1 March 2021. According to the planned change, all applications to the National Court Register will only be sent in electronic form. The new ICT system is to make it easier for entrepreneurs to deal with registration matters. As regards notarial deeds that will have to be submitted for registration, a Central Repository of Electronic Copies of Notarial Authentic Documents is to be established. After the notarial deed is drawn up, the notary will place an electronic excerpt in the Repository, and the entrepreneur will only provide the number of the electronic excerpt in the Repository in the application submitted to the court.

#### 2.7.2. Planned actions

In 2019, the OPONEO.PL Group plans to:

- strengthen its position as a leader of online tyre sales in Poland through further development of tyre sales, for example on the basis of cooperation with garages;
- optimise sales in foreign markets;
- develop sales of bicycles and bicycle parts and accessories via Dadelo S.A.;
- carry out activities for expanding the range of products offered online;
- improve logistics processes, including introduction of automation of goods release.

### 3. ACTIVITIES OF THE OPONEO.PL GROUP IN 2019



### 3. ACTIVITIES OF THE OPONEO.PL GROUP IN 2019

#### 3.1. STRUCTURE OF THE OPONEO.PL GROUP

On 31 December 2019, the composition of the OPONEO.PL Capital Group was as follows:



The OPONEO.PL Group consists of entities operating on the e-commerce market or in the sphere of its infrastructure. OPONEO.PL S.A. – as a parent company – exercises control functions in supervisory bodies of companies and makes key decisions on both the scope of activities and the finances of the entities forming the Group. Capital relations of OPONEO.PL S.A. with the companies strengthen trade ties. The Company's transactions with its subsidiaries are carried out on an arm's length basis.

**Changes in the OPONEO.PL Group in 2019:**

- On 30 October 2019 OPONEO.PL S.A. sold to Wirtualna Polska Media S.A. seated in Warsaw 5 million ordinary bearer shares in the share capital of AutoCentrum.pl S.A. with its registered office in Krakow, constituting 100% of the share capital and entitling to 100% of votes at the General Meeting of Shareholders AutoCentrum.pl S.A. Detailed information on the transaction was given in the current report No 23/2019 of 20 October 2019.

**Changes in the OPONEO.PL Group after the balance sheet date:**

- On 13 January 2020 the 13th Commercial Division of the National Court Register made an entry concerning the merger of OPONEO.PL S.A. with OPONEO BRANDHOUSE Spółka z o.o. The merger took place on the basis of the Merger Plan of 17 June 2019, by transferring all assets of OPONEO BRANDHOUSE Spółka z o.o. to OPONEO.PL S.A. On the day of the merger, OPONEO.PL S.A. as the acquiring company entered into all the rights and obligations of OPONEO BRANDHOUSE z o.o., which was dissolved without liquidation proceedings on the day the merger was registered in the Register of Entrepreneurs of the National Court Register. Detailed information on the transaction was given in the current report No 3/2020 of 14 January 2020.

**3.2. OPONEO.PL GROUP'S SALES STRUCTURE**

In 2019, the OPONEO.PL Group sold 3,653,900 tyres, by 11.3% more than in the previous year. Most sales took place in Poland – here the Group sold 3,029,900 tyres, that is 82.9% of the entire volume. In turn, 624,100 tyres were sold abroad, which accounted for 17,1% of the tyre sales structure.

	2018			2019			2018
	Domestic	Foreign	In total	Domestic	Foreign	In total	
Car tyres	2,668,304	554,071	3,222,375	3,008,095	593,224	3,601,319	11.76%
Motorcycle tyres	16,200	41,530	57,730	20,990	30,833	51,823	-10.23%
Truck tyres	1,322	3	1,325	794	-	794	-40.08%
<b>In total</b>	<b>2,685,826</b>	<b>595,604</b>	<b>3,281,430</b>	<b>3,029,879</b>	<b>624,057</b>	<b>3,653,936</b>	<b>11.35%</b>

Summer tyres had the highest share in sales structure. In total, 1,640 thousand pcs were sold abroad and in the country. Their sales increased by 6.1% in relation to 2018.

Sales of winter and all-season tyres were characterised by relatively high dynamics. In 2019, the Group sold 1,521,000 winter tyres, i.e. 11.2% more than in the previous year. In the case of all-season tyres, the volume reached 493,000 and increased by 34% in relation to 2018.

In 2019, the OPONEO.PL Group sold 139 thousand wheels (both aluminium and steel), i.e. 13.3% more than in the previous year. The highest sales dynamics showed aluminium wheels, whose sales

increased by 25.1% y/y and amounted to 69.9 thousand pcs. The Group sold a similar number of steel wheels, i.e. 69.1 thousand units, whose sales increased by 3.3%.

Number of wheels sold by the OPONEO.PL Group	2019			2018			Change y/y – total
	Domestic	Foreign	In total	Domestic	Foreign	In total	
Aluminium wheels	48,176	7,697	55,873	61,205	8,708	69,913	25.13%
Steel wheels	42,521	24,347	66,868	46,952	22,135	69,087	3.32%
<b>In total</b>	<b>90,697</b>	<b>32,044</b>	<b>122,741</b>	<b>108,157</b>	<b>30,843</b>	<b>139,000</b>	13.25%

### 3.3. BUSINESS ACTIVITIES OF THE OPONEO.PL GROUP'S COMPANIES

#### 3.3.1. OPONEO.PL S.A.

##### Core business

The core business of OPONEO.PL LTD is retailing tyres and wheels via the Internet, using proprietary e-commerce and IT solutions. The company offers tyres for passenger cars, light commercial vehicles, off-road vehicles (4x4) and quads, steel and aluminium wheels and also snow chains and other automotive accessories.

As at the date of publication of the annual report, the Company carries out online sales of tyres and wheels in Poland and 10 other countries.

At the end of 2019, the Company owned directly the following websites:

- Oponeo.pl – online shop for tyres and wheels in Poland, offering the supply of tyres to 1,093 tyre fitting stations;
- Felgi.pl – online store specialising in the sale of aluminium wheels; the website also features a unique possibility of virtual fitting of wheels;
- Oponeo.cz – online shop offering tyres in the Czech Republic
- Oponeo.sk – online store in Slovakia, selling tyres for cars and motorcycles as well as wheels;
- Pneus-oponeo.be – a domain in French, dedicated to sales of tyres and wheels in Belgium; it cooperates with 62 tyre fitting stations;
- Pneus-oponeo.be – a domain in Flemish, dedicated to sales of tyres and wheels in Belgium;
- Oponeo.es – is a website that sells tyres, wheels and chains on the Iberian Peninsula; it cooperates with 1,318 tyre fitting stations;
- Oponeo.fr – online shop for tyres, wheels and chains for French customers; the shop offers the possibility of tyre delivery to 1,204 tyre fitting stations;
- Oponeo.it – online store selling tyres, wheels and chains for Italian customers; it also offers a free of charge delivery to 1,593 tyre fitting stations;
- Oponeo.nl – online store offering car tyres, steel wheels and chains and the possibility of their delivery to 419 tyre fitting stations;
- Oponeo.at – online sales of tyres, steel wheels and chains in Austria and the possibility of their delivery to 18 tyre fitting stations;
- Oponeo.ie – online store offering car and motorcycle tyres as well as steel wheels, which offers free delivery of tyres in Ireland;
- Oponeo.hu – website selling car and motorcycle tyres as well as aluminium wheels in Hungary.

At the end of 2019, the Company offered free delivery of tyres to fitting stations in Poland. In 2019, 7.9% of customers used the online shopping service with the possibility to book a tyre change at the chosen station. The number of orders with the fitting service increased by 10% compared to the end of 2018.

##### Sales results

In 2019, OPONEO.PL S.A. sold 3,426,600 tyres, i.e. 11.6% more than in the previous year.

3,008,100 of them were sold in Poland, which accounts for 87.8% of the total number of tyres sold. Sales on the Polish market were 12.7% higher compared to the previous year. Through foreign websites the Company sold 376,600 pcs, which is an increase of 5.5% compared to 2019.

Most products sold by the Company were car tyres (98.8% of all tyres sold). The number of car tyres sold increased by 11.9% y/y.

Number of tyres sold by OPONEO.PL S.A.	2018			2019			Change y/y – total
	Domestic	Foreign	In total	Domestic	Foreign	In total	
Car tyres	2,668,280	356,840	3,025,120	3,008,095	376,633	3,384,728	11.89%
Motorcycle tyres	16,200	27,752	43,952	20,990	20,066	41,056	-6.59%
Truck tyres	1,322	10	1,332	794	–	794	-40.39%
<b>In total</b>	<b>2,685,802</b>	<b>384,602</b>	<b>3,070,404</b>	<b>3,029,879</b>	<b>396,699</b>	<b>3,426,578</b>	<b>11.60%</b>

In 2019, the Company sold 129,700 steel and aluminium wheels, representing a 16% increase compared to the previous year.

Number of wheels sold by OPONEO.PL S.A.	2018			2019			Change y/y – total
	Domestic	Foreign	In total	Domestic	Foreign	In total	
Aluminium wheels	48,176	5,012	53,188	61,205	6,022	67,227	26.40%
Steel wheels	42,521	16,107	58,628	46,952	15,471	62,423	6.47%
<b>In total</b>	<b>90,697</b>	<b>21,119</b>	<b>111,816</b>	<b>108,157</b>	<b>21,493</b>	<b>129,650</b>	<b>15.95%</b>

### Organisation and infrastructure

The company has a modern logistics centre located in Bydgoszcz, occupying a total of 28,000 m<sup>2</sup> of space. It is able to send more than 40 thousand tyres a day to individual customers. The Company also uses the services of a logistics centres in Siechnice and Wojkowice, owned by 3LP S.A. The first centre, with 10,000 m<sup>2</sup> of storage space is located to the south-east of Wrocław, by the city's eastern ring road which is conveniently connected with the A4 motorway, and in future it will be also joined with the S8 express road. The second one, also with storage space of 10,000 m<sup>2</sup>, is located about 90 km north-west of Krakow. Each of them is able to send 15,000 tyres a day.

Internet sales are realized by means of IT solutions developed independently by an extensive IT Department, being an integral part of the Company. In order to increase the security level of IT systems in 2018, the Company took care of a new power supply to the server room supported by redundant UPS systems and power generators. Thanks to that, OPONEO.PL S.A. is able to keep going without access to an external source of electricity for an extended period of time.

Also, investments in the scope of expansion of the Company's head office in Bydgoszcz were completed in 2019. As a result, the Company gained necessary facilities for further dynamic growth.

As at 31 December 2019, the Company had 359 employees, whereas 323 persons were employed in the Company at the end of 2018. As at 31 December 2019, 50.1 % of employees were employed at the Sales Department.

Employment in OPONEO.PL S.A.	31 December 2018	31 December 2019
Sales Department	161	180
IT	54	60
Warehouse	47	50
Other departments	61	69
<b>In total</b>	<b>323</b>	<b>359</b>

### **Awards and honourable mentions**

In 2019, OPONEO.PL S.A. took the first place on the Forbes Diamonds list. The company was also awarded the highest rate in the reputation survey organised by Premium Brand, winning the Highly Reputable Company ("*Firma Wysokiej Reputacji*") certificate. The Mayor of Bydgoszcz honoured OPONEO.PL S.A. as a company supporting sports clubs with the title of Bronze Patron of Bydgoszcz Sports ("*Brązowy Mecenas Bydgoskiego Sportu*").

OPONEO.PL S.A. was also given certifications of Michelin Approved Website and Continental Approved Website, guaranteeing high quality at every stage of tyre purchase.

### **3.3.2 Business activities of other companies**

#### **Opony.pl Sp. z o.o.**

The core business of Opony.pl Sp. z o.o., based in Bydgoszcz is wholesale of parts and accessories for motor vehicles. The Company owns the Opony.pl online shop.

As at 31 December 2019, the share capital of Opony.pl Sp. z o.o. was PLN 1,225,000 and had not changed in the course of that year. As at 31 December 2019, the Company's equity amounted to PLN 1,623,000, compared to PLN 1,496,000 a year earlier. In 2019, the Company achieved PLN 108,000 net profit, compared to PLN 131,000 in 2018.

Wojciech Topolewski was the President of the Management Board in 2019.

#### **OPONEO BRANDHOUSE Sp. z o.o.**

OPONEO BRANDHOUSE Sp. z o.o. based in Bydgoszcz operates in the field of intellectual property rights management (including trademark rights) and marketing activities.

As at 31 December 2019, the Company's share capital amounted to PLN 28,921,000 and had not changed during the year. As at 31 December 2019, the Company's total assets amounted to PLN 33,642,000, compared to PLN 34,090,000 in the previous year. In 2019, the net profit of OPONEO BRANDHOUSE Sp. z o.o. amounted to PLN 14,901,000, whereas in 2018 it was PLN 14,178,000.

In 2019 Wojciech Topolewski was the President of the one-person Management Board.

OPONEO BRANDHOUSE Sp. z o.o. was merged with OPONEO.PL S.A. on the basis of the merger plan of 17 June 2019, by transferring all assets of OPONEO BRANDHOUSE Sp. z o.o. to OPONEO.PL S.A. The merger was registered after the balance sheet date (14 January 2020).

#### **OPONEO BRANDHOUSE Sp. z o.o. Inwestycje S.K.A.**

The core business of OPONEO BRANDHOUSE Sp. z o.o. Inwestycje Spółka Komandytowo-Akcyjna (a limited joint-stock partnership) with its registered office in Bydgoszcz was the management of shares in Rotopino.pl S.A., whose shares were sold by OPONEO.PL S.A. in 2016.

As at 31 December 2019, the Company's share capital was PLN 100,000 and the only general partner of the company was OPONEO BRANDHOUSE Sp. z o.o. On 31 December 2019 the company's assets

amounted to PLN 5,114,000, compared to PLN 5,116,000 in the previous year. In 2019, its financial result was at the level of PLN -2 thousand, compared to the net profit of PLN 14 thousand generated in 2018.

#### **HURTOPON.PL Sp. z o.o.**

HURTOPON.pl Sp. z o.o. with its registered office in Bydgoszcz was established in 2005. The Company's core business is to provide companies in the tyre, automotive and transportation industries with an online trading platform. On this platform wholesalers can place offers for sale and purchase of tyres and wheels.

HURTOPON.pl Sp. z o.o. does not offer any products on its own and is not a contractual party in agreements between users and suppliers.

As at 31 December 2019, share capital of that company amounted to PLN 360 thousand and did not change during the year.

As at 31 December 2019, the Company's assets amounted to PLN 162 thousand, compared to PLN 242 thousand a year earlier. In 2019, the Company recorded a net loss of PLN 83 thousand against PLN 35 thousand in 2018.

In 2019, Krzysztof Huss was the Company's President. The Management Board of the Company consisted of one person.

#### **AutoCentrum.pl S.A.**

AutoCentrum.pl S.A., based in Kraków, is a company operating in the field of new media. Its activity is focused on the Internet market.

AutoCentrum.pl S.A. was part of the OPONEO.PL Group until 30 October 2019, when OPONEO.PL S.A. sold to Wirtualna Polska Media S.A. 5 million ordinary bearer shares in the share capital of AutoCentrum.pl S.A.

In 2019, the Board of AutoCentrum.pl S.A. was a one-man Board. Zachar Zawadzki was the President of the Management Board.

#### **OPONEO.CO.UK LTD**

The core business of OPONEO.CO.UK LTD with its registered office in London is retail online sales of automotive goods, tyres and car parts. The company operates in the UK via the Oponeo.co.uk platform. The average delivery time of goods in the UK is 2–5 working days. As at the end of 2019, the Company cooperated with 737 tyre fitting stations, where it delivers its tyres free of charge.

According to the European Automobile Manufacturers Association, the UK market is one of the largest markets for replacement tyres in Europe. The share of e-commerce in tyre sales in the UK is around 7%.

At the end of 2019, the Management Board of the Company comprised of:

- Dariusz Topolewski – President of the Management Board,
- Ernest Pujso – Member of the Management Board,
- Seweryn Rutkowski – Member of the Management Board.

As at 31 December 2019, the Company's share capital was 100 GBP. At the end of 2019, assets of OPONEO.CO.UK LTD amounted to PLN 6,588,000 (compared to PLN 3,126,000 at the end of 2018). The Company ended the year 2019 with net profit of PLN 804 thousand; whereas in the previous year it amounted to PLN 584 thousand.

### **Oponeo.de GmbH**

Oponeo.de GmbH, based in Berlin, sells tyres and wheels as well as equipment and spare parts for cars and motorcycles online. The company operates in Germany via the website Oponeo.de. Goods are dispatched at the company's expense and reach customers within 2-4 days on average.

German market is the largest tyre market in Europe.

As at 31 December 2019, the Company's share capital was EUR 25 thousand. Company's assets reached PLN 2,697,000, while at the end of the previous year they amounted to PLN 928,000. In 2019, the Company recorded a net profit of PLN 233,000; whereas in the previous year, a net financial loss of PLN -143,000 was generated.

In 2019, Krzysztof Huss held the position of the President of the one-person Management Board.

### **OPONEO.COM Inc.**

The company OPONEO.COM Inc. with its registered office in Wilmington, Delaware, was established in 2012. Its object of economic activity is online sales of tyres in the states of California and Nevada via the Oponeo.com. website.

The company cooperates with 150 local service centres in the scope of tyre fitting.

In 2019, the Management Board of OPONEO.COM Inc was as follows:

- Dariusz Topolewski – President of the Management Board,
- Ernest Pujzo – Vice-President of the Management Board.

On 31 December 2019, the Company's assets amounted to PLN 112 thousand, compared to PLN 134 thousand a year earlier. In 2019, the Company's net financial result amounted to PLN -24 thousand, compared to PLN -49 thousand of net loss recorded in 2018.

### **OPONEO Lastik Satış ve Pazarlama Dış Ticaret Limited Şirketi**

OPONEO Lastik Satış ve Pazarlama Dış Ticaret Limited Şirketi, based in Istanbul, offers a wide range of tyres for cars and motorcycles through the Oponeo.com.tr platform. On the Company's website you can also read popular articles and tips on automotive topics.

The company's management board in 2019 was as follows:

- Ernest Pujzo – President of the Management Board,

At the end of 2019, the Company's share capital amounted to 580 thousand Turkish lira and did not change during the year.

[*brakujący fragment*], compared to PLN 258 thousand at the end of 2018. In 2019, the Company's net financial result was - PLN 50 thousand, compared to a net loss of - PLN 148 thousand in the previous year.

### **Dadelo S.A.**

Dadelo S.A sells bikes and it is also Poland's largest online seller of bicycle parts via Dadelo.pl and Centrumrowerowe.pl websites. Additionally, the online store's assortment also includes: clothing and shoes for fans of cycling, electronic equipment (such as: cyclometers, heart rate monitors, watches, GPS navigations) as well as supplements and beauty products. In total, the online shop offers about 13 thousand products with a unique numeric identifier.

The company cooperates with 212 bicycle collection points, where customers can pick up ready-to-go bicycles.

The Company's Management Board in 2019 was as follows:

- Ryszard Zawieruszyński – President of the Management Board,
- Wojciech Topolewski - Member of the Management Board (since 04 February 2019).

As at the publication date the Management Board of Dadelo SA is composed of the following persons:

- Ryszard Zawieruszyński – President of the Management Board,
- Wojciech Topolewski – Member of the Management Board,
- Jacek Zieziulewicz - Member of the Management Board (since 01 January 2020).

The Company's share capital amounted to PLN 1,373,500 at the end of 2019. On 31 December 2019, the assets of Dadelo S.A. amounted to PLN 18,665,000 against PLN 13,493,000 in the previous year. According to IAS standards, the Company ended the year 2018 with a loss of PLN 751,000, compared to a net loss of PLN 1,616,000 in 2018.

### 3.4. CORE BUSINESS RISKS

#### 3.4.1. Financial risk

Elements that affect the OPONEO Group's operations:

- Foreign Exchange risk

The Group conducts trade activities outside of Poland, mainly within the European Union, and therefore fluctuations in exchange rates affect its results. The Group strives to balance revenues and expenses incurred in a given currency and concludes forward hedging transactions in respect of payments and receivables in foreign currency. Approximately one month before the start of the current sales season, OPONEO.PL estimates the amount of foreign exchange purchases. This is the moment when national companies announce their price lists and terms of purchase. These elements are the reference points for deciding on the volume of purchases in a foreign currency. In order to calculate the purchase price in PLN, the exchange rates applicable at the time of estimation of purchases are taken into account. As regards handling and securing foreign exchange transactions, the Parent Entity cooperates with the BNP Paribas S.A. Bank.

- Interest rate risk

Companies in the OPONEO.PL Group use variable rate credit lines, and therefore increases in official interest rates may pose a risk of increased financing costs for the Group. The Group does not use hedging instruments for the interest rate risk.

- Credit risk

The risk may be due to the economic downturn which will worsen the payment situation of counterparties. However, such risk is negligible, as payments for goods are largely carried out by cash on delivery. In the case where the Company grants the buyers' credit to customers, they are verified. In addition, trade receivables are insured at BRU KUKE SA.

- Liquidity risk

The OPONEO.PL Group constantly monitors the chargeability of receivables and liabilities. OPONEO.PL aims to maintain financial balance also through the use of various sources of financing (bank credit, buyers' credits). A threat to the Group may be the tightening of lending policy or limiting of the possibility to obtain external financing.

#### 3.4.2. Risk associated with the macroeconomic situation

The financial situation of the OPONEO.PL Group depends both on the economic situation of Poland and global economic situation, and in particular on:

- the pace of economic growth and the share of consumption in creating GDP growth - the increase in the wealth level of society and the climate conducive to making purchasing decisions translate into an increase in demand for means of transport and their equipment. The recession can lead to:
  - the limitation of demand for tyres and other car accessories, as well as a decrease in their prices and dealer margins; at the same time, a low number of new registrations may have a positive impact on the mid-term tyre demand associated with replacing old tyres with new tyres;
  - the reduction of individual modes of transport due to lack of funds for their maintenance; this will reduce tyre wear and thus reduce the need for replacement;
- monetary policy, including the level of interest rates, which together with the banks' lending policy determine the level of purchases for credit;
- situation on currency markets and situation of the zloty [PLN], influencing the rise in prices of imported goods, may translate into a drop in demand for imported cars and accessories. Depreciation of the local currencies in relation to euro, for which the OPONEO.PL Group purchases the products it sells, has a negative impact on the competitive position of the Group on local markets;
- higher prices of raw materials, especially crude oil and rubber, which will lead to higher tyre prices;
- overproduction of tyres, which may result in a decrease in their prices;
- increasing competition in the market - low entry barriers for online shops, may cause an increase in competitive pressure and decrease margins.

#### 3.4.3. Risk associated with the strategy

Strategy risk is connected with financial consequences which may be caused by wrong decisions concerning the long-term plans of the Group, resulting from inappropriate assessment of factors influencing the company's development; these are in particular:

- the pace of e-commerce development - higher than the Group's long-term plans pace of market development may result in unsuitable sales processes, and the Group may lose its leading position on the market.
- technological developments - i.e. new tyre production technologies, the use of drones in delivery of consignments, etc.;
- future customer preferences, regarding the use of the latest technology (mobile sales, abandonment of private cars for public transport or growing transport of road trailers by rail in order to protect the environment).

#### 3.4.4. Operational risk

While conducting business in the e-commerce area, the OPONEO.PL Group is exposed to the following risks:

- IT risk, i.e. problems related to:
  - ensuring the continuous operation of applications - possible problems with the proper functioning of IT systems could mean reducing the volume or even making sales impossible. In order to prevent occurrence of such a situation, the Group uses high quality hardware with low failure rate and secures itself by a full multiplication of hardware and software;

- potential system intrusions - connecting IT systems to the Internet poses a risk of being exposed to computer crimes committed via the network, such as hacking into a computer system and destroying it or damaging or denial of service. The Group does not underestimate this risk by maintaining a team of people responsible for the security of the portal and by applying appropriate security and safety procedures.
- the risk of problems related to logistics, guaranteeing the availability of goods in the warehouse, proper complementation and packing of goods, as well as cooperation with couriers.
- risk associated with an excessive stockpiling - it is the risk of improper assessment, such as weather - large tyre stocks generate additional costs and cause their ageing.
- the risk related to concentration of commodity in one place - any accidental events (fire, flood, etc.) would result in serious disruptions of supply continuity to the recipients. In order to minimize the possible negative effects of this risk factor, a system was implemented to allow systematic backups of all information and possible immediate recovery of an IT network based on an emergency system. There are also insurance contracts that cover any possible losses.
- the risk of outflow of skilled workers - lack of qualified personnel may lead to an increase in errors in order processing.

#### 3.4.5. Legal risk

The activities of the OPONEO.PL Group depend primarily on legal changes in the following areas:

- the tax system - an increase in fiscal burdens can lead to a lower profitability of this activity;
- labour and social security laws that can translate into increased employment costs;
- regulations concerning entities operating in the telecommunications market;
- changes in regulations concerning environmental protection, such as implementing a green tax.

There is also a risk of differences in interpretation of tax laws. The activities of the OPONEO.PL Group and its tax treatment in declarations and tax returns may be considered by the tax authorities to be incompatible. If the tax authorities interpret tax regulations differently than those used to calculate the tax liability made by the Group, such a situation could have a material impact on its business.

#### 3.4.6. Risks associated with the development of the coronavirus SARS-COV-2 pandemic

On 11 March 2020, the World Health Organisation (WHO) declared the pandemic of the SARS-COV-2 virus causing COVID-19 disease. On 12 March this year, the Polish government instituted an epidemic emergency in the country, and on 20 March it declared epidemic in accordance with the Act on Prevention and Control of Infections and Infectious Diseases.

The risk associated with the development of the coronavirus pandemic primarily relates to logistical constraints, which may affect the timely execution of orders. However, the situation does not apply to deliveries of goods from contractors, as the Group carries them out approximately quarterly in advance. As a result, the situation related to the inventory for the next quarter is safe for the Group. In case of problems with the import of tyres from China in the long term, the OPONEO.PL Group will increase the share of purchases and sales of European tyres from the economic segment.

The activity of the OPONEO.PL Group may be influenced by the dynamically changing environment of its business partners as well as by future conditions on the market, concerning production and prices

of tyres and demand, which are difficult to predict. In such circumstances, the Group may consider a lesser involvement in Asian tyre sales, which would affect sales trends in the tyre market.

At present, the Group monitors the development of the pandemic, while staying in constant contact with its main business partners and carries out activities aimed at hedging against the abovementioned risks, including activities aimed at optimising the goods supply process.

### 3.5. RELATIONS WITH CUSTOMERS AND COOPERATION WITH SUPPLIERS

The customers of the OPONEO.PL Group are mainly individual clients. The Group takes into account their various needs and preferences:

- the Group's offer on all markets includes about 76,200 tyres, with 4,800 models from 244 manufacturers. These tyres are no older than 18 months from the date of manufacture. It means that the OPONEO.PL Group applies standards that are twice as restrictive as of the Polish PN-C94300-7 standard;
- Shipping costs - the survey shows that they are one of the key factors that motivate individual customers to shop online. Most of the stores belonging to the OPONEO.PL Group provide customers with free delivery;
- time of delivery - in Poland, purchased goods are usually delivered within 24 hours;
- payment method - customers can use various payment methods, and some stores provide them with an opportunity to make purchases in instalments;
- information - the Group's websites provide customers with the largest database of information and opinions on automotive issues in Poland. Customers can also use a variety of guides on tyre selection and use. The information also includes tests of newly launched products, carried out by specialists from the OPONEO.PL Group.
- fitting - in many countries, the OPONEO.PL Group offers customers the possibility to deliver tyres to a tyre fitting station. At the end of 2019, this network consisted of some 6.4 thousand fitting points.

Customers highly appreciate the quality of the Group's services, as evidenced by the average customer ratings for the OPONEO.PL Group's companies participating in the Opineo Program - I listen to my customers ("Słucham Swoich Klientów"). The Oponeo.pl shop is ranked second in the quality of e-commerce services in the Automotive category.

Store	Rating in Opineo*	Delivery costs	Time of delivery	Purchases in instalments
Oponeo.pl	4.8	Free of charge	24 h	yes
Centrumrowerowe.pl	4.7	Free of charge	24 h	yes
Dadelo.pl	4.8	Free of charge	24 h	yes

\*rating in a 5-point scale

The online store oponeo.pl has been awarded by Opineo with the "Q" Quality Mark. The mark is awarded to stores with proven reliability, which steadily improve their services. They are constantly monitored both by Opineo's experts, who check if legal aspects of operation and online sales are met, and by customers, who award points. A sudden drop of overall rating triggers instant reaction from Opineo and possible exclusion from certification.



Owing to the business profile of the OPONEO.PL Group, the main suppliers are tyre manufacturers and wholesalers. One tyre supplier accounted for more than 10% of the Group's revenues in 2019 (taking into account segmentation by manufacturer brands).

### 3.6. EMPLOYMENT

As at 31 December 2019, the OPONEO.PL Group employed a total of 459 employees. During the year, employment increased by 22 employees. The increase in employment resulted from an increase in the scale of the Group's operations.

Employment in the OPONEO.PL Group	31 December 2018	31 December 2019
Sales Department	208	218
IT	54	60
Warehouse	105	102
Other departments	70	79
<b>In total</b>	<b>437</b>	<b>459</b>

### 3.7. OTHER INFORMATION

#### 3.7.1. Disputes

In the period covered by this report, the OPONEO.PL Group did not make any significant settlements in court proceedings.

In 2019, as well as until the date of submission of this periodic report, no significant proceedings concerning liabilities or receivables of the Company or its subsidiaries in the OPONEO.PL Capital Group were pending or have been pending before court, arbitration authority or public administration authority.

#### 3.7.2. Transactions with related entities

In the period covered by this report, in OPONEO.PL Group, no transactions were concluded between related parties on other than market conditions.

In the report of the OPONEO.PL Group for the period from 1 January to 31 December 2019, mutual transactions of related entities covered by full consolidation were eliminated.

The consolidated financial statements included the net values of the transactions that took place in 2019.

# 4. CORPORATE GOVERNANCE



## 4. CORPORATE GOVERNANCE

### 4.1. THE PRINCIPLES AND SCOPE OF USE OF CORPORATE GOVERNANCE

#### 4.1.1. Set of corporate governance principles

This statement on the application of corporate governance principles in OPONEO.PL S.A. is submitted in accordance with the requirements set out in the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information, published by issuers of securities, and conditions for recognising as equivalent the information required by the laws of a non-member state (Dz. U. [Journal of Laws] of 2018, item 757).

OPONEO.PL S.A. applies the principles of corporate governance contained in "Best Practice of GPW Listed Companies 2016", adopted by resolution of the Supervisory Board of the Warsaw Stock Exchange S.A. on 13 October 2015.

The text of the current set of principles, is publicly available on the official website of the Warsaw Stock Exchange Joint-Stock Company dedicated to issues of corporate governance of companies listed on the WSE Main List: <http://corp-gov.gpw.pl/>.

The Management Board of OPONEO.PL S.A. informs that it has made every effort to ensure that its information policy is transparent and effective and ensures proper communication with investors and analysts to the highest possible extent.

As part of its information policy, the Management Board of OPONEO.PL S.A. makes direct contacts with investors, i.e. during meeting of the Management Board with investors, teleconferences or through Investor Relations Department which replies to individual inquiries of investors and inquiries sent by e-mail to [ir@oponeo.pl](mailto:ir@oponeo.pl).

In 2019, the Company continued running a website for investors, where it posted all information on the Company which was necessary to appropriately assess its situation and prospects, including data on financial results, actions taken by the Management Board and other relevant events concerning operation of the Company. The information posted on the investor relations website: <http://www.ir.oponeo.pl/> owned by OPONEO.PL S.A., is updated on a regular basis.

#### 4.1.2. Nonapplied principles of corporate governance

In 2019, the Company did not apply the following principles set out in *Best Practice of GPW Listed Companies 2016*.

Principle	The comment of OPONEO.PL S.A.
<b>I. Information policy and communication with investors</b>	
<b>I.Z.1.</b> A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation:	

<p><b>I.Z.1.7.</b> information materials published by the company concerning the company's strategy and its financial results;</p>	<p>The principle is not applied in the part concerning communication on strategy. The Company does not publish separate materials and documents on its strategy.</p>
<p><b>I.Z.1.10.</b> financial projections, if the company has decided to publish them, published at least in the last 5 years, including information about the degree of their implementation;</p>	<p>The principle does not apply because the Company does not publish financial projections.</p>
<p><b>I.Z.1.16.</b> information about the planned transmission of a general meeting, not later than 7 days before the date of the general meeting;</p>	<p>The Company does not provide for direct transmission of its General Meeting, resulting from principle IV.Z.2. Broadcasting costs of the General Meeting are too high and disproportionate to the potential benefits to the shareholders.</p>
<p><b>I.Z.1.20.</b> an audio or video recording of a general meeting;</p>	<p>The principle is not applied. The Company does not provide any direct broadcasting of the General Meeting's proceedings, and does not post on its website any record of the proceedings of the General Meeting in audio or video formats. With a view to possible legal problems associated with recording of the General Assembly and its costs, the Company does not intend to apply this principle.</p>
<p><b>I.Z.2.</b> A company whose shares participate in the exchange index WIG20 or mWIG40 should ensure that its website is also available in English, at least to the extent described in principle I.Z.1. This principle should also be followed by companies not participating in these indices if so required by the structure of their shareholders or the nature and scope of their activity.</p>	<p>The principle does not apply. Company Shares are not classified in WIG20 or mWIG40. The website <a href="http://www.ir.oponeo.pl">www.ir.oponeo.pl</a> is available for investors in English, in selected key areas. At the explicit request of investors, the company is able to prepare selected information in English.</p>
<p><b>II. Management Board, Supervisory Board</b></p>	
<p><b>II.Z.1.</b> The internal division of responsibilities for individual areas of the company's activity among management board members should be clear and transparent, and a chart describing that division should be available on the company's website.</p>	<p>The principle is not applied. The Company has developed a division of responsibility for individual areas of operations among board members, but it does not include this information on its website.</p>
<p><b>II.Z.7.</b> Annex I to the Commission Recommendation referred to in principle II.Z.4 applies to the tasks and the operation of the committees of the Supervisory Board. Where the functions of the audit committee are performed by the supervisory board, the foregoing should apply accordingly.</p>	<p>The principle is not applied. Only Audit Committee functions in the Supervisory Board of OPONEO.PL S.A. It comprises of two independent Supervisory Board Members, as defined in Art. 129 of the Act of 11 May 2017 on statutory auditors, audit firms and public oversight. Apart from the aforementioned,</p>

there are no other committees within the Supervisory Board.

**II.Z.10.** In addition to its responsibilities laid down in the legislation, the supervisory board should prepare and present to the ordinary general meeting once per year the following:

**II.Z.10.1.** an assessment of the company's standing including an assessment of the internal control, risk management and compliance systems and the internal audit function; such assessment should cover all significant controls, in particular financial reporting and operational controls;

The principle is not applied. The assessment of the OPONEO.PL Joint-Stock Company's standing, prepared by the Supervisory Board, does not include an assessment of the compliance system or internal audit function, due to the lack of separation of Compliance and Internal Audit functions within the Company.

### III. Internal Systems and Functions

**III.R.1.** The company's structure should include separate units responsible for the performance of tasks in individual systems or functions, unless the separation of such units is not justified by the size or type of the company's activity.

The principle is not applied. The Company does not have in its structure separate units responsible for performing the tasks of internal control systems, risk management, compliance and internal audit. Such activities are carried out by individual organisational units of the Company or external entities (without a separate special unit for this purpose).

**III.Z.1.** The company's management board is responsible for the implementation and maintenance of efficient internal control, risk management and compliance systems and internal audit function.

The principle is not applied. The Management Board is responsible for controlling the Company's operating activities, including its internal business processes and risk management processes.

Due to the company's size, the functions included in this principle are carried out on a regular basis in each area of activity by individual organizational units of the Company or by external entities (without a dedicated special cell).

**III.Z.2.** Subject to principle III.Z.3, persons responsible for risk management, internal audit and compliance should report directly to the president or other member of the management board and should be allowed to report directly to the supervisory board or the audit committee.

The principle is not applied, because - as indicated in the justification for not applying principle No III.Z.1 - no units dealing with risk management, internal audit and compliance were separated in the Company. The company believes that the current organisational structure, where directors of individual departments report to the Management Board, provides sufficient and proper information flow, and supervision of the activities of particular areas. The company has no procedures prohibiting to direct the reports directly to the Supervisory Board.

**III.Z.3.** The independence rules defined in generally accepted international standards of the professional internal audit practice apply to the person heading the internal audit function and other persons responsible for such tasks.

The principle is not applied because there is no separate internal audit unit in the Company, and there is no separate position of the person managing the unit.

**III.Z.4.** The person responsible for internal audit (if the function is separated in the company) and the management board should report to the supervisory board at least once per year with their assessment of the efficiency of the systems and functions referred to in principle III.Z.1 and table a relevant report.

The principle is not applied. There is no separate internal audit unit in the Company, there is no separate position of the person managing the entity, and the audit committee acts within the Supervisory Board.

**III.Z.5.** The supervisory board should monitor the efficiency of the systems and functions referred to in principle III.Z.1 among others on the basis of reports provided periodically by the persons responsible for the functions and the company's 12 management board, and make an annual assessment of the efficiency of such systems and functions according to principle II.Z.10.1. Where the company has an audit committee, it should monitor the efficiency of the systems and functions referred to in principle III.Z.1, which however does not release the supervisory board from the annual assessment of the efficiency of such systems and functions.

The principle is not applied because the Company does not have specialised units for internal control, risk management and compliance processes.

#### IV. General meeting and relations with shareholders

**IV.R.2.** If justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through:

- 1) real-life broadcast of the general meeting;
- 2) real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting;
- 3) exercise of the right to vote during a general meeting either in person or through a plenipotentiary.

The principle is not applied. In the Company's opinion, the present shareholding structure does not justify the application of the principle; the rules of participation in the general meeting enable exercising of the rights resulting from the shares and safeguard the interests of all shareholders.

**IV.R.3.** Where securities issued by a company are traded in different countries (or in different markets) and in different legal systems, the company should strive to ensure that corporate events related to the acquisition of rights by shareholders take place on the same dates in all the countries where such securities are traded.

The principle does not apply. Securities issued by the Company are traded solely on the Polish market.

**IV.Z.2.** If justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings.

The principle is not applied. In the Company's opinion, the shareholder structure and the lack of shareholder expectations, are justified by the fact that there is no real-time broadcasting of the General Meeting. In addition, the applicable rules of participation in the General Meeting give effect to the rights arising from ownership of shares and safeguard the interests of all shareholders.

The Company provides shareholders with the opportunity to participate in the General Meeting in person or through a proxy. The Company fulfils its information obligations imposed by law. Not later than within 24 hours from the end of the General Meeting it transmits, in the form of current reports, the information on the content of the adopted resolutions and results of voting and simultaneously publishes this information on the corporate website. In addition, upon completion of the Meeting, the Company places a video of the General Meeting on its website. The Company does not exclude the possibility of applying the aforementioned principle in the future.

**IV.Z.3.** Presence of representatives of the media should be allowed at general meetings.

The principle is not applied. The Company's General Meetings are attended by persons authorised and those serving the General Meeting. According to the Company, the applicable laws adequately govern the performance of disclosure obligations imposed on public companies in the field of publicity and transparency of matters being the subject of the General Meeting. In case of questions addressed to the Company by media representatives, the Company shall promptly provide appropriate responses within the limits permitted by applicable law.

## VI. Remuneration

**VI.R.1.** The remuneration of members of the company's governing bodies and key managers should follow the approved remuneration policy.

The principle was not applied in 2019. Due to the size of the Company, its organisational structure and the scope of its operations, the remuneration for individual members of the Company's governing bodies, taking into account the tasks assigned to them and the assessment of their performance, was determined by the Supervisory Board for the Management Board and by the General Meeting of Shareholders for Members of the Board. In 2020, the Management Board adopted a resolution to implement the remuneration policy for Members of the Management Board and the Supervisory Board, positively assessed by the Supervisory Board, which will be discussed at the General Meeting of Shareholders.

**VI.R.2.** The remuneration policy should be closely tied to the company's strategy, its short- and long-term goals, long-term interests and results, taking into account solutions necessary to avoid discrimination on whatever grounds.

This principle was not applied in 2019, since there was no document constituting the remuneration policy in the Company. In 2020, the Management Board adopted a resolution to implement the remuneration policy for Members of the Management Board and the Supervisory Board, positively assessed by the Supervisory Board, which will be discussed at the General Meeting of Shareholders.

**VI.R.3.** If the supervisory board has a remuneration committee, principle II.Z.7 applies to its operations.

The principle is not applied. There is no remuneration committee in the Supervisory Board of OPONEO.PL S.A.

**VI.Z.1.** Incentive schemes should be constructed in a way necessary among others to tie the level of remuneration of members of the company's management board and key managers to the actual long-term financial standing of the company and long-term shareholder value creation as well as the company's stability.

The detailed principle does not apply. So far, the Company has not adopted any incentive schemes addressed at board members and key managers.

**VI.Z.2.** To tie the remuneration of members of the management board and key managers to the company's long-term business and financial goals, the period between the allocation of options or other instruments linked to the company's shares under the incentive scheme and their exercisability should be no less than two years.

The detailed principle does not apply. So far, incentive schemes for the board and key managers have not been implemented in the Company.

**VI.Z.4.** In its activity report, the company should report on the remuneration policy including at least the following:

The principle is not applied. The Company publishes information on the remuneration of members of the company's governing bodies, in

- 1) general information about the company's remuneration system;
- 2) information about the conditions and amounts of remuneration of each management board member broken down by fixed and variable remuneration components, including the key parameters of setting the variable remuneration components and the terms of payment of severance allowances and other amounts due on termination of employment, contract or other similar legal relationship, separately for the company and each member of its group;
- 3) information about non-financial remuneration components due to each management board member and key manager;
- 4) significant amendments of the remuneration policy in the last financial year or information about their absence;
- 5) assessment of the implementation of the remuneration policy in terms of achievement of its goals, in particular long-term shareholder value creation and the company's stability

accordance with the applicable International Accounting Standards. The report on the Remuneration Policy for Members of the Management Board and the Supervisory Board will be presented with the report for 2020 in accordance with the amendment of the Act of 29 July 2005 on public offering, conditions governing the introduction of financial instruments to organised trading and public companies

#### 4.2. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS FOR THE PROCESS OF FINANCIAL REPORTING

Adoption of the Accounting Policy for OPONEO.PL S.A. and its subsidiaries, in accordance with the International Financial Reporting Standards, provides for the correctness and reliability of accounting records for these entities. In accordance with the Accounting Act of 29 September 1994, on the basis of which the Company's Management Board approved the documentation describing the accounting principles implemented by the Company, Polish accounting principles are applied in preparing separate financial statements of OPONEO.PL S.A. Since the establishment of the Group in 2010, consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards. The process of preparing financial statements is carried out in a strict and absolute application of the above principles.

Preparation of source data is subject to formal, operational and acceptance procedures that determine the extent of the competence of the individual. The data entered in the General Ledger is based on records in documents and Source Books. Thanks to the application of internal control systems in the field of accounting and financial reporting, the Company ensures a fair and transparent presentation of its financial and material standing.

The Management Board bears the responsibility for the internal control system, risk management and its effectiveness with regard to the process of drawing up financial statements.

The Company has documentation describing adopted accounting policies, which determine methods of valuation of assets and liabilities and determining the financial result, as well as the manner of keeping books of accounts, data protection systems and their collections. The prepared financial statements are formally approved by the Chief Accountant and subsequently by the Company's Management Board.

In the process of preparing the reports, the control element is the verification of the Company's financial statements and the financial statements of the companies within the Group by an independent statutory auditor. The statutory auditor's tasks include in particular: the review of half-yearly financial statements and examination of annual reports. The financial data being the basis of financial statements and periodic reports are derived from the Company's monthly financial and operating reporting conducted through the financial and accounting system. Preparation of financial statements and periodic reports begins after acceptance of the results of the completed period. During the year, the Management Board and the Supervisory Board analyse, evaluate and supervise the obtained financial results in terms of their conformity with the adopted assumptions of the budget plan prepared in accordance with the Company's accounting policy.

The effectiveness of applied control and risk management procedures in the process of preparing financial statements of OPONEO.PL S.A is proven by high quality of the reports, which is confirmed by opinions of statutory auditors. OPONEO.PL S.A monitors significant legal, tax, economic and operational risks which affect the Company's business. In addition, the Company makes provisions for deferred tax and leave.

### 4.3. SHARES AND SHAREHOLDER STRUCTURE

#### 4.3.1. Shareholder structure

As at 31 December 2019, the Company's share capital amounted to PLN 13,936,000 and included:

- 8,676,000 ordinary bearer shares of A-series with a nominal value of PLN 1.00 each,
- 4,000,000 ordinary bearer shares of B-series with a nominal value of PLN 1.00 each,
- 1,260,000 ordinary bearer shares of C-series with a nominal value of PLN 1.00 each.

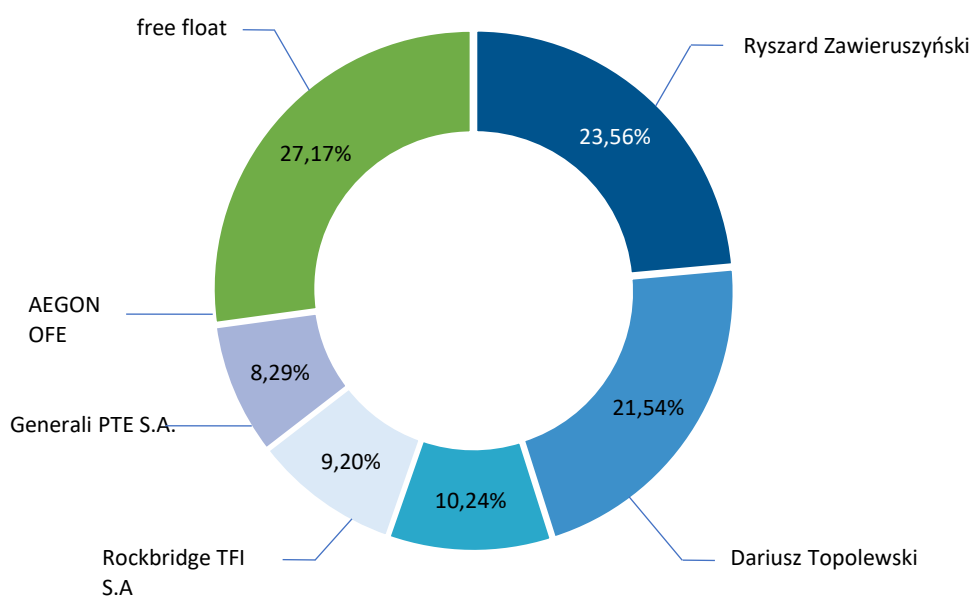
In 2019, the value of the Company's share capital did not change.

The list of shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the General Meeting of Shareholders of OPONEO.PL S.A. was as follows:

Shareholder	31.03.2020		31.12.2019		31.12.2018	
	Number of shares	Share in the share capital and in the number of votes at the General Meeting in %	Number of shares	Share in the share capital and in the number of votes at the General Meeting in %	Number of shares	Share in the share capital and in the number of votes at the general meeting in %
Ryszard Zawieruszyński	3,283,097	23.56	3,283,097	23.56	3,283,097	23.56
Dariusz Topolewski	3,001,592	21.54	3,001,592	21.54	3,011,592	21.61
ALTUS TFI S.A.	-	-	-	-	2,042,104	14.65
Rockbridge TFI S.A.	1,427,410	10.24	2,108,503	15.13	-	-
Generali PTE S.A.	1,282,645	9.20	1,282,645	9.20	-	-
AEGON OFE	1,155,000	8.29	1,155,000	8.29	1,155,000	8.29
Other	3,786,256	27.17	3,105,163	22.28	4,444,207	31.89
<b>In total</b>	<b>13,936,000</b>	<b>100.00</b>	<b>13,936,000</b>	<b>100.00</b>	<b>13,936,000</b>	<b>100.00</b>

As at the date of publication of the report, the Company did not have information on contracts, which could result in future changes in the proportions of shares held by the existing shareholders.

Shareholding structure of OPONEO.PL S.A. as of March 31, 2020



\*The date of publication of this report

#### 4.3.2. Information on possession of shares by managing and supervising persons

##### The possession of shares of OPONEO.PL S.A. by members of the Supervisory Board and members of the Management Board:

Shareholder	28.03.2019		31.12.2019		31.12.2018	
	Number of shares	Share in the share capital and in the number of votes at the general meeting in %	Number of shares	Share in the share capital and in the number of votes at the general meeting in %	Number of shares	Share in the share capital and in the number of votes at the general meeting in %
Dariusz Topolewski	3,001,592	21.54	3,001,592	21.54	3,011,592	21.61
Wojciech Topolewski	59,780	0.43	59,780	0.43	69,780	0.50
Michał Butkiewicz	17,093	0.12	17,093	17,093	17,093	0.12

No employee share programs are established in the OPONEO.PL Capital Group.

#### 4.3.3. Special controlling rights and restrictions on the transfer of securities and voting rights

OPONEO.PL S.A.'s shares are ordinary bearer shares. No special control rights are attached to the Company's shares. The Company's Statute does not impose any restrictions on the transfer of ownership of shares issued by the Company or exercise of voting rights, and also does not include any provisions under which the equity rights attached to securities are separated from the possession of securities.

#### 4.3.4. Share price performance

Shares of OPONEO.PL are listed on the Warsaw Stock Exchange since September 2007. Since the trading session on 19 March 2016 they have been included in the sWIG80 index, and since 16 December 2016 - in the WIGdiv index.

Among Warsaw's major indices, sWIG80, a small companies index, was the best performer, gaining 13.9% in 2019. The main WIG index (0.3%) achieved a slight increase. On the other hand, WIG20 and mWIG40 indices recorded drops by -5,6% and -0,1% respectively.

It resulted mostly from increasing trade tensions between USA, China and the rest of the world, tightening of a monetary policy by the biggest central banks, first signs of economic slowdown and unsolved geopolitical issues regarding Brexit.

In 2019, the share price of the OPONEO.PL S.A. upon the closing of the WSE session ranged from PLN 19.50 (recorded on 21 January) to PLN 32.2 (session on 10 April). On the last trading day of 2019, that is 30 December, the share price of OPONEO.PL S.A. was PLN 22.50.

In 2019, the average trading volume of OPONEO.PL S.A. shares on the WSE was 4,103 shares.

As at 31 December 2019, the market value of OPONEO.PL S.A. was at the level of PLN 313.5 million, while the book value was PLN 189 million. The C/WK ratio (price / book value) for the Company was 1.67 and the C/Z (price/profit) was 18.44.

#### 4.3.5. Dividend

The amount of the dividend for the shareholders of OPONEO.PL S.A. depends on the current market situation and the development of the Company's operations and takes into account the maintenance of an appropriate level of financial liquidity of the Company and the OPONEO.PL Group.

On 18 June 2019, the Ordinary General Meeting, by virtue of resolution No 9 concerning the distribution of profit for the financial year from 1 January 2018 to 31 December 2018, decided to allocate PLN 0.40 per share for the payment of dividend.

The dividend day was set at 3 July 2019, and the dividend payout was scheduled for 20 July 2019, on which the Group informed in the current report No 13/2019 "informacja dotycząca wypłaty dywidendy za rok 2018" [information on payout of dividends for the year 2018]. Dividend payment was made on time.

Dividend	2012	2013	2014	2015	2016	2017	2018
Net profit of OPONEO.PL S.A. (in PLN thous.)	1,308.7	2,735.5	3,605.3	9,801.0	15,889	16,712	16,832
Dividend from the profit of the given year (in PLN thous.)	418.1	383.9	638.1	1,276.3	2,787.20	4,877.60	5,574.40
Dividend per share (in PLN)	0	0.03*	0.05*	0.10*	0.2	0.35	0.4
Date of setting the right to dividend	2013-07-15	2014-07-03	2015-07-03	2016-07-11	2017-07-03	2018-07-03	2019-07-03

\* Own shares were deducted from the total number of shares, which were not bought back by the dividend date.

#### 4.4. STATUTE AND STATUTORY AUTHORITIES

##### 4.4.1. Amending the Statute

The amendment to the Company's Statute, requires the resolution of the General Meeting and the entry into the register of entrepreneurs of the National Court Register.

In 2019, the General Meeting of Shareholders of OPONEO.PL S.A. adopted a resolution on extending the Company's scope of activity with minor issues related to employee social bonuses

##### 4.4.2. General Meeting

The General Meetings are held at the Company's registered office in Bydgoszcz. The General Meeting of OPONEO.PL S.A. holds its sessions as ordinary or extraordinary. It is called by the Management Board at written request of shareholders representing at least 5 percent of the Company's share capital, stating the reason for calling the Meeting, or at the request of the Supervisory Board.

The Ordinary General Meeting is convened annually by the Management Board of the Company, by 30 June of the following financial year, at the latest.

The subject of the Ordinary General Meeting should be:

- consideration and approval of the Management Board's report on the Company's operations, and approval of the financial statements for the previous financial year,
- adopting a resolution on profit distribution or loss coverage,
- acknowledgement of fulfilment of duties by members of the governing bodies of the Company.

Moreover, the following matters require a resolution of the shareholders' meeting:

- adoption of the balance sheet, profit and loss account, and cash flow statement for the previous year;
- granting discharge to Members of the Company's Management Board and Supervisory Board, for the performance of their duties;
- any provisions relating to the claims of the shareholders, to compensate for any damage caused to the Company or its management or supervision;
- leasing the business and establishing the right to use it;
- disposal of an enterprise;
- profit allocation and determination of loss coverage;
- Determination of remuneration for the members of the Supervisory Board and determination of remuneration for the members of the Audit Committee;
- approval of annual and multi-annual plans of the Company's activities;
- dissolution, liquidation and transformation of the Company;
- increase and decrease of the Company's share capital and the redemption of shares by the Company;
- Amendments to the Statute;
- exercising control over the activities of the Supervisory Board;
- approval of the rules of procedure of the Supervisory Board;
- appointment and dismissal of Members of the Supervisory Board.

The subject matter of the General Meeting, may be any matter addressed by the Company's Management Board or Supervisory Board, or at the request of shareholders representing at least one twentieth of the share capital. Requesting to convene a General Meeting and place specific issues in its agenda submitted by authorized entities should be justified.

Draft resolutions proposed for adoption by the General Meeting of Shareholders, and other relevant materials, should be submitted to the shareholders together with the justification and the opinion of the Supervisory Board before the General Meeting in sufficient time allowing the shareholders to familiarize themselves with these materials and evaluate them. The Company immediately publishes the aforementioned draft resolutions on its website.

The General Meeting convened at the request of the Shareholders, should be held within the time indicated in the request, and if meeting that deadline is impossible due to compelling reasons - at the earliest possible date, enabling the General Meeting to settle the issues brought to its attention.

Cancellation of the General Meeting, whose agenda includes specific matters at the request of authorized entities or which is convened on such request, is only possible with the consent of the applicants. In other cases, the General Meeting may be cancelled if there are extraordinary obstacles (the so-called force majeure) or it is evidently groundless. Cancellation is effected in the same way as convocation, not later than three weeks before the initially planned date; it should also minimise losses to the Company and inconvenience for the shareholders.

The change of the date of the General Meeting takes place in the same manner as its cancellation, even if the proposed agenda has not changed.

The participation of the shareholder's representative at the General Meeting, requires the right to act on his behalf properly. There is a presumption that a written document confirming the right to represent the shareholder at the General Meeting is lawful and does not require additional confirmations.

Each share equals 1 vote at the General Meeting. Resolutions are adopted by a majority of 51% of all voting rights held by the shareholders. The voting is open unless the provisions of the Commercial Companies Code require a secret ballot. In addition, a secret ballot shall be held at the request of at

least one of the current shareholders, as well as in the election and motion to remove the members of the Company's authorities or its liquidators, and to pull them into account, as well as for discharge. The election of the Supervisory Board, also including voting in separate groups, takes place in accordance with the provisions of the Commercial Companies Code.

Any Shareholder, as well as advisers, specialists, or other persons invited by the Company's Management Board or Supervisory Board, may participate in the General Meeting. Members of the Supervisory Board and the Management Board should attend the General Meeting. The Management Board invites the Company's auditor to participate in the Ordinary General Meeting and in the Extraordinary General Meeting, if the Company's financial matters are to be discussed. The Absence of a Member of the Management Board or a Member of the Supervisory Board at the General Meeting requires clarification.

Members of the Supervisory Board and the Management Board and the statutory auditor should provide the participants with explanations and information concerning the Company, within the limits of their competence and to the extent necessary to settle matters discussed by the Assembly. When answering questions from the General Assembly, the Board should be taking into account, that information obligations of a public company are exercised in a manner resulting from the law governing the public trading of securities and that certain information may not be exercised in any way, other than arising from this law.

Applicants who object to the resolution, shall be provided with the opportunity to briefly state their objection. In this way, the Management Board or the Chairman of the General Meeting should formulate resolutions, so that any eligible person who does not agree with the merits of the resolution constituting the object of the resolution has the opportunity to challenge it. At the request of a participant of the General Meeting, a written statement is accepted in the minutes. The statement of the participant of the General Meeting should concern only matters of importance and considered by the General Meeting.

#### 4.4.3. Supervisory Board

##### **Appointment and dismissal rules**

The Supervisory Board consists of five members, appointed and dismissed by a resolution of the General Meeting for a joint term of 5 years. At least two Supervisory Board members should meet the independence criterion within the meaning of Art. 129 of the Act of 11 May 2017 on statutory auditors, audit firms and public oversight. At least one member of the Supervisory Board should have competence in accounting and/or auditing financial statements. At least one member of the Supervisory Board should have expertise and skills in the industry in which the Company operates.

Both the entire Supervisory Board and its individual members may be dismissed at any time by the General Meeting.

If, following the expiry of the mandate of a Supervisory Board member before the expiry of his term of office, the number of Supervisory Board members is less than five, the Management Board calls the Extraordinary General Meeting, within 14 days, in order to complement the composition of the Supervisory Board so that it meets the requirements specified in the Statute.

##### **Composition**

On 31 December 2019, the Supervisory Board of OPONEO.PL S.A. was composed of the following members:

- Monika Siarkowska – Chairman of the Supervisory Board,
- Lucjan Ciaciuch – Member of the Supervisory Board (independent),
- Michał Kobus – Member of the Supervisory Board,

- Wojciech Małachowski – Member of the Supervisory Board (independent),
- Paweł Sznajder – Member of the Supervisory Board.

### Competence

The competence of the Supervisory Board is set out in the Company's Statute. The Supervisory Board exercises permanent supervision over the Company and all its branches. Special duties of the Supervisory Board include:

- exercising permanent supervision over the activities of the Management Board and submitting annual reports on activities of the Supervisory Board to the General Meeting;
- examination and evaluation of the reports referred to in art. 395 § 2 (1) of the Commercial Companies Code, in terms of their compliance with books and documents as well as with the actual state;
- giving opinions on annual and periodic reports of the Management Board and the Management Board's proposals on distribution of profits and their use;
- representing the Company in disputes and concluding agreements between the Management Board or a Member of the Management Board and the Company, suspending in the actions individual members of the Management Board, for good reasons;
- issuing opinions on motions of the Management Board on establishment of new companies, joining existing companies and economic organizations as well as acquisition and sale of shares and stocks in other companies;
- issuing opinions on the Company's periodical economic plans;
- granting consent to start new companies, joining existing companies and business organizations, acquire and sell shares in other companies, create and close branches, businesses or subsidiaries;
- approving the Company's business plans and periodic development plans;
- considering and settling the motions of the Management Board;
- consent to the acquisition, sale and encumbrance of property or share in jointly owned property;
- determining the remuneration of members of the Management Board;
- approving the Company's budget;
- appointing statutory auditors for the annual audit of the Company's financial statements, dismissing them and approval of a material change in accounting practices, unless such change results from the applicable law;
- giving consent to start a business, in new business sectors, unless it is a result of an approved annual plan of the Company;
- approving contracts with related entities, marriage or kinship with any of Board Members;
- approving work regulations of the Management Board;
- delegating a member or Members of the Supervisory Board to temporary execution of the Management Board's operations in the event of the suspension of Members of the Management Board or the entire Management Board;
- Granting the consent of appointing proxies to the Management Board;
- giving a consent to sell and/or lease, pledging or encumbering Company assets of more than 10% of the Company's share capital, provided that they are not attributable to the Company's approved annual plan or business plan covering part or all of the Company's activities;
- convening an Ordinary General Meeting if the Management Board fails to convene it within the time specified in the Articles of Association;
- convening the Extraordinary General Meeting whenever the Board deems it appropriate and the Management Board fails to convene the General Meeting within two weeks of the request being made by the Board;

- appointment and dismissal of Audit Committee Members and defining the Audit Committee rules;
- giving consent to pay-out of an advance on account of the anticipated dividend.

### Audit Committee

The Supervisory Board passes the resolution appointing the Audit Committee and adopts Audit Committee rules which determine its function, tasks and principles of operation.

The Supervisory Board appoints from among its members and dismisses members of the Audit Committee, including the Chairman of the Audit Committee. The Audit Committee comprises of at least three members, including the Chairman of the Audit Committee.

Most of the Audit Committee Members, including the Chairman of the Audit Committee, should meet the independence criterion within the meaning of Art. 129 of the Act of 11 May 2017 on statutory auditors, audit firms and public oversight. At least one Audit Committee Member should have competence in accounting and/or auditing financial statements. At least one Audit Committee Member should have expertise and skills in the industry in which the Company operates.

The Company complies with the provisions on the appointment, composition and functioning of the Audit Committee, independence criteria and requirements regarding expertise and skills in the industry in which the Company operates, and also in accounting or auditing of financial statements.

The Audit Committee established in the Company performed and still performs the tasks of the Audit Committee provided for in the applicable regulations.

As at 31 December 2019 and as at the date of preparing this report, the Audit Committee was as follows:

- Lucjan Ciaciuch – Chairman of the Audit Committee,
- Wojciech Małachowski – Member of the Audit Committee,
- Monika Siarkowska – Member of the Audit Committee.

**Lucjan Ciaciuch – Chairman of the Audit Committee** meets the statutory criteria of interdependence and has expertise and skills in accounting and auditing of financial statements. He runs an audit firm *Uni-Rach-Audyt Lucjan Ciaciuch* registered in the National Chamber of Statutory Auditors under the number 3687. Prior to that, he worked for example as: Chief Financial Officer in *PBPP Piecobudowa-Bydgoszcz* and Head of Financial Department in Voivodship Office in Bydgoszcz. He graduated from the Faculty of Law and Administration of the Nicolaus Copernicus University in Toruń. He has a license of a statutory auditor, entered into the list of entities authorised to audit financial statements under the registration number 500/4802, and qualifications of a receiver and liquidator.

**Wojciech Małachowski – Member of the Audit Committee** meets the statutory criteria of independence.

**Monika Siarkowska – Member of the Audit Committee** has expertise and skills in the industry in which the Company operates. She has been working for OPONEO.PL S.A. since 2007, that is the moment the Company entered the main trading floor of the Warsaw Stock Exchange. She created the IR/PR department in OPONEO.PL S.A., leading and supervising Company's information obligations, in the scope of legal provisions on trading in financial instruments, and also communication with the capital market. She gained her previous experiences in such companies operating in the field of the Internet as, for example, a branch of the Active 24 Group and foreign branches of Europa Technologies and Oracle.

The Audit Committee adopted the Policy and procedures for the choice of an audit firm for auditing financial statements of OPONEO.PL S.A. and the Policy of provision of permitted services other than auditing of financial statements of OPONEO.PL S.A. by the audit firm.

**Main objectives of the Policy of appointing an audit firm:**

1. The following rules are applied for the selection of an audit firm which is given the task of auditing the financial statements of OPONEO.PL S.A:
  - a) the choice is made according to § 18 section 7 letter m of the Company's Statute;
  - b) in order to audit the financial statements, the audit firm must meet the requirements of independence specified in Art. 69-73 of the act on statutory auditors, audit firms and public oversight.
2. The auditory firm is selected by the Supervisory Board from amongst the firms recommended by the Audit Committee.
3. The procedure and selection of the audit firm should be carried out in advance in order to eliminate the risk of compromising the independence and to keep the restrictions resulting from legal provisions and, at the same time, ensure appropriate quality of audit and participation of the audit firm in the necessary activities.
4. The audit firm cannot audit financial statements for the period exceeding 5 consecutive years.
5. The selected audit firm conducts an interim review and audit of financial statements for the ended financial year.
6. The selection is made out of firms which submit offers and those invited to submit offers, considering:
  - a) their experience in auditing of financial statements;
  - b) their human resources;
  - c) experience in auditing of companies with the nature of business which is similar to that of OPONEO.PL S.A.;
  - d) technical capacity of performing an audit within the time frame expected by OPONEO.PL S.A.;
  - e) the price of audit of financial statements.
7. It is preferable that the audit firm audited financial statements of subsidiaries.

**The main assumptions of the Policy of provision of permitted services other than auditing of financial statements of OPONEO.PL S.A. by the audit firm.**

The audit firm auditing financial statements of OPONEO.PL S.A., affiliated entity of the audit firm and members of the audit firm's network cannot provide any services to OPONEO.PL S.A. other than auditing of financial statements or other accounts auditing services which these entities are not allowed to provide in accordance with the applicable provisions, especially under Art. 136 section 1 of the act on statutory auditors, audit firms and public oversight, in conjunction with Art. 5 section 1 second subparagraph of the regulation No 537/2014 on specific requirements regarding statutory audit of public-interest entities.

Services specified in Art. 136 section 2 of the act on statutory auditors, audit firms and public oversight are not prohibited. Provision of these services is possible only to the extent unrelated to tax policy of OPONEO.PL S.A., after assessment of the risks and safeguards for independence, as specified in Art. 69-73 of the act on statutory auditors, audit firms and public oversight, is carried out by the Audit Committee.

In order to issue to assessment of risks and safeguards for independence, the Audit Committee has the right to request appropriate documents or clarification.

Regardless of issuing assessments of risks and safeguards for independence, the Audit Committee may issue appropriate guidelines for services other than auditing of financial statements.

On the basis of the aforementioned documents, independence assessment of the audit firm was carried out and consent was given for the provision of services in the scope of review and audit of financial statements.

The audit firm auditing financial statements of the OPONEO.PL Company and Group for financial year 2019, that is HLB M2 Audit Pie spółka z ograniczoną odpowiedzialnością (further referred to as HLB M2) was selected by the Supervisory Board in accordance with the applicable provisions, including those on selection and selection procedure of the audit firm.

Both the audit firm and members of the auditing team met the requirements for preparing an unbiased report from auditing of financial statements of the Company and the OPONEO.PL Capital Group for financial year 2019, in accordance with the applicable provisions, professional standards and rules governing professional ethics.

HLB M2 has not previously provided review and audit services to OPONEO.PL S.A.

Moreover, the company complies with the applicable law on rotation of audit firm and key statutory auditor and on obligatory waiting periods.

#### 4.4.4. Management Board

##### **Composition**

According to the Statute, the Board consists of one or more members. Members of the Management Board are appointed and dismissed by a resolution of the Supervisory Board, which entrusts the function of the President of the Management Board to one of the Members. The term of office of the Management Board is common and lasts five years.

As at 31 December 2019, the Management Board of OPONEO.PL S.A. was as follows:

- Dariusz Topolewski – President of the Management Board,
- Michał Butkiewicz – Member of the Management Board,
- Ernest Pujszo – Member of the Management Board,
- Maciej Karpusiewicz – Member of the Management Board,
- Wojciech Topolewski – Member of the Management Board.

##### **Competence**

The Management Board of the Company, is entitled and obliged to make any decisions relating to the operative management of the affairs of OPONEO.PL Joint-Stock Company.

The scope of activities of the Management Board shall especially include:

- running the Company's business,
- preparing the Management Board's reports on the Company's operations, balance sheet, as well as profit and loss account, in the manner and within the deadlines set by the applicable laws,
- keeping the minutes of the General Meeting, as well as the books of adopted resolutions,
- executing resolutions of the General Meeting and adhering to the recommendations and resolutions of the Supervisory Board,
- keeping all matters not reserved for the other Company's governing bodies.

The Management Board is obliged to fulfil all obligations incumbent upon it by virtue of the binding provisions of law, as well as binding resolutions and entitled under separate regulations of external control and management bodies of the Company's organs.

Matters outside the normal management require resolution of the Management Board; these matters mostly include:

- approving execution of orders if their value exceeds 10% of Company's share capital;
- entering into a contract with a value exceeding 10% of the share capital, and conclusion of all general contracts;
- entering into a sponsorship or advertising agreement with a value exceeding 10% of the Company's share capital;
- concluding an agency brokering or similar contract, if it may result in future commission or other form of remuneration exceeding 10% of the Company's share capital;
- concluding an agreement on transfer of Company's ownership;
- establishing a mortgage on the property owned by the Company;
- acquisition, modernization, extension, etc. of fixed assets excluding 10% of the Company's share capital, that are not included in the investment plan submitted for approval by the Supervisory Board;
- referring the case to court, administrative or arbitration court if the value of the dispute exceeds 10% of the Company's share capital.

The Management Board is obliged to submit requests to the Management Board on matters concerning establishment of new companies, joining existing companies and economic organizations as well as acquisition and sale of shares and stocks in other companies.

#### 4.4.5. Remuneration of statutory authorities

Information on paid or payable remunerations of managers and supervisors of OPONEO.PL S.A., has been disclosed in the Group's consolidated financial statements for 2019, in item 5.8.

#### 4.5. DIVERSITY POLICY

OPONEO.PL S.A. strives to ensure gender, field of study, age and professional experience diversity of all its employees, especially the management and key managers.

The Company applies rules that promote the prevention of discrimination in employment, particularly on grounds of gender, age, disability, race, religion, nationality, political beliefs, trade union membership, ethnicity, faith or sexual orientation. For this purpose, internal regulations have been developed to increase diversity and to ensure equal opportunities for employment among the employed. OPONEO.PL S.A., as a company with international reach, employs people of different nationalities.

#### 4.6. ENTITY AUTHORISED TO AUDIT FINANCIAL STATEMENTS

On 19 July 2018, the Supervisory Board of OPONEO.PL S.A. chose *HLB M2 Audit PIE Spółka z ograniczoną odpowiedzialnością* to conduct:

- A review of interim individual and consolidated financial statements prepared according to IFRS/IAS for the period 01.01.2018 – 30.06.2018.
- An audit of interim individual and consolidated financial statements prepared according to IFRS/IAS for the period 01.01.2018 – 31.12.2018.
- A review of interim individual and consolidated financial statements prepared according to IFRS/IAS for the period 01.01.2019 – 30.06.2019.
- An audit of interim individual and consolidated financial statements prepared according to IFRS/IAS for the period 01.01.2019 – 31.12.2019.

HLB M2 Audit PIE Spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw, is entered in the list of entities authorised to audit financial statements under the registration number 4123.

Previously OPONEO.PL S.A. had not used the services provided by *HLB M2 Audit PIE Spółka z ograniczoną odpowiedzialnością* in the scope of review and auditing of financial statements.

Remuneration of the entity authorised to audit financial statements	01.01.2019- 31.12.2019	01.01.2018- 31.12.2018
Audit of annual financial statements and consolidated financial statements	50	40
Other assurance services, including review of financial statements / consolidated financial statements	25	25
Tax advisory services	0	0
Other services (annual audit of subsidiaries' financial statements)	0	0
<b>In total</b>	<b>75</b>	<b>65</b>

#### 4.7. INFORMATION OF THE MANAGEMENT BOARD ON THE CHOICE OF AUDIT FIRM CONDUCTING AUDIT OF ANNUAL FINANCIAL STATEMENTS

On the basis of the statement issued by the Supervisory Board of OPONEO.PL S.A., on the entity authorised to audit the Company's separate annual financial statements and consolidated annual financial statements of the OPONEO.PL Capital Group, the Management Board of OPONEO.PL S.A. informs that:

- The audit firm auditing financial statements of the OPONEO.PL Company and Group for financial year 2019, that is HLB M2 Audit Pie spółka z ograniczoną odpowiedzialnością (further referred to as "Audit Firm") was selected by the Supervisory Board in accordance with the applicable provisions, including those on selection and selection procedure of the audit firm.
- Both the audit firm and members of the auditing team met the requirements for preparing an unbiased report from auditing of financial statements of the Company and the OPONEO.PL Capital Group for financial year 2019, in accordance with the applicable provisions, professional standards and rules governing professional ethics.
- The Company complies with the applicable law on rotation of audit firm and key statutory auditor and on obligatory waiting periods.
- The Company has a policy on choosing an audit firm and on provision of additional services other than auditing, including services conditionally exempted from the prohibition of provision by an audit firm, to the Company by an audit firm, its related entity or member of its network.

## 5. NON-FINANCIAL ASPECTS OF OPERATIONS OF OPONEO.PL, THAT IS OUR IMPACT ON THE SOCIETY AND ENVIRONMENT



## **INFORMATION - Company's clarification in response to legal changes on reporting non-financial data.**

This document is not a Declaration on non-financial data required by amendments in the Polish Accounting Act of 29 September 1994 (consolidated text Dz. U. [*Journal of Laws*] of 2017, item 2201, as amended) resulting from transposition of the Directive 2014/95/EU into Polish law. In 2017, OPONEO.PL does not meet the requirements, specified in the Polish Accounting Act, for preparing such a document neither at the level of the Parent company OPONEO.PL S.A. nor at the level of the OPONEO.PL Group.

However, OPONEO.PL S.A., in support of the intention to increase transparency of social and environmental information, in view of its years of activities in the spirit of sustainable development and analysing dynamic growth of the OPONEO.PL Group, decided to carry out an internal analysis and prepare this opening report in the scope of "Non-financial aspects of operations of OPONEO.PL".

## **5. MANAGEMENT OF SUSTAINABLE DEVELOPMENT AND CORPORATE SOCIAL RESPONSIBILITY IN OPONEO.PL**

### **5.1. BUSINESS PHILOSOPHY**

Since the start of its operations, OPONEO.PL S.A. follows 3 key principles:

- capital - people forming a harmonious team which pursues the common objective,
- work - activities based on partnership cooperation and altruism,
- success - the result of using human talents, tailored to tasks and with care of personal development and constant improvement of skills.

These values lead to continuous growth of OPONEO.PL S.A., stressing the importance of people in the organisation. They are the most precious resource, and without them the Company would not be where it is today. Social responsibility of OPONEO.PL S.A is mostly care about rights of employees, building their motivation and satisfaction and creating space for their development within the company structures.

Tyres and their testing on the racing track is the passion of the founders of OPONEO.PL S.A. Polish Rally Championships or Rallycross racing are a great opportunity for Company's employees to see how tyres perform in the most extreme conditions Sponsorship of motor sports was a natural direction for the Company. A significant part of the Company's employees come from Bydgoszcz and its region; therefore, the Company's social and charity activities are directed to this region. These activities concentrate in, among others, support of sport initiatives and hobbies of children and adults.

Impact on the Company's environment is mainly its office and warehouse activities as well as transport of wheels. The guiding principle of the Company is minimisation of negative influence, which is often in line with financial benefits due to enhancing the efficiency and optimisation of processes. OPONEO.PL S.A. has been consistently implementing effective ecological solutions within the scope of management of office and warehouse areas and improving the routes of tyre delivery to customers in order to reduce the time of transport which translates into the level of gas emissions to the environment.

Customer service at the highest level is a natural consequence of the business model of OPONEO.PL S.A. The company implements a number of actions and processes aimed at its continuous

improvement, starting from the writing down of service standards through employee training to quality control.

## 5.2. OUR STAKEHOLDERS

As a result of its business activities, OPONEO.PL S.A. contacts and influences a number of entities, people and organisations – the so-called stakeholders. Their analysis with regard their impact on business and their interest in the organisation make it possible to establish priorities for building relations.

The following groups of stakeholders are crucial for the Company's business activities and fundamental in terms of its social responsibility:

- **Employees** – it is the Company's basic resource which allows it to generate value.
- **Customers** – continuous improvement of service quality contributes to greater loyalty of customers and expands customer base.
- **Tyre manufacturers and wholesalers** – good relations enable efficient cooperation for mutual benefits.
- **Internet community** – e-commerce is the essence of the business of OPONEO.PL S.A. This means that the company is part of the Internet community, respecting the applicable rights, standards and rules.
- **Carriers (couriers)** – durable relationships and good communication are the basis for effective logistics.
- **International competitors** – monitoring of activities in terms of entering the market by large international companies which specialise in wholesale of car parts, including tyres.
- **Service centres** – building a network of service partners for the purpose of improving customer experience.
- **Polish nationwide media** – using them for building corporate image is crucial in order to reach customers.

## 5.3. NON-FINANCIAL RISKS

In connection with operations of OPONEO.PL S.A., we can identify a number of non-financial risks in terms of sustainable development and responsible business, like for example:

RISK	DESCRIPTION OF THE RISK	RISK MANAGEMENT
<b>EXTERNAL AND MARKET ENVIRONMENT AS WELL AS RANDOM EVENTS</b>		
<b>Risk attributable to seasonal nature of sales and weather conditions</b>	The market of tyre sales is characterised by high volatility. Two basic periods can be differentiated – spring and winter, that is times of tyre replacement. Additionally, weather conditions may lead to considerable shifts in this regard.	A qualified team of analysts constantly monitors sales of tyres and forecasts their fluctuations. This has influence on the number of persons working in the customer service team or involved in dispatch. The Company also sells all-season tyres which are becoming increasingly popular in Poland.  In addition, the Company sells steel and aluminium wheels which give high yield and lower seasonal fluctuations.

<p><b>The risk of loss of property due to fire, flooding or other chance events - related to concentration of commodities in one place</b></p>	<p>The logistic centre and basic warehouse facilities are located in the Bydgoszcz region. Any accidental events (fire, flood, etc.) would result in serious disruptions of continuity of deliveries to recipients, and especially in delayed deliveries. This would result in discontinuity of revenues and possible loss of some part of market.</p>	<p>Decentralisation of inventories was implemented with the use of a new warehouse. Moreover, ongoing supervision of compliance with all fire protection and occupational health and safety standards is carried out in warehouses. A system was implemented to allow systematic backups of all information and possible immediate recovery of the IT network based on an emergency system, and also appropriate insurance contracts guaranteeing full coverage of possible losses were concluded.</p>
<p><b>EMPLOYEES AND CUSTOMERS</b></p>		
<p><b>Risk of losing qualified staff</b></p>	<p>Due to the specific nature of the industry, highly qualified specialists play the key role in the structure, especially those with degree in computer science. When an employee leaves the company, it creates a tangible loss because it requires recruiting and training of a properly qualified replacement.</p>	<p>OPONEO.PL S.A. runs human resource policies which encourage employees to plan their professional future in our company.</p>
<p><b>Risk related to real or perceived discrimination at the level of recruitment, work, promotion or determining remuneration.</b></p>	<p>Recruitment announcements which may potentially discriminate certain groups (for example targeting a specific gender or age group) or practices for employment, promotion or remuneration which may contain the elements of discrimination put an employer in the risk of complaints and legal actions.</p>	<p>Following its Staff Rules, OPONEO.PL S.A. avoids any form of discrimination. In practice, it also translates into creating neutral and non-discriminating recruitment announcements and also caring about equality in recruitment, promotions and determining of remuneration.</p>
<p><b>Risk of losing customers or damage in terms of image as a result of unprofessional service</b></p>	<p>Customers are sensitive to the order execution process and its efficiency as well as guidance and level of customer support. There is a risk of damage to image and failure to complete a sales transaction if expectations in this regard are not met.</p>	<p>The Company's actions taken to prevent such risk consist in regular customer satisfaction surveys, strict quality control and also proving appropriate to personnel.</p>
<p><b>CORRUPTION AND ABUSE</b></p>		

<b>Risk related to a leak of confidential information</b>	A possible leak of information on current commercial terms and conditions (including policy and terms of sales and purchase from suppliers) and of customer base could deteriorate the Company's competitive position and lead to failure to reach the planned revenues.	Confidential information is made available only to top-management employees. Moreover, the scope of access to data depends on the scope of tasks of individual employees.
<b>Risk connected with potential hacking of the website (loss of trust in the website)</b>	E-commerce activities create the potential risk of cyber-crimes, such as hacking into the system and its destruction as well as damage or denial of service.	OPONEO.PL S.A. maintains a team responsible for security of the website and applies appropriate security systems and security procedures.
<b>ENVIRONMENTAL PROTECTION AND SOCIAL ACTIVITIES</b>		
<b>Risk related to environmental protection regulations</b>	There is a risk of new environmental tax on used tyres which may be imposed on sellers of new tyres. This would slightly influence results of the Company. A company which markets tyres which come from outside of Poland is obliged to bear the costs of their future recycling.	OPONEO.PL S.A. pays the necessary product (recycling) fees in this regard.
<b>Risk linked to the support of controversial organisations and projects</b>	Support in the form of donations and other forms of Company's involvement in activities of organisations operating on the verge of legality or highly controversial ones, e.g. of a racist, religious or political character or spread discriminating slogans or use hate speech.	Before any cooperation is started or support is provided, the Company collects information and carefully verifies a given organisation. OPONEO.PL S.A. supports only organisations/projects which benefit local communities from the Company's region or which pursue the objectives and values which are relevant to the Company.

#### 5.4. OUR ACTIVITIES IN THE AREA OF SUSTAINABLE DEVELOPMENT

Since its establishment, OPONEO.PL S.A carries out activities which are in line with the philosophy of responsible business and sustainable development. These activities range from managing employees through construction of offices and warehouses as well as optimisation of transportation routes to sponsorship of motor sports and charity activities. In connection with the requirements regarding reporting of non-financial data, the Company decided to prepare an opening report and sum up its activities, despite the fact that there was no such obligation as at 31 December 2019.

The following pages present the Company's approach and activities in the scope of:

- Employment aspects,
- Diversity and respect for human rights,
- Preventing corruption,
- Social aspects,
- Environmental protection.

Each area describes the Company's policy on the basis of established and implemented documents, standards or solutions; due diligence procedures and Company's activities and their results are presented.

#### 5.4.1. Managing people

Activities of OPONEO.PL S.A. concentrate on the e-commerce market, but it would not be possible without employees, who are the Company's greatest resource. OPONEO.PL S.A. is a Polish company which steadily expands on the European market and, due to its dynamic growth, is constantly looking for both specialists and persons who want to gain professional experience. The Company also provides options for internal development through vertical and horizontal promotions and also formation of new organisational units within its structure, based on diagnosed needs and opportunities.

#### Employment in OPONEO.PL S.A.

Total number of employees	31.12.2019	31.12.2018
Total number of employees	359	323
Number of employees in managerial positions	18	18
Total number of employees broken down by gender	138 women, 221 men	113 women, 210 men

As part of its human resources management, the Company desires to employ and keep motivated workers who have the expected competencies and qualifications. In the recruitment process OPONEO.PL S.A. considers solely substantive aspects, following the principle of equal opportunities when concerning current staff needs specified by individual teams. For more details, please see chapter 2.2.1 - on diversity and respects for the rights of workers.

Employee turnover in OPONEO.PL S.A.	01.01.2019- 31.12.2019	01.01.2018- 31.12.2018
Total number of new employees broken down by gender	138 persons including 52 women and 86 men	150 persons including 45 women and 105 men
Number of persons who terminated their work, by gender	98 persons including 28 women and 70 men	81 persons including 28 women and 53 men

Depending on the department, internal recruitment (within the commercial department) and also recruitment on recommendation, especially when concerning highly specialised positions like IT, is carried out. Moreover, OPONEO.PL S.A. takes actions aiming at supporting recruitment, like for example:

- Presentation of the company and possible vacancies, competition for graduates of the Complex of Automotive Schools and also continuing of cooperation with the school through posting job offers on the school website.
- Participation in regional job fairs.
- Cooperation with secondary schools and universities in the Kuyavian-Pomeranian Voivodship and also with the Lublin Catholic University of John Paul II on HR activities, including student placements and job offers for positions which require fluency in foreign languages.

Employees receive monthly salary on the basis of the hourly rate specified in the contract and actual working hours or a specified commission. There is allowance for overtime hours. Equal pay for equal work or for work of equal value is the basic principle for remuneration, which covers all remuneration components. The Company has no Company Social Benefits Fund and does not pay holiday benefits.

In everyday work, emphasis is put on personal development of employees, and the responsibility for this is shared by an employee and his employer. Dedicated departments and persons participate in thematic training. Additionally, externally financed training courses are conducted. New employees, especially in Customer Service Departments (CSD), undergo induction which allows them to get to know the company and learn about customer service standards. Product training courses are carried out in cooperation with manufacturers before each new season. These training courses cover technical parameters, test results, interesting industry facts and also novelties for a given season. Internal training covers broadly defined knowledge on models of tyres, wheels, treads, approval and also customer service – including discussing the principles for assessing conversations with customers. Such training is obligatory for each new CSD worker. Organisation of meetings on a race track, where team integration, improvement of driving techniques, product-related training and tests of selected tyres were carried out, was a great attraction which was related to the nature of the sold product.

Motivation and satisfaction of employees are key elements for the Company's growth. Special emphasis is put on friendly atmosphere and good relations at work. The Company cares about diversity and values individuality of each employee, which translates into shaping individual career paths. Horizontal promotions and internal rotations take place in OPONEO.PL S.A. Employees change departments and teams or take up new areas of competence under newly-created teams initiated by them. Clear objectives are being set and employees are taken responsible for their areas of work, but they receive support with the use of appropriate tools. Employee feedback is collected regularly within individual teams. Employee commitment surveys were carried out in CSD, which translated into improvement of bonus systems in individual teams. Moreover, under the "Review of work and

development” employees receive feedback from their superior on their work and further development.

OPONEO.PL S.A. provides its employees with the following benefits:

- English courses for those who use the language at work.
- Daily fresh fruit in the office.
- Tyre replacement for employees.
- Favourable purchasing conditions concerning bicycles and tyres for employees.
- Due to the construction of a new office building, the following facilities were available for employees in 2019:
  - restaurant,
  - relaxation zone in the building,
  - gym, fitness zone,
  - breastfeeding room for young mothers,
  - facilities for disabled (lifts, wide passages, toilets).

#### 5.4.2. Diversity and respect for human rights

Respect of human dignity, equality and diversity, especially of Company employees, business partners and customers, is one of key principles in Company’s everyday activities. Mutual respect, good work atmosphere and the highest standards of customer service are the foundations that have accompanied everyone from the beginning of their work at OPONEO.PL S.A. Internal regulations on equality, diversity and human rights are based on the Polish legal acts in force, such as the Constitution of the Republic of Poland, the Labour Code and the Civil Code. The basic documents governing Company’s approach in this regard are Work Regulations and Remuneration Regulations.

### EMPLOYEES

OPONEO.PL S.A. strives to ensure diversity of all its employees, especially the Company’s management and key managers. The Company applies rules that promote the prevention of discrimination in employment, particularly on grounds of gender, age, disability, race, religion, nationality, political beliefs, trade union membership, ethnicity, faith or sexual orientation. For this purpose, internal regulations have been developed to increase diversity and to ensure equal opportunities for employment among the employed. When concerning the aspects of diversity, like field of education or level of professional experience – recruitment is always based on specific requirements for a given position, both in the scope of specific professional qualifications and specific soft skills.

### Information on the participation of women and men in the Management Board and the Supervisory Board

Following the principle of “Code of Best Practice for WSE Listed Companies” OPONEO.PL S.A. presents the share of women and men its Management Board and Supervisory Board.

#### Management Board of OPONEO.PL S.A.

	31.12.2019		31.12.2018		31.12.2017	
	number of persons	number of persons	number of persons	number of persons	number of persons	%
Women	-	-	-	-	-	-
Men	5	5	5	5	4	100
In total	5	5	5	5	4	100

### The Supervisory Board of OPONEO.PL S.A.

	31.12.2019		31.12.2018		31.12.2017	
	number of persons	%	number of persons	%	number of persons	%
Women	1	20	1	20	-	-
Men	4	80	4	80	5	100
In total	5	100	5	100	5	100

The aim of OPONEO.PL S.A. is to create working environment which is characterised by respect for human rights and which is free from any signs of discrimination and unequal treatment. Each new employee of OPONEO.PL S.A. is informed on the obligation of equal treatment in the scope of establishment and termination of the employment relationship conditions of employment, promotion and access to training aimed at raising professional qualifications, regardless of any aspects of diversity, including the legal form of employment. The Company has a zero-tolerance policy with respect to discrimination and mobbing, making the employees aware how these phenomena may look like in practice. Relevant provisions are included in Work Regulations, collected in one of its appendices and handed over to each newly-employed worker.

In its everyday operations, OPONEO.PL S.A. strives to ensure occupational health and safety by full compliance with the relevant national provisions of law. Each new employee undergoes obligatory medical examinations which are repeated periodically. Next, they receive training on health and safety regulations and certify that they read and understood environmental risks. The aim is to minimise the possibility of accidents. There are no occupational diseases in the Company. OPONEO.PL S.A. does not in any way restrict freedom of association of workers and their rights to form unions and association under Polish law. Currently, there are no trade unions in the Company, and there is no collective agreement in force.

#### 5.4.3. Our customers

Customer service is one of the key OPONEO.PL S.A. priorities. The Company would like the customers to be satisfied with their purchase in a shop, and to be sure that the Company cares for their road safety selling products of the best quality. Oponeo.pl is also a place where the customers will find professional expertise concerning tyres, current tests, opinions of other users and relations of the sport events supported by the Company.

Each employee starting to work in OPONEO.PL S.A. Customer Service Department has to become familiar with standards concerning quality of customer service. The Company has established a Book of Standards, that is the accepted set of applicable rules regarding external and internal customer service. Also, a new employee receives all necessary information, rules and guidance notes during initial training and he/she is regularly checked whether he/she uses them during everyday work. Moreover, as part of improving the quality of our customer service and controlling the accepted standards, conversations between the Company's employees and customers are recorded and listened to on a regular basis. One of the elements of bonus system is an assessment, which is determined individually for each team. For us, it is an important source of feedback concerning the customers' needs related to providing services as well as any potential training needs of the Company's employees.

Each customer can assess the service, talk with a Company's employee and file a complaint. Each time customers receive a survey with a request for evaluation on the e-mail address provided. Additionally, the customers can use mailboxes: info@oponeo.pl / reklamacje@oponeo.pl / uwagi@oponeo.pl to which they can send their questions, opinions and remarks. Both the surveys and mails sent to mailboxes are regularly checked and analysed. The Company has specific complaint procedures

described on a publicly available website: <https://www.oponeo.pl/reklamacje>. Within the scope of the claim procedure, each customer receives, on an ongoing basis, email notifications concerning a stage of the claim procedure and further steps.

## 5.5. PREVENTING CORRUPTION

OPONEO.PL S.A. has Compliance Guidelines for the prevention of corruption and a number of internal regulations applicable in the area of preventing corruption.

The Company does not accept the following actions which appear to constitute corruption or abuse:

- appropriation of property of the Company, affiliates or contractors,
- publishing incorrect data in the financial statements or improper application of accounting principles,
- promising, offering, instigation, giving financial or personal benefits,
- accepting or giving gifts in cash,
- all other wilful acts resulting in an injury to the Company or violating the existing regulations and procedures.

When holding any negotiations, concluding agreements/contracts or in relevant contacts with public authorities or business entities the employees responsible for the process should act with the knowledge and agreement of the Management Board. Any and all payments for the benefit of external entities, including donations and sponsoring, require the acceptance from the Management Board or an indicated person. Transfer of resources from Company's funds (or donations in kind) for the benefit of a political party, party member or a political committee or to a candidate for a public, regional or local office is forbidden. For confidential information within the meaning of Art. 9 of the MAR regulation, procedures required by MAR apply. An Audit Committee functions in the Company as part of the Supervisory Board.

## 5.6. SOCIAL ENGAGEMENT

The aim of OPONEO.PL is to be good and valued neighbour within the community in which it operates. At the same time, the Company strives for building reliable image within the industry by undertaking various sponsoring measures related with motor sports.

The Company's operations for the benefit of the community are concentrated on the following issues:

- Supporting development of motor sports.
- Supporting sport initiatives and passions of children and adults.

Additionally, the Company undertakes various activities within the local community in the territory of Bydgoszcz and in the neighbourhood.

### Supporting development of motor sports

The main area of social involvement of OPONEO.PL S.A are initiatives concerning development of motor sports. The beginning constitutes organisation of 4 free training courses called "**Bezpieczna Jazda z OPONEO**" [*Safe driving with OPONEO*] including theoretical training (correct position behind the wheel, impact of vehicle elements on safe driving) and practical contests - slalom, correct cornering, simulation of skids, Stewart test, braking on loose surfaces avoiding an obstacle.

Interest in motor sports is a natural development path for a sales leader of tyres through the internet. The Company established the **Stowarzyszenie OPONEO Motorsport** [*OPONEO Motorsport Association*] whose main goal is to make rallycross popular again in Poland - by organisation of competitions, training of future competitors and referees. In 2019, OPONEO.PL S.A was a title sponsor of the Polish Rallycross Championship. The efforts and contribution to development of motor sports was appreciated by the Polish Automobile and Motorcycle Association who awarded the OPONEO.PL Group as a winner in the sponsorship category. More details: <http://www.rallycross.com.pl/>.

### **Supporting sport initiatives and passions of children and adults**

The next area of the Company's involvement is **cycling**, which is in line with development of one of the OPONEO.PL S.A companies, namely Dadelo.pl S.A., which sells bikes and bike accessories. OPONEO.PL S.A. created the OPONEO cycling group which participated in a number of races including Polish Championship.

OPONEO.PL S.A. also supports such sports activities as volleyball (*KS Pałac*), football (*Fundacja Akademia Piłkarska Tęcza Bydgoszcz, Budowlany Klub Sportowy*), calisthenics (Calisthenics Academy - Eliminations for the World Cup in Street Workout 2019) and speedway. OPONEO.PL S.A. is a sponsor of **Rafał Wilk - a speedway rider, an disabled athlete** in preparation for and on his way to Tokyo 2020 Paralympic Games (<http://www.rafalwilk.com/>).

OPONEO.PL S.A. takes individual approach to each sponsorship offer. The Company, by supporting sportsmen and enthusiasts of long travels, tries to present OPONEO.PL not only as an online shop but also as a company which **helps to develop people's hobbies**.

In recent years, OPONEO.PL S.A has supported a number of travels abroad, including but not limited to "Bezgranic 4x4" travellers who organise OFF-road trips, a couple of travellers "Szpilki na Mapie", who spent over 3 years travelling through Africa and South America as well as Arkady Fiedler within the "Electric Explorer African Challenge" project, that is the first travel through Africa by electric car in order to promote electromobility.

A separate area of OPONEO.PL S.A.'s involvement is support of **children and needy people in the local community**.

"**OPONEO Wakacje**" [*OPONEO holidays*] is free holiday training for children under 13, organised in cooperation with the Bydgoski Klub Sportowy "Chemik" [*„Chemik” Bydgoszcz Sport Club*]. The aim of the project is to activate children through sport and provide the possibility to spend their time during holidays in an active way. In 2019, 2018 and 2016 editions there were 400 participants. In 2016, the initiative took the form of a Polish nationwide action called "OPONEO wspiera młodych" [*OPONEO supports the youth*]. Its aim was to reach smaller clubs in Poland and support them financially to help developing love for sports among the youngest. The Company funded the total of 698 sets of kits for young players of football clubs.

OPONEO.PL S.A supported the organisation of "**Uśmiechnięty dzień**" [*Smiling day*] for children from orphanages, youth community centres and other institutions as well as needy families from the Kujawy and Pomerania region. During the summer edition, 200 children spent their day in a ZOO and in Myślęcinek park in Bydgoszcz, that is the largest city park in Poland. Similarly, during the winter edition approximately 200 children, including kids from areas currently affected by storms, spent the whole day in the Family Park Play Centre.

For 4 years, OPONEO.PL S.A has been participating in the “**Życzenia Dzieciom**” [*Wishes for children*] **Action** realised twice during the year on the occasion of holidays in Radio Plus Bydgoszcz. The money collected during the action is spent for summer stay of children in the mountains or by the sea which is organised by Towarzystwo Przyjaciół Dzieci - Kujawsko-Pomorski Oddział Regionalny Koło Pomocy Dzieciom z Chorobą Nowotworową [*the society of the friends of children - the Kujawy and Pomerania regional branch, support group for children with cancer*].

OPONEO.PL S.A. also funded a set of new car tyres for parents of one of the “**Słoneczko**” foundation’s dependent, so they could safely drive the child to rehabilitation classes. The foundation helps disabled people to collect money for rehabilitation, treatment and equipment. More information: <http://www.fundacja-sloneczko.pl/>.

In 2019, OPONEO.PL S.A. also supported the Voluntary Fire Department - Specialist Rescue Group "Starówka" and "Fundacja Ratownictwo Motocyklowe Polska" (Motorcycle Rescue Foundation Poland) with sets of tyres.

## 5.7. ENVIRONMENTAL PROTECTION

Impact on the Company’s environment is mainly its office and warehouse activities as well as transport of wheels. The guiding principle of the Company is minimisation of negative influence, which is often in line with financial benefits due to enhancing the efficiency and optimisation of processes.

OPONEO.PL S.A. has been consistently implementing effective ecological solutions within the scope of management of office and warehouse areas. When expanding the registered office by the next office building, it consistently used the ecological energy sources which supply the high-performance central heating system as well as air conditioning and ventilation systems. A few dozen of geothermal boreholes were made and using a lower spring, a system of heat pumps with heating power of approx. 500 kW was started. Window woodwork with increased thermal and sound insulation index was used in the new building. In 2018, the woodwork was replaced also in old buildings. Additional pro-ecological solutions in the new building consist in using mechanical ventilation system with heat recovery and increasing of insulation of wall barriers including walls, roof and floors.

LED lighting was installed in the entire building, and similar external lighting is expected to be installed in the Company’s premises. The new, enlarged Company’s territory was illuminated by means of LED lighting and the existing external lighting was replaced. At the same time, modernisation of lighting system of the existing buildings, which consisted in replacement of light fittings by energy-saving ones, was carried out. Within the framework of the replacement, 300 pieces of glow lamp fittings of 72W/pc were dismantled and replaced by 290 pieces of LED light fittings of 40W/pc.

### Demand for final energy and emission of CO2\*

Energy carrier	Primary non-renewable energy input factors	Emission factor [kgCO <sub>2</sub> /GJ] or [MgCO <sub>2</sub> /MWh]  acc. to KOBIZE	Pre-modernization situation	
			Demand for final energy [GJ/year] or [MWh/year]	Amount of emission [MgCO <sub>2</sub> /year]
<b>BUILDING 1</b>				
Electric power	-	0.798	78.66	62.77
<b>BUILDING 2</b>				

Electric power	-	0.798	71.746	57.25
<b>WAREHOUSE</b>				
Electric power	-	0.798	28.401	22.66
<b>TOTAL</b>				<b>142.68</b>

\* Data on the basis of energy audit conducted in September 2017

As a result of the energy audit carried out in 2017, the Company has implemented a number of measures aimed at thermal efficiency improvement projects selected on the basis of an assessment of the technical condition. In order to reduce heat loss in buildings resulting from transmission through external walls, the façade was insulated by means of composite (insulating) panels. Additionally, as part of modernisation of the heating system, the warehouse was connected to the heat pump which is installed in the neighbouring office building. This allowed for using the heat energy excess from geothermal source during winter in order to heat up the neighbouring warehouse. The result of connecting the warehouse to the heat pump was elimination of heating oil usage. The environmental effect is reducing emission of harmful substances, and the social effect is improving working conditions of employees and other people staying in the modernised building.

Replacement of common fixtures to water saving fixtures was carried out in the old building. As a result of the renovation, the fixtures in all washing facilities (8 pcs.) were replaced by automatic ones with electric controls and flow rate limiters which reduce water usage/cycle. Moreover, installation of the irrigation system of green areas supplied with precipitation water from roofs is planned. Disposal of precipitation water from car parks after its pre-treatment to municipal storm water drainage is realised. A separator reduces the amount of oil-derivative pollution contained in precipitation water collected from car parks. Waste is sorted throughout the Company premises.

The Company strives for improving delivery routes of tyres to customers in order to reduce the time of transport and length of routes, which translates into emission levels of fumes to the environment. In conjunction with huge volumes of goods sent from the Company's warehouse, a decision of decentralisation of logistics activities was made and, a new logistics centre was opened in Siechnice near Wrocław. This warehouse serves clients from south-western Poland. What is more, in connection with burdensomeness of transport for the local community, the distribution centre in Bydgoszcz was moved to industrial park near the ring road to the motorway and, thanks to that, the number of trucks driving through Bydgoszcz was reduced.

The Company is obliged to dispose of tyres - in 2019, 3.7 thousand tyres were disposed of and 224 thousand were accepted for disposal from car service points.

## **APPROVAL FOR PUBLICATION**

The Management Board's Report on operations was approved for publication by the Management Board of OPONEO.PL S.A. on 31 March 2020.

### **Signatures of persons representing the Company:**

**Dariusz Topolewski**

President of the Management Board

**Michał Butkiewicz**

Member of the Management Board

**Maciej Karpusiewicz**

Member of the Management Board

**Ernest Pujszo**

Member of the Management Board

**Wojciech Topolewski**

Member of the Management Board

**Bydgoszcz, 31 March 2020**

**openo**