



UNIMOT CAPITAL GROUP

**STATEMENTS  
OF THE MANAGEMENT  
BOARD  
FOR 2019**

25th March 2020

# UNIMOT Group 2019

Total revenues

**PLN 4 445 M**

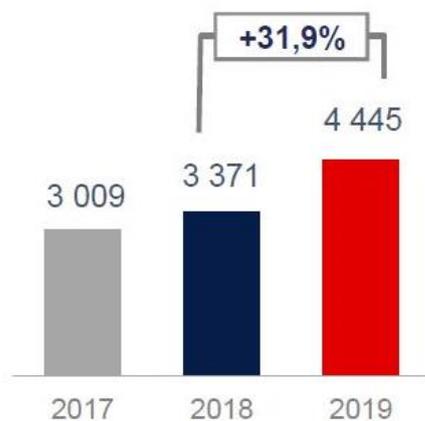
EBITDA

**PLN 89.9 M**

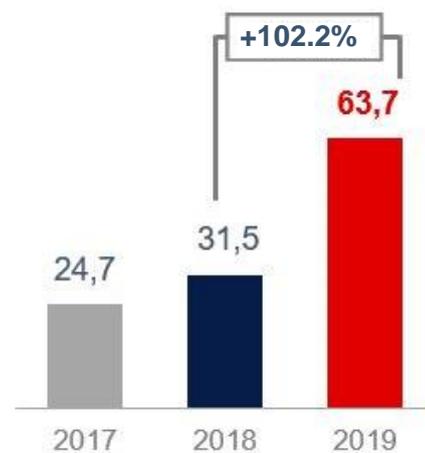
EBITDA Adjusted

**PLN 63.7 M**

Total revenues [in PLN m]



EBITDA adjusted [in PLN m]



## SELECTED DATA AND FINANCIAL INDEXES

<i>in PLN thousand</i>	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
<b>Total revenues</b>	<b>4 445 420</b>	<b>3 370 994</b>
<b>Gross profit on sales</b>	<b>221 605</b>	<b>121 899</b>
<i>Gross margin on sales</i>	5.0%	3.6%
<b>Operating profit</b>	<b>68 744</b>	<b>727</b>
<i>Operating profit margin</i>	1.5%	0.0%
<b>EBITDA <sup>2</sup></b>	<b>89 949</b>	<b>13 519</b>
<i>EBITDA margin</i>	2.0%	0.4%
<b>EBITDA adjusted <sup>3</sup></b>	<b>63 712</b>	<b>31 454</b>
<i>EBITDA margin adjusted</i>	1.4%	0.9%
<b>Net profit</b>	<b>59 923</b>	<b>(3 140)</b>
<i>Net margin</i>	1.3%	-0.1%
<b>Net profit adjusted<sup>3</sup></b>	<b>34 606</b>	<b>14 795</b>
<i>Net margin adjusted</i>	0.8%	0.4%

1. Realised and unrealised exchange rate differences as well as assets and liabilities evaluation, including inventories, are recognised in the item.

2. Earnings Before Interest, Taxes, Depreciation and Amortization.

3. . Adjusted for the impact of liquid fuels inventories valuation (driven by a significant change of the spread between diesel spot and forwards quotations), movements over time of costs related to NIT fulfilment and maintaining compulsory reserves of fuels as well other one-time events and other justified movements.

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## 1. LETTER OF THE PRESIDENT OF THE MANAGEMENT BOARD



*Dear Sirs, Dear Shareholders,*

once again I have the pleasure to present to you the statements that contain very good financial results of the UNIMOT Group. Additionally, we are very pleased that the results for 2019 are the best ones in almost 30 years in the most important ratios of our business activity – both with relation to the level of revenues as well as adjusted consolidated EBITDA. In 2019 we achieved PLN 4445.4 million of consolidated revenues, which is a growth by 31.9% compared to the previous year. Consolidated EBITDA amounted to PLN 89.9 million (up by 565.9% yoy), and consolidated adjusted EBITDA (cleaned for the impact of compulsory reserve valuation of liquid fuel reserves, one-time events and other justified movements) PLN 63.7 million, which is a growth by 102.2% yoy.

The achieved results were primarily driven by effective utilisation of market opportunities related to the continued demand for diesel oil. Moreover, we managed to win significantly more tenders for bio-fuels than we had assumed.

In 2019 we sold over one million metres<sup>3</sup> of fuels and bio-fuels. This is the largest annual volume of sold fuels in our history. Due to this fact within the past year we updated our financial forecasts for 2019 three times – the original level of consolidated adjusted EBITDA, published in our Strategy amounted to PLN 34.0 million, which is almost twice less than the finally achieved result.

Historically good financial results of the UNIMOT Group were also supported by the segments of LPG, Electricity, bitumen products and gas companies, as well as lower operating costs resulting from the conducted restructuring process in the H2 2018.

Thanks to very good results we can also proudly announce extremely positive levels of financial indexes at the end of 2019. The current liquidity ratio amounted to 1.4, interest coverage ratio 7.26, and the share of equity in total liabilities was almost twice higher than in the assumed strategy and reached the level of 35.9%. The level of ROCE currently amounts to 28.3% - also almost twice as much as our strategic goal.

The year 2019 was abundant in a series of positive to us business events.

First of all, we entered new business areas and were developing them intensively. In the half of 2019 we carried out first deliveries of oils to China under the AVIA brand, which is big step forward to our wider presence on Far Eastern markets. On 11<sup>th</sup> June 2019 we launched the first petrol station in Ukraine and continued including new ones, so as of the day of the present statements publication there are already 7 of them. In August 2019 the Group was joined by a team of 11 experts in the area of import and domestic sales of bitumen products, which in the recent years had achieved a significant position in this market segment in Poland and in the past year already positively contributed to the Group's results.

For the whole year we worked hard on the development of the AVIA chain in Poland, which currently includes 50 stations. Our primary focus was an increase in the efficiency of own stations, but also focus on the most attractive locations within the franchise network. Additionally, we are increasing the attractiveness of the franchise offer, we have strengthened the team in charge of the development of the chain and operations. We are working on the concept of the shop due to the present trend of moving the weight from fuels themselves to non-fuel products and services.

A significant event for the Group was also entering the micro-mobility through acquiring the shares in Green Electricity Sp. z o.o., blinker.city platform operator, which in Poland and several European countries offers the services of renting electric scooters and motor scooters. We have provided the company with financing, which allows for its faster development.

In June we completed the process of selling our LPG cylinders business, which resulted from the assumption to concentrate only on most profitable businesses in the Group. Another element of optimising assets was signing a divestment agreement in the area of our gas companies. Under the agreement, at the turn of the year, the remaining shares of UNIMOT System (which owns Blue LNG) were acquired by UNIMOT S.A. and the shares owned in Blue Cold were disposed of. The transaction also included ordering the structure of receivables and liabilities.

Despite the latest events related to the coronavirus COVID-19 pandemic our outlook on the year 2020 is moderately calm.



We observe and analyse on a daily basis events on the global fuel markets as well as changes on the domestic market. We foresee a possibility of a decrease in sales, especially in Q2 2020. However, we estimate that in subsequent months the pandemic may have only a limited negative impact on our main business, which is trade of diesel oil. More information on this subject can be found in the present statements.

Finally, I would like to thank all the employees and colleagues for the commitment and high efficiency of work in this last period – this is primarily their effort that allowed us to achieve historically good results. I also thank our partners and shareholders for the trust, and the Supervisory Board for the support we received from them.

Yours faithfully

**Adam Sikorski**

**President of the Management Board of UNIMOT S.A.**



## 2. COMMENTARY ON THE FINANCIAL RESULTS OF THE UNIMOT GROUP



## 2. COMMENTARY ON THE FINANCIAL RESULTS OF THE UNIMOT GROUP

### 2.1 PRINCIPAL EVENTS IN 2019 WITH A DESCRIPTION OF SIGNIFICANT ACHIEVEMENTS OR FAILURES OF THE CAPITAL GROUP

#### Building the AVIA stations chain – issuance goal

Following the public issuance of J series shares the Issuer obtained from investors the amount of PLN 96.6 million (net), of which PLN 23 million has been destined for building the chain of AVIA petrol stations based on *master franchising* contracts. The new distribution channel allows for reaching the new segment of fuel customers – retail customers.



At the end of 2019 the AVIA chain included 50 stations, of which 12 have been connected to the chain in 2019 (four excluded following the process of chain optimisation). Slower than previously dynamics of including new objects into the chain results primarily from the Group's concentration on stations of highest efficiency potential. The Group is conducting negotiations and talks in several other locations in the territory of Poland and upholds its plan to acquire 200 stations until the end of 2023.

#### Commencing the activity under the AVIA brand in Ukraine

The Group has also commenced developing the AVIA chain in the territory of Ukraine. Having signed franchise contracts, the process of first stations rebranding began. The Issuer is introducing the brand as franchise at petrol stations, however, for the time being it does not supply fuels to petrol stations in the territory of Ukraine. As of the day of present statements publication the AVIA chain in Ukraine includes in total 7 stations. The plan of AVIA chain development in Ukraine assumes 30 stations until the end of 2020.

#### Investment into blinkee.city

In June 2019 UNIMOT S.A. took over 20 % of shares in Green Electricity sp. z o.o. (in October UNIMOT S.A. purchased additional 5% of shares) operator of blinkee.city platform, which offers services of renting electric bicycles, motor scooters and scooters in Poland and Europe. The amount of the investment is max. PLN 10 million, which comprises the purchased shares and providing Green Electricity with additional financing according to the needs. The Company provides renting of electric scooters, electric bicycles and motor scooters through the Internet platform blinkee.city in several dozens of cities in Poland and also in Spain, Croatia, Romania, Sweden, Malta and Hungary. Within the confines of the agreed cooperation the companies are also planning to use the AVIA chain as a centre of electromobility servicing in smaller cities. Noticing the potential of the Polish and European market both companies are willing to continue the development of the sharing economy concept through expanding the fleet in the countries where they are already functioning and also through expansion to other cities and countries.



In 2019 the Company commenced renting in Gliwice, Toruń, Elbląg, Tarnów, Myślenice, Wieliczka, Skawina, Piaseczno, Lublin, Łódź and Ostrów Wielkopolski. Presently, blinkee.city includes already 500 thousand of registered users.

#### Commencing the sales of bitumen products

In August 2019 within the scope of its operations UNIMOT S.A. commenced import and distribution of bitumen products in Poland. This is a new market segment for the Capital Group, which will supplement the Group's offer in the petroleum products segment.

The Group has been joined by a team of 11 experts in the area of import and domestic sales of bitumen products, which in the recent years has achieved a significant position in this market segment in Poland.

Bitumen products on the Polish market are offered under the AVIA Bitumen brand. First sales transactions and profits consolidated into the Group's result were carried out already in Q3 and Q4 of 2019.

### Disinvestment in the natural gas area

On 31st December Unimot S.A. concluded an agreement regarding a partial disinvestment in the natural gas area, which covers a venture carried out jointly with Blue Line Engineering S.A. under the investment agreement of 12 February 2014 (Current Report NO 6/2014) as amended.

Under the signed agreement Blue Line Engineering S.A. and Unimot S.A. transferred the ownership of shares in the companies:

- Blue Line Engineering S.A. transferred to Unimot S.A. owned shares in Unimot System Sp. z o.o., which includes also the company Blue LNG Sp. z o.o.,
- Unimot S.A. transferred to Blue Line Engineering S.A. shares owned in Blue Cold Sp. z o.o.

The parties also settled mutual receivables and liabilities related to previous financing of the operations of the aforementioned subsidiaries. The total amount of the transaction is PLN 12.64 million. Following the settlement of the transaction Unimot S.A. will pay Blue Line Engineering S.A. the amount of PLN 4.0 million.

The decision was made in relation to the adopted Capital Group's Strategy for the years 2018-2023, in which the Issuer assumes, among others, gas assets optimisation and concentration on most margin-efficient businesses. The Issuer's Capital Group will continue the development of natural gas sales and distribution by UNIMOT System Sp. z o.o., whose operating and financial standing has been gradually improving since mid-2018.

The Company assumes that the optimisation of gas assets will enable the gas segment to generate positive EBITDA in the years to come, which will positively contribute to the EBITDA of the whole Group. In 2019 EBITDA of Unimot System amounted to PLN 1.2 million and Blue LNG PLN 0.9 million.

### Sale of LPG cylinders segment

In June 2019 the process of selling the business of LPG cylinders by Unimot S.A. to Gaspol S.A. was completed. It was conducted through a transfer for payment of the rights and obligations arising from the contracts concluded with customers of LPG in cylinders along with a part of assets related to this business in the locations conducting sales of cylinders: Zawadzkie, Częstochowa, Świdnica, Niwnica and Jordanów. The decision to sell this segment resulted from the implementation of the Issuer's strategy that assumes focusing only on the most margin-effective businesses of high growth potential. In the LNG segment the Issuer intends to focus on other more promising areas, primarily wholesale of LPG. The premises of the gas bottling plant in Zawadzkie remained the property of Unimot S.A.

### Operation under the AVIA brand in China

The company UNIMOT Asia LLC conducts sales and distribution of automotive oils and lubricants under the AVIA brand in China. On 11<sup>th</sup> July 2019 a supply of engine oils of AVIA brand in the amount of 40 tonnes reached the first customer in China. Until the end of 2019 Unimot sold on that market over 200 tonnes of AVIA oils.

Following the spread of the coronavirus, which originated in China, the Chinese government introduced a number of restrictions aimed to minimise its consequences. This also pertains to exchange of goods in the country and with other countries. Due to a dynamically changing situation it is difficult to foresee the further development under the AVIA brand in China. Nonetheless, the Management Board of the Company made a decision to create as of the balance sheet date 31.12.2019 an impairment write-off on total asset of the "Oils" segment in China in the total amount of PLN 920 thousand. The incurred current costs of maintaining this segment are not significant for the results of the Capital Group.

### Diamonds by Forbes

In April 2019 Unimot S.A. was recognised by Forbes magazine as a Leader of Polish Entrepreneurship 2018. In the ranking of Forbes the company came first. The rank groups the fastest growing companies and best entrepreneurs. The Company also won in the regional rank of Forbes Diamonds in the Opolskie Voivodeship in the category of companies of revenues over PLN 250 million.



### Heroes of the Capital Market

In April 2019 Unimot S.A. was nominated again in the plebiscite Heroes of the Capital market organised by the Association of Individual Investors. The goal of the competition is to award and honour companies and journalists that through their activity contribute to the development of Polish capital market. The Company was nominated in the category "Stock exchange company conducting investor relations to individual investors at top level".



## Events after the balance sheet date

### Eagle (Orzeł) by Wprost

UNIMOT S.A. has received a prestigious award of „Orzeł” (Eagle) by the weekly Wprost in the Business Leader category among the companies with a seat in the Opolskie Voivodeship.



ORŁY” (EAGLES) by WPROST is an award for companies, local governments and prominent persons, whose contribution into the development of economy, region and country is outstanding. These organisations and persons care for Poland on a daily basis not only through great achievements and deeds, but also seemingly trivial decisions and actions, which in everyday struggle create the silhouette of contemporary Poland.

### ISBnews award

In the second edition of the awards and distinctions gala „The Most Reliable in the Polish Economy” the ISBnews agency honoured companies and institutions that conduct their operations transparently, honestly towards contractors and partners and in compliance with the principles of corporate social responsibility.



During this gala UNIMOT S.A. received an award in the category „The Most Reliable in the Fuel and Chemical Sector” for exceeding financial forecasts and building the value for the shareholders.

### SuperBrands Title

Active in over 80 countries organisation Superbrands Ltd. for the second time already chose the best brands on the Polish market. As an outcome of voting by the members of Konfederacja Lewiatan that includes experts of the most influential business organisation in Poland, Unimot was selected among the strongest business brands on the Polish market and was awarded a title of Business Superbrands 2020.



### Security on subsidiaries' shares

On 18th March 2020 the Issuer submitted an application of entry into the pledge register a registered pledge on the shares of subsidiaries (100% of shares in subsidiaries Tradea Sp. z o.o., Unimot Energia i Gaz Sp. z o.o. and Unimot Paliwa Sp. z o.o.), so as to secure potential recourse of the majority shareholder Unimot Express Sp. z o.o. towards the Issuer.

The pledge is supposed to be entered in relation to mortgages on the property of Unimot Express Sp. z o.o. as a security for one of the credit limits granted to the Issuer and Tradea sp. z o.o. by one of the banks. Recourse may arise in case Unimot Express Sp. z o.o. satisfies the claims of the bank with regard to the abovementioned credit. The amount of the credit limit is PLN 59 million and the maximum value of the security on the shares of subsidiaries amounts to PLN 51 million in total.

### Tradea a member of NASDAQ Commodities

The subsidiary TRADEA Sp. z o.o. has become a member of the Nasdaq stock exchange, which was one of its strategic goals. This will allow the company to trade electricity on the Scandinavian market, which is intended to be commenced in Q2 2020.



Nasdaq is a stock exchange with its main office in the United States and branches all over the world, which provides an opportunity to trade commodities, including electricity and natural gas, which is conducted under the brand of Nasdaq Commodities.

TRADEA has been accepted to Nasdaq Commodities as so-called Non-Clearing Member, that is a unit that participates in trading through a clearing institution, in case of the company Raiffeisen Bank in the Czech Republic. There are about 250 members of Nasdaq Commodities in Europe, coming from over 20 countries. They include producers, distributors, sellers and large consumers of electricity, as well as banks, stock broking companies, funds and financial institutions.

## 2.2 PRESENTATION OF BASIC ECONOMIC AND FINANCIAL SIZES OF THE CAPITAL GROUP

### STATEMENTS ON FINANCIAL CONDITION

<i>in PLN thousand</i>	<b>31.12.2019</b>	<b>31.12.2018</b>
<b>Fixed assets</b>	<b>80 393</b>	<b>76 760</b>
<b>Current assets</b>	<b>606 727</b>	<b>526 525</b>
Inventory	239 258	190 500
Trade and other receivables	306 314	246 487
Financial resources and their equivalents	38 836	47 015
Other current assets	22 319	42 523
<b>TOTAL ASSETS</b>	<b>687 120</b>	<b>603 285</b>

<i>in PLN thousand</i>	<b>31.12.2019</b>	<b>31.12.2018</b>
<b>Equity</b>	<b>246 936</b>	<b>193 245</b>
<b>Liabilities</b>	<b>440 184</b>	<b>410 040</b>
Long-term liabilities	21 005	13 679
Short-term liabilities	419 179	396 361
<b>TOTAL LIABILITIES</b>	<b>687 120</b>	<b>603 285</b>

Working capital (inventories + receivables + cash resources – trade liabilities) is stable. The higher level of inventories is driven by, among others, transactions of diesel purchases from ING Bank Śląski S.A., of which the Issuer informed in the current report No 24/2019 of 17.08.2019. This inventory was taken over by Unimot S.A. at the end of Q3 2019.

Inventory level considers operating inventories level and value of the level due to compulsory reserve in the amount of PLN 155.9 million as of 31<sup>st</sup> December 2019 against PLN 123.4 million as of 31<sup>st</sup> December 2018.

Short-term liabilities include working capital facilities for working capital financing and the credit for financing the compulsory reserve in the amount of PLN 85.2 million as of 31<sup>st</sup> December 2019 against PLN 93.1 million as of 31<sup>st</sup> December 2018.

### STATEMENT ON TOTAL REVENUES

<i>in PLN thousand</i>	<b>31.12.2019</b>	<b>31.12.2018</b>
Revenues on sales	4 450 180	3 367 462
Profits (losses) on financial instruments hedging sales	(4 760)	3 532
Cost of sold goods, products and materials	(4 223 815)	(3 249 095)
<b>Gross profit on sales</b>	<b>221 605</b>	<b>121 899</b>
Other operating revenues	2 204	2 871
Sales costs	(128 150)	(93 937)
Overheads	(26 063)	(23 431)
Other net profits/losses	927	464
Other operating costs	(1 779)	(7 139)
<b>Profit on operating activity</b>	<b>68 744</b>	<b>727</b>
Financial revenues	15 168	7 530
Financial costs	(9 201)	(8 478)
<b>Net financial costs</b>	<b>5 967</b>	<b>(948)</b>
<b>Profit/(loss) before taxation</b>	<b>74 711</b>	<b>(221)</b>
Income tax	(14 788)	(2 919)
<b>Net profit/(loss) for the accounting period</b>	<b>59 923</b>	<b>(3 140)</b>

In 2019 the Group achieved a growth in revenues on sales compared 2018 at the level of 31.9%. In this period the Group achieved net profit at the level of PLN 59.9 million against a loss of PLN -3.1 million in 2018. The improved book results were primarily driven by a higher than in the corresponding period of the past year margin on sales of goods (up by 81.8%

yoy, including the impact of compulsory reserve valuation). The details have been presented in item 2.4 of the present statements.

#### **COST BY TYPE STRUCTURE**

<i>in PLN thousand</i>	<b>31.12.2019</b>	<b>31.12.2018</b>
Amortisation	(6 442)	(5 533)
Electricity and materials consumption	(2 792)	(3 281)
Foreign services	(108 667)	(84 218)
Taxes and charges	(1 991)	(2 238)
Remunerations	(13 274)	(14 088)
Social security and other benefits	(2 655)	(3 207)
Other cost by type	(9 314)	(8 009)
<b>TOTAL COST BY TYPE</b>	<b>(145 135)</b>	<b>(120 574)</b>

In 2019 the majority of cost by type remained at the level similar to 2018. A higher value of foreign services results from a larger operating scale of Group's activity.

#### **RESULTS**

<i>in PLN thousand</i>	<b>31.12.2019</b>	<b>31.12.2018</b>
EBIT *	68 744	727
EBITDA **	89 949	13 519
GROSS RESULT	74 711	(221)
NET RESULT	59 923	(3 140)

\* **EBIT ratio** --> defined as Earnings Before Interest and Taxes

\*\***EBITDA ratio** --> defined as Earnings Before Interest, Taxes, Depreciation and Amortization

In 2019 the Group recorded EBIT profit in the amount of PLN 68.7 million against PLN 0.7 million in 2018 (nine times higher yoy).

In the scope of EBITDA result in 2019 the Group achieved PLN 89.9 million against PLN 13.5 million in 2018 (up by 565.9% yoy).

The improved book results are driven primarily by a higher than in the corresponding period of the previous year margin on sales of goods (up by 81.8% yoy, including the impact of compulsory reserve valuation). The details have been presented in item 2.4 of the present statements.

#### **RESULTS adjusted**

<i>in PLN thousand</i>	<b>31.12.2019</b>	<b>31.12.2018</b>
EBITDA adjusted	63 712	31 454
NET RESULT adjusted	34 606	14 795

EBITDA in 2019 was adjusted for the following factors:

- Impact of liquid fuels inventories and moving costs over time related to NIT fulfilment and maintaining compulsory reserve: PLN +28.186 thousand,
- Receivables write-offs (one-time event) PLN -4 102 thousand,
- Result on selling the LPG cylinders segment (one-time event) in the amount of PLN +1 926 thousand,
- Other justified movements PLN +228 thousand.

The above-mentioned events of cumulative positive impact on EBITDA in 2019 in the amount of PLN +26 237 thousand have been described in detail in item 2.4 of the present statements.

Data related to the value of adjusted EBITDA in particular years has been presented on page 1 of the present statements in the figure "Adjusted EBITDA".

The net result in 2019 has been additionally adjusted for the following factors:

- Impairment of assets of the segment „Oils” in China: PLN -920 thousand,

### 2.3 THE INDEX AND COMPARATIVE ANALYSIS OF -THE CAPITAL GROUP

The presented below indicator evaluation of the Group was conducted on the basis of the consolidated financial statements for 2019 and reference period.

#### Financial liquidity

The following ratios were used to assess the financial liquidity:

- **Current ratio - a ratio of current assets to short-term liabilities.** The ratio determining the ability of the Group to repay its current short-term liabilities in the medium term, this is after the realisation of owned stock, short-term financial assets, collection of short-term receivables and use of cash.
- **Quick ratio - a ratio of current assets net of stock to short-term liabilities.** The ratio determining the ability of the Group to repay its current short-term liabilities within a short time, this is after the realisation of short-term financial assets, collection of short-term receivables and use of cash on bank accounts.
- **Cash ratio - a ratio of cash balance to short-term liabilities.** The ratio determining the ability of the Group to immediately repay its current short-term liabilities within a short time, this is only after the realisation of owned cash on bank accounts.

FINANCIAL LIQUIDITY RATIOS	31.12.2019	31.12.2018
Current liquidity ratio	1,4	1,3
Quick liquidity ratio	0,9	0,8
Cash liquidity ratio	0,1	0,1

Liquidity ratio achieved at the end of 2019 remains at safe levels. The possessed experience in the scope of receivables hedging, systematic policy of controlling trade credits and long-term cooperation with financial institutions allow to maintain liquidity ratios at proper levels.

#### Profitability

Profitability analysis is based on a group of ratios allowing to assess the effectiveness of the sales activities of the Group and the impact of individual groups of costs on its financial result:

- **Rate of return on sales** - return on sales sets the efficiency of carried out sales activities, that is, it allows you to specify the part of profit remaining in the company to cover the costs of its operation – after taking into account the direct costs of sale. Similarly, this ratio allows you to determine the effect of Group’s direct sale costs on its result.
- **Gross profitability** - determines the performance of activities carried out by the Group, that is, in general allows the assessment part of the income remaining in the Group to cover tax, after taking into account the costs of financial activities and abnormal events. Similarly, this ratio, interpreted in conjunction with the above ratios of profitability, allows the assessment part of the result that is built not by operating activities, but results from the financial activities or impact of the events of extraordinary nature.
- **Net profitability** - determines the revenue percentage of the Group representing its net result, that is after the costs of its activities have been covered: sales, operating, financial and after taxes have been paid.
- **Return on equity (ROE):** a ratio of net profit to average state of equity during a financial year. The ratio allows the investors to assess the performance of utilisation of capital entrusted to the Group. It means the percentage share of funds earned by the Group (net result) that can be paid in the form of a dividend, to the capital brought by investors plus part of cash earned by the Group in previous years (equity).
- **Return on assets (ROA):** a ratio of net profit to average state of assets during a financial year. The ratio allows the investors to assess the performance of utilisation of all assets owned by the Group.

PROFITABILITY RATIO	2019	2018
ROE	24,3%	-1,6%
ROA	8,7%	-0,5%
PROFIT RATE ON SALES	5.0%	3.6%
GROSS PROFITABILITY	1,7%	0.0%
NET PROFITABILITY	1.3%	-0.1%

The growth in profitability ratios at all the analysed levels has been driven by the growth of the achieved result compared to the corresponding period of the previous year. The impact on higher financial results in 2019 had factors described in detail in item 2.4 of the present statements.

PROFITABILITY RATIOS adjusted	2019	2018
PROFIT RATE ON SALES adjusted	4,4%	4,1%
NET PROFITABILITY adjusted	0.8%	0.4%

The results in 2019 were adjusted for the impact of the valuation of liquid fuels inventories and movement costs over time regarding NIT fulfilment and compulsory reserve maintenance, receivables write-offs (one-time event), result on sales of LPG cylinders segment (one-time event), impairment of assets of the "Oils" segment in China and other justified movements.

The above-mentioned events of the cumulative positive impact on the results in 2019 in the amount of PLN +25 317 thousand have been described in detail in item 2.4 of the present statements.

#### Efficiency of action

The following ratios were used to assess the efficiency of action:

- **Average collection period (days):** a ratio of trade receivables at the end of a financial year to revenue from net sales x 360. The ratio determines the average period in days which is followed by collection of receivables from invoices issued by the Group. In general, you should strive to minimise this ratio.
- **Creditor (days):** a ratio of short-term receivables against suppliers at the end of a financial year to revenue from net sales x 360 days. The ratio determines the average period in days which is followed by repayment of Group's liabilities. In general, you should strive to maximise this ratio.
- **Inventory turnover (days):** a ratio of average state of inventory at the end of a financial year to revenue from net sales x 360. The ratio determines the average period in days during which the Group holds the stock before sale thereof. Considering the performance, you should strive to minimise this ratio.

OPERATION EFFICIENCY RATIOS	2019	2018
Rotation of trade receivables (days)	25	26
Rotation of trade liabilities (days)	16	16
Inventory rotation (days)	19	20
Inventories rotation (days) adjusted for compulsory reserve	12	13

Rotation ratios show similar settlement periods as in the corresponding period of the previous year.

The inventory rotation ratio decreased from 20 days at the end of 2018 to 19 days at the end of 2019, in this due to compulsory reserve. The inventory rotation ratio adjusted for the value of the compulsory reserve decreased from 13 days at the end of 2018 to 12 days at the end of 2019, which means a fast rotation of inventories (mainly diesel).

Cash conversion cycle = a cycle from cash to cash

Cash to Cash = inventory cycle + receivable cycle – liability cycle

Cash to Cash = 19 days + 25 days – 16 days = 28 days

Adjusted for the value of compulsory provision cash conversion cycle amounts:

Cash to Cash = 12 days + 25 days – 16 days = 21 days

The cash to cash cycle decreased from 30 to 28, i.e. by 2 days compared to the corresponding period of the past year.

### **Debt assessment**

The assessment of the degree of debt of the Group was made based on the following ratios:

- **Asset coverage ratio:** a ratio of the sum of equity value to the sum of total assets. The ratio determines the degree of coverage of the assets of the Group by its owned equities.
- **Debt ratio:** a ratio of total liabilities amount to value of assets in total. The ratio specifies to what extent the Group's assets were financed with debt.

<b>DEBT RATIO</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Total debt ratio	64,1%	68,0%
Equity/assets ratio	35,9%	32,0%
Equity to fixed assets ratio	307,2%	251,8%
Total debt ratio adjusted for credit for compulsory reserve	59,0%	62,1%

Debt ratios at the end of 2019 remain at the level similar to the end of 2018, which means that significant sources of external financing of the activity conducted by the Group have not changed.

**A positive evaluation of the above-mentioned ratios constitutes a basis for a positive evaluation of Group's capability to fulfil contracted liabilities and proves lack of threats in this scope.**

## 2.4 PRINCIPAL FACTORS AND EVENTS INFLUENCING THE GROUP'S OPERATIONS IN 2019 AND HAVING IMPACT ON ITS FINANCIAL RESULTS

### LIQUID FUELS TRADE SEGMENT

#### DIESEL AND BIO-FUELS

In 2019 the Group continued sales of diesel, petrol and bio-fuels taking advantage of the favourable market environment.

<i>in PLN thousand</i>	<b>01.01.2019 - 31.12.2019</b>	<b>01.01.2018 - 31.12.2018</b>	<b>change %</b>
Sales volume [m3]	1 121 601	840 366	33,5%
Total revenues	3 898 509	2 932 880	32,9%
EBITDA	87 508	18 685	368,3%
EBITDA adjusted	63 424	31 928	98,6%
Profit/(loss) for the period	79 156	10 094	684,2%
Profit/(loss) for the period -adjusted	55 072	23 337	136,0%

In 2019 the Group sold 1 122 th. m3 of liquid fuels and bio-fuels (up by 33.5% against the previous year).

The consequence of the growth in volumes is the recorded growth in revenues to PLN 3 899 million (up by 32.9% yoy).

The results in 2019 were adjusted for the impact of the following factors:

- Liquid fuels inventories valuation and movement costs over time related to NIT fulfilment and maintaining compulsory reserves: PLN +28 186 thousand,
- Receivables write-offs (one-time event): PLN -4 102 thousand.

The achieved EBITDA amounted to PLN 87.5 million and adjusted EBITDA PLN 63.4 million (up by 98.6% yoy). The net profit for 2019 amounted to PLN 79.2 million and adjusted profit for 2019 PLN 55.1 million (up by 136.0% yoy).

**The results in 2019 in this segment were driven primarily by the following factors:**

- **Higher yoy sales volumes of diesel and petrol**
- **Higher levels of trade margins on diesel yoy**  
Higher levels of margins were driven primarily by more favourable market situation (including problems of one of the competitors, which was effectively used by the Group) and high land premium.
- **Higher yoy sales volumes of bio-fuels**  
In 2019 the Group won more tenders than it had been assumed. This occurred as a result of effective business activities and market changes (a decreased number of bio-fuels customers on the market in connection with cessation of activities by one of the competitors).
- **Lower yoy operating costs** – as a result of the conducted in H2 2018 optimisation proces the Group has significantly decreased operating costs primarily through: employment optimisation, reduction of logistics costs, costs of financial services, administrative costs and costs of vehicle fleet as well as costs of advertising and representation.
- **Diesel compulsory reserve valuation and justified movements**  
Prices of diesel stored by Unimot for compulsory reserve are hedged by the Group through futures transactions, therefore, they are not affected by a nominal change in the level of fuel prices. However, the valuation is affected by the spread between the spot price (according to which the Group is obliged to valuate stock levels) and the and forwards price (according to which the Group is obliged to valuate hedging financial transactions). On the day of transaction maturity the spot and forwards prices and the impact of valuations will be neutral.  
  
In connection with the abovementioned level of compulsory reserve and the market situation – the book result achieved by the Group consider the impact of reserve valuation following the change in the difference between the spot and future price.  
  
In the future, on the assumption that the compulsory reserve is physically maintained, one should expect further burdens to the book result for this reason (in the long term the moment the hedging futures are mature, the differences in reserve and futures valuation will be offset).

The results of future periods will primarily be affected by the following factors:

- **Land premium level** (difference between the price on the local market and price in the ports where fuel is supplied to the country) for diesel – the dominant assortment in the Group’s sales structure. The level of land premium determines the area of possible to achieve trade margin net of logistics costs (transport costs, costs of transshipment services, quality examination), costs of renting the capacity of fuel bases, costs of securing receivables (following the trade security policy adopted by the Group), and also costs of NIT obligation fulfilment.
- **Dynamics and direction of diesel prices changes** – high dynamics of growth has a negative impact, high dynamics of drops - a positive impact.
- **Market structure** (contango/backwardation).
- **Volume of working capital** indispensable to finance achieved turnovers, which depends on the level of fuel prices on the markets and prolonging possessed working capital facilities.
- **Demand and supply situation in Europe, especially in Poland.**

## LPG

In 2019 the Group continued LPG trading, primarily focusing on wholesale.

<i>in PLN thousand</i>	<b>01.01.2019 - 31.12.2019</b>	<b>01.01.2018 - 31.12.2018</b>	<b>change %</b>
Sales volume [T]	167 860	126 632	32,6%
Total revenues	343 476	301 709	13,8%
EBITDA	9 253	6 663	38,9%
EBITDA adjusted	7 327	6 663	10,0%
Profit/(loss) for the period	8 464	5 510	53,6%
Profit/(loss) for the period -adjusted	6 538	5 510	18,6%

In 2019 one could observe a better market situation than in the previous year, still the environment remained demanding. The Group achieved higher by 32.6% volumes, which in 2019 amounted to 168 thousand tonnes, which also translated into significantly higher revenues: PLN 343 million (up by 13.8% yoy).

The results in 2019 were adjusted for the result on the sale of the LPG cylinders segment in the amount of PLN +1 926 thousand.

The achieved EBITDA amounted to PLN 9.3 million (up by 38.9% yoy), and adjusted EBITDA PLN 7.3 million (up by 10.0% yoy). The profit for 2019 amounted to PLN 8.4 million (up by 53.6% yoy), and adjusted profit for 2019 PLN 6.5 million (up by 18.6% yoy).

Achieving such good results, despite unfavourable market, was possible due to flexible operation, search for new solutions and quick reactions to market changes, including:

- **Utilising alternative gas supply sources to own depot**

In 2019 the Group utilised not only rail but also road transport, which ensured which ensured better predictability and more favourable margins in the situation of price changes.

- **Utilising an additionally hired train**

To transport LPG the UNIMOT Group utilises primarily services of external entities. In 2019 it additionally decided to hire a train, which increased flexibility and speed of reaction as well as a possibility of using new market opportunities. It also allowed for further development of International sales.

- **Expanding the supplier portfolio**

Utilisation of the additional, hired, train allowed the Group to expand its supplier portfolio, including supplies based on CIF ARA quotations.

In the future periods the greatest impact on the Group’s operations in the LPG area will constitute the supply situation on the market connected with the planned limitation of product supplies to Poland by the major supplier.

## GASEOUS FUELS

The Group conducts activity in the scope of trading, sales and distribution of natural gas with the use of inhouse infrastructure (gas network, LNG regassification stations), foreign infrastructure and Polish Power Exchange.

<i>in PLN thousand</i>	<b>01.01.2019 - 31.12.2019</b>	<b>01.01.2018 - 31.12.2018</b>	<b>change %</b>
Sales volume [GWh]	504,8	405,0	24,6%
Total revenues	47 868	44 750	7,0%
EBITDA	(811)	(6 868)	-
Profit/(loss) for the period	(3 421)	(9 735)	-

In the natural gas segment 2019 was a record year with regard to volumes. The Group sold 505 GWh of natural gas, i.e. more by 24.6% than last year. Gas companies that conduct sales with the use of inhouse infrastructure recorded a growth (thanks to new, additional contracts with previous industrial customers), as well as UNIMOT Energia i Gaz (following sales development also to larger than previously enterprises).

Revenues from external customers of this segment amounted to PLN 47.9 million (up by 7.0% yoy), and EBITDA reached the level of PLN -0.8 million (against PLN -6,9 a year before).

### The results in 2019 in this segment were driven primarily by the following factors:

- Higher yoy sales and distribution tariffs in UNIMOT System and its subsidiary Blue LNG,
- Higher yoy sales volumes in UNIMOT System following new, additional contracts with previous industrial customers,
- Higher yoy sales volumes in UEiG following the extension of the customer portfolio with new customers,
- Settlement of futures contracts concluded in the past at unfavourable prices (trading business) in Q1 2019,
- Costs incurred for hiring the cavern to store gas and cost of its filling up with the purchased natural gas (revenues in the future periods).

The results of the future periods will be influenced primarily by market prices of natural gas, level of new tariffs in UNIMOT System and Blue LNG, acquisition of new customers as well as sale of gas from the hired cavern.

## ELECTRICITY

The Group continues the development of electricity sales project as an element of implementing its strategy of creating a multi-energy sales offer. This segment comprises wholesale electricity trading through exchange and brokerage platforms of Tradea Sp. z o.o. and sales of electricity by Unimot Energia i Gaz Sp. z o.o. to final customers with the use of foreign infrastructure.

<i>in PLN thousand</i>	<b>01.01.2019 - 31.12.2019</b>	<b>01.01.2018 - 31.12.2018</b>	<b>change %</b>
Sales volume [GWh]	2 078,5	1 529,0	35,9%
Total revenues	87 306	73 398	18,9%
EBITDA	7 654	5 413	41,4%
Profit/(loss) for the period	7 250	5 328	36,1%

The segment recorded a growth of sales volumes from 1 529 GWh in 2018 to 2 078.5 GWh in 2019 (up by 35.9% yoy). The growth was recorded both in the area of electricity wholesale through exchange and brokerage platforms in Tradea Sp. z o.o. as well as sales of electricity by Unimot Energia i Gaz Sp. z o.o. to final customers.

According to the valid since 2018 IFRS 15 revenues on the trading activity of Tradea Sp. z o.o. are included directly into the financial revenues/costs (this refers to the amount of PLN 451.7 million of revenues in 2019 and PLN 227.1 million of revenues in 2018) and therefore the level of revenues in the statements is not proportional to the level of presented volumes.

The segment recorded an improvement of the result from PLN 5.33 million in 2018 to PLN 7.25 million in 2019 (up by 36.1% yoy) and EBITDA from PLN 5.41 million in 2018 to PLN 7,65 million in 2019 (up by 41.4% yoy).

Unimot Energia i Gaz Sp. z o.o. achieved results significantly better than the budgeted ones for 2019.

Future revenues from contracts signed with customers by Unimot Energia i Gaz Sp. z o.o. as of 31<sup>st</sup> December 2019 are as follows:

<i>in PLN thousand</i>	<b>01.01.2020 - 31.12.2023</b>
Future revenues in the period 01.01.2020 - 31.12.2023	137 696
Gross profit on sales	22 993
Cost of contract acquisition	(8 521)
<b>Profit on sales</b>	<b>14 472</b>

## OTHER ACTIVITY

### PETROL STATIONS

The segment's revenues include the revenues on fuel sales at the Issuer's own stations and investment charges, fixed and other charges received from franchised AVIA station. EBITDA includes additionally a fixed charge for each sold litre of fuel at franchise stations (moved from the segment Diesel and bio-fuels – wholesale of fuel).

<i>in PLN thousand</i>	<b>01.01.2019 - 31.12.2019</b>	<b>01.01.2018 - 31.12.2018</b>	<b>change %</b>
Sales volume [M litres]	75,5	47,5	58,9%
Total revenues	35 204	17 972	95,9%
EBITDA	(1 717)	(3 701)	-
Profit/(loss) for the period	(2 529)	(4 053)	-

In 2019 all the AVIA stations (in Poland and Ukraine) sold 75.5 million of litres of fuels, which constitutes a growth by 58.9% against the previous year. The growth of volume was primarily driven by the greater number of stations in the AVIA chain.

The segment of petrol stations recorded a growth in revenues on sales from PLN 18.0 million in 2018 to PLN 35.2 million in 2019 (up by 95.9% yoy). The segment recorded an improvement of the result from PLN -4.1 million in 2018 to PLN -2,5 million in 2019 and EBITDA from PLN -3.7 million in 2018 to PLN -1.7 million in 2019.

### OTHER PETROLEUM PRODUCTS

The segment comprises sales of bitumen products as well as engine oils and lubricants under the AVIA brand.

<i>in PLN thousand</i>	<b>01.01.2019 - 31.12.2019</b>	<b>01.01.2018 - 31.12.2018</b>	<b>change %</b>
Sales volume [T]	21 409	-	-
Total revenues	30 943	165	18653,3%
EBITDA	(358)	(82)	-
Profit/(loss) for the period	(416)	(87)	-

Both, the businesses of bitumen products and oils appeared in the UNIMOT Group in 2019. The first sale of oils in China occurred in June 2019 and bitumen products in September 2019 – therefore, the results comprise only several last months of the year. In this period the business of bitumen products achieved results better than originally assumed.

In the whole of 2019 within this segment 21.4 thousand tonnes were sold in total.

In 2019 the revenues amounted to PLN 30.9 million, result for the period PLN -416 thousand and EBITDA PLN -358 thousand.

## 2.5 ESTIMATION OF THE INFLUENCE OF CORONAVIRUS COVID-19 PANDEMIC ON THE OPERATIONS AND THE FINANCIAL SITUATION OF THE CAPITAL GROUP

The Management Board of the Parent Equity on an ongoing basis analyses the information regarding the spread of coronavirus COVID-19 in the world and in particular in Poland and the region, which results from the geographical primary scope of operations of the UNIMOT Capital Group. The greatest importance the Management Board attributes to the information provided by the Polish government, National Bank of Poland and other main national state institutions.

Based on the currently available information the Management Board of the Parent Equity does not perceive a threat in the continuity of supplies to customers in relation to our primary products, i.e. diesel oil, bio-fuels, LPG, electricity and other petroleum products. Access to fuels, apart from food and medicines, seems to be of key importance to the national authorities and the society. The Group is a leading importer of both diesel oil as well as LPG and bitumen and is prepared to further operation in these segments. So far our suppliers have not signalled limitations in the export of the abovementioned products.

At the moment, due to a dynamically changing environment, the Management Board of the Parent Equity is unable to determine accurately the ultimate impact of the pandemic of coronavirus COVID-19 and restrictions introduced by the Polish government and the European Union on the operations and the prospects of the UNIMOT Capital Group. The scope of this impact depends primarily on the duration of the pandemic in our region, which has a direct impact on trade limitations and the supply-demand changes, which in turn is of key importance for the operations of commercial companies.

However, the Management Board of the Parent Equity, assuming a negative impact on sales in the short run, estimates that in the subsequent months the pandemic will have an insignificant, yet negative impact on the primary business, that is diesel oil trade. The Group may also become a beneficiary of market changes which are occurring or will occur as a consequence of the spread of the coronavirus COVID-19 pandemic and restrictions imposed by the authorities.

The first occurring result is a decrease in oil prices following the “price war” between Saudi Arabia and Russia. This occurrence has a positive impact on our operations. The Group runs a policy of 100% hedging against price risks, thus their rapid changes do not influence our results. However, lower purchase prices improve financial liquidity of the Group reducing its exposition to bank credits. Lower value of sold fuels limits liabilities of contractors at simultaneous release of trade credits, which offers a possibility to increase sales.

Growing *contango* on the diesel market decreases the cost of mandatory reserve. Falling prices of CO<sub>2</sub> emission allowances in turn decrease the cost of NRT fulfilment (decreasing the emission level of import mix).

Additionally, the costs of our activity also depend on terms of bank credits – in the current situation capital costs are falling following a decrease of interest rates by the American FED.

Agreeing with available market analyses the Management Board of the Parent Equity expects a decrease in demand for fuels in Poland – however, it seems that it will overleap the seasonal peak of prosperity. Additionally, on the one hand a surplus of product will appear on the European market, which will result in a drop of purchase prices, on the other hand inability to sell some of the fuels by domestic producers (e.g. JET, LPG, petrol) will result in a necessity to limit the processing of crude oil, which will also translate into a decreased production of other fuels, including diesel oil. In the opinion of the Management Board continued decrease in consumption of fuels and simultaneous supply pressure of oil and ready products will create a favourable market environment for the Group in the months to come.

With this in view the Management Board of the Parent Equity assumes a short-term drop of fuel sales (drop in demand for diesel oil, bio-fuels, LPG and partially bitumen among final customers) – especially in the period second half of March-June 2020, but in the long-term the sales should correspond with the initial assumptions. At the same time the Management Board does not expect a decrease of margins – as the falling key coefficients of the import costs provide a sort of a margin cushion necessary to compete for clients in the lower-demand environment.

The Group conducts a restrictive policy of granting credit limits, which has been continued for a number of years. Through internal departments the Group conducts a continuous monitoring of balances and supervision over utilisation of credit limits. If maturity of receivables occurs the regulations of debt recovery are applied.

Receivables are hedged with insurance and other forms, such as: bank guarantees, mortgages, blocking resources on bank

accounts, registered pledges on movables, acts of submission to enforcement under the art. 777 k.p.c.

The Group cooperates with the leading insurers of receivables: Atradius, Euler Hermes, Coface, KUKE. The abovementioned entities demonstrate significant financial potentials and use hedges in reinsurance treaties, which have not been communicated to change following the coronavirus pandemic. The stance of Insurers is stable and balanced, we do not observe significant deviations in the scope of limit coverage, open processes of negotiating the terms of insurance are not disturbed. The capacity of the policies of receivables insurance oscillates at the level of 80% of the receivables level. The major insurer Atradius – has not increased its interest in the petrochemical industry for years, only maintaining long-term contracts.

According to the situation as of 31st December 2019, 69,4% of the receivables were covered by insurance, 3,1% acquired from customers other forms of insurance, 27.5% of receivables remained uninsured. However, it needs to be stressed that the last group includes renowned entities (fuel concerns) and entities not subject to insurance, such as public administration bodies or physical persons where risk is high diversification due to large fragmentation of receivables.

The Management Board of the Parent Equity estimated that the Consolidated Adjusted EBITDA may in the period second half of March-June 2020 be lower than expected. At the same time the Management Board stresses the fact that the period January-February 2020 was very successful for the Group and the volumes and preliminary financial results for this period are significantly higher than the forecasts assumed. The Board also assumes that in H2 of 2020 the financial results of the Group will be similar to originally assumed ones.

Presently, the Management Board of the Parent Equity does not change the forecasts of the Consolidated Adjusted EBITDA for 2020.

Additionally, the Management Board of the Company assures that no significant acquisitions are planned in the coming quarters.

According to the dividend policy a payment of dividend is planned in the amount of 30% of net profit of Unimot S.A. Another analysis and a possible adjustment of recommendations as to the amount of the dividend will be undertaken by the Management Board of the Parent Equity a week prior the Ordinary General Meeting of the Company's Shareholders.

## 2.6 CHARACTERISTICS OF EXTERNAL AND INTERNAL FACTORS SIGNIFICANT FOR THE DEVELOPMENT OF UNIMOT S.A. AND THE CAPITAL GROUP

In the Group's opinion, one of the most important factors that may affect the Group's operations in the future is the availability of working capital necessary to finance a further increase in turnover, as well as to finance the purchase of mandatory reserves in subsequent periods. The amount of working capital necessary to finance depends on the level of fuel prices in the markets (especially diesel prices). It will also be important to extend working capital loans and to allocate cash resources in the amount enabling repayment of loans from related entities, or in an optimal scenario to extend the repayment deadline for these loans.

### Other factors significant for the development of the Capital Group:

- **Interest rate level** - the Group uses external sources of financing (mainly credits and loans in PLN, and also USD and EUR) the cost of which depends on the level of interest rates. In recent years there has been a significant decline in market interest rates which had a positive impact on debt servicing costs. Favourable, low interest rates (below 2% p.a.) remained in 2019. In the perspective until the end of 2020 the Group foresees these levels will be maintained.
- **Exchange rate level** – the Group sells on the domestic market and exports, while purchases of fuels are mostly carried out on foreign markets and settled in foreign currencies. The main currencies used for export transactions are EUR and USD. In case of an acquisition the settlement currencies are USD, EUR and PLN. The effect of the exchange rates on the Group's activity is neutralised by the used hedging instruments.
- **Costs of renting tanks at fuel depots** – in several previous years they were at a stable level, the Group does not also foresee significant changes of these costs in the future. However, further growth of fuel sales volumes will result in a growth of total costs. Rates of taxes and charges and other administrative regulations related to the fuel market – their increase may limit the demand on the side of customers and therefore influence the growth of competition and decrease of Group's revenues or margins.
- **Level of raw material prices** – the business model of the Group mainly relies on the purchase of liquid and gaseous fuels abroad or in Poland, its distribution and subsequent sale. The lack of price stability of liquid and gaseous fuels in Poland and abroad has a significant impact on the margins achieved and consequently on the results obtained by the Group. Additionally, a sharp increase in prices of energy carriers may lead to decrease in consumption, which may translate into deterioration of the financial standing of the Group.
- **Land premium level** (difference between local market price and the price in the port fuel is delivered to the country) – the dominant assortment in the Group's sales structure. In practice, the amount of land premium results from the level of trade margin achieved by domestic petrochemical concerns in the segment of production and trade. The amount of land premium determines the area of possible to achieve by the Issuer trade margin net of logistics costs (costs of transport, transshipment, quality control), costs of fuel bases capacity hiring, receivables insurance costs (following the adopted by the Group trade security policy) and also cost of fulfilling the NIT obligation.
- **The grey market in fuel trading** - unfair practices of some entities concern the sale of fuels without paying due fees and taxes and in violation of applicable regulations and laws. This results in decrease in competitiveness and reduction in demand for products offered by the Issuer and its subsidiaries, which may adversely affect the financial results achieved. The Group, having many years of experience on the market, is aware of all kinds of restrictions and risks associated with the grey market. The Group takes into account the possible impact of additional costs related to concession fees or hedge of the risk of solidary VAT in the business and the financial forecasts. Transport package adopted in 2017 imposing the obligation of digital registration of transported goods, including liquid fuels, which enables to register and monitor them by means of satellite systems together with fuel package adopted in 2016, significantly limited the grey market in fuel trade, in the opinion of the Group. In the perspective until the end of 2020 the Group assumes that the present situation will remain the same.
- **Costs of achieving National Indicative Target** - The Group's business is affected by the necessity to achieve a minimum annual share of biocomponents and other renewable fuels in the total volume of liquid fuels and liquid biofuels sold or disposed of, or used in any other form for own use, in accordance with the coefficients – the National Indicative Target and the National Reductive Coefficient. Revision of the legislation of 22 July 2016, introduced an obligation to realise the National Indicative Target to at least 50% (calculated according to the calorific value) using the biocomponents contained in liquid fuels to the act on Biocomponents and Liquid Biofuels. This causes the need for use of logistics or

storage infrastructure in order to carry out the required blending (physical composition of fuels with biocomponents). The required under the new law activities are performed as services by operators of fuel depots utilised by the Issuer. The costs of NIT achievement that comprise the level of the National Indicative Target, the level of the National Reductive Coefficient, costs of fuel blending, have an impact on the achieved trade margin, which influences directly the Group's results.

- **Market opportunities** – one of the largest independent fuel importers, a direct competition to the Issuer on 1.08.2019 filed for bankruptcy due to the inability to settle liabilities. Simultaneously, information was publicly announced about termination of credit contracts by financial institutions. This information opens new possibilities for the Issuer in the scope of business opportunities related to both operational acquisition of fuel sales as well as entering by the Issuer's Capital Group into new areas of activity, in which the competitor operated previously. One of such opportunities has already been used – the Group has been joined by a team of experts in the area of asphalt products import and sales, which in recent years have achieved a significant position in this segment in Poland. The Issuer, as a professional and constantly searching for business opportunities entity does not exclude further actions in this scope.
- **Plans of merger between PKN ORLEN S.A. and LOTOS S.A.** – on 26th August 2019 an agreement was signed between PKN ORLEN S.A. and the State Treasury and LOTOS S.A. Group regarding conducting the transaction of acquiring the shares of LOTOS S.A. Group by PKN ORLEN S.A. from the State Treasury. The agreement confirms the new framework structure specified in the letter of intent concluded on 27th February 2018 and indicates the further direction of the consolidation venture aimed at a full consolidation of the partnerships and their companies so as to achieve a maximum synergy effect. Both entities realise their margins in the production as well as wholesale and retail sale. It is difficult to foresee the policy of the merged entity with relations to margins in particular segments. The merger requires a consent of the OCCP, which may impose additional conditions to be met. As of the date of the present statements preparation PKN ORLEN continues the talks with the European Commission regarding taking over the LOTOS Group. PKN ORLEN received information from the European Commission about stopping the second stage of negotiations of the „stop the clock” procedure. This means that the formal procedure of the capital take-over of the LOTOS Group by PKN ORLEN has been stopped.
- **Adopted law on electricity** – adopted on 28th December 2018 law on amending the law on excise tax and several other laws, that is so called law on electricity, amended on 21<sup>st</sup> February 2019 and 13<sup>th</sup> June 2019 apart from a decrease in excise duty for electricity, decrease of transition charge (distribution) foresees obliging energy enterprises that conduct activity in the scope of electricity trading to apply in 2019 prices and rates of payments for electricity not higher than applied on 30<sup>th</sup> June 2018.

The amendment of 13<sup>th</sup> June 2019 significantly limited the scope of the law's application – the mechanism of maintaining/reducing the prices and rates of payments for electricity in settlements with final customers for the 2<sup>nd</sup> half of 2019 will have a limited scope and will cover exclusively final customers: (i) from a widely understood so called G tariff Group (customers from this group do not have to take any further steps to utilise the mechanism of maintaining/reducing the prices and rates of payments), (ii) being micro-entrepreneurs or small enterprises in terms of the law – The Law of Entrepreneurs, (iii) being hospitals, (iv) being units of public finances sector, (v) being other than specified in items (ii) – (v) public organisational units without legal personality. The customers from the categories described in items (ii) – (v) in order to utilise the mechanism of maintaining/reducing the prices and rates of payments have to submit to the electricity supplier a declaration of their status, i.e. declare that they belong to one of the abovementioned categories.

Energy enterprises were obliged to adjust contracts with final customers and introduce the abovementioned prices and rates within 30 days as of the day of entry into force of the implementing provisions, effective as of 01.01.2019. The implementing provisions will enter into force on 14.08.2019. Energy enterprises will be able to claim compensation for lost revenues from Fundusz Wypłaty Różnic Cenowych (Price Difference Payment Fund), created within Zarządca Rozliczeń S.A., in the form of amounts to cover the difference between the average weighted price of electricity on the wholesale market, calculated according to the formula specified in the regulation, and the volume of revenues resulting from applying the prices and rates as of 30.06.2018.

The manner of calculating the compensation results from the published regulation. The Group's companies submitted applications for the payment of the difference for H1 2019 and the remaining months of 2019. The received and paid to the Companies of the Group compensations fully covered the lost revenues being an output of the aforementioned law.

The Law on Electricity refers exclusively to settlements with final customers in 2019. As of the day of the present

statements preparation a Project of the law on compensations due to increase of electricity prices in 2020 was presented in the Public Information Bulletin (BIP) of the Council of Ministers and the Prime Minister's Office. The draft of the law introduces a system of compensations only for final customers being households and the Group's Companies do not conduct sales to them.

## 2.7 DIRECTIONS OF DEVELOPMENT OF THE CAPITAL GROUP

- **Diesel oil** – the Group foresees further organic development based on particular fuel depots and also through making use of own purchase platform e-Zamówienia for wholesale customers and also own team of commercial personnel. The favourable factors are, among others, insufficient domestic production of diesel compared to consumption, the introduced in Poland so called fuel and transport packages that limit the grey market, utilisation of own stable supply sources and competencies in the scope of applying financial and hedging instruments.
- **Building the chain of AVIA stations in Poland** - until the end of 2019 the Group launched 50 stations, of which 12 have been connected to the chain in 2019 (four excluded following the process of chain optimisation). Slower than previously dynamics of including new objects into the chain results primarily from the Group's concentration on stations of highest efficiency potential. The Group is conducting negotiations and talks in several other locations in the territory of Poland and upholds its plan to acquire 200 stations until the end of 2023.
- **Building the chain of AVIA stations in Ukraine** - The Group has also commenced developing the AVIA chain in the territory of Ukraine. Having signed franchise contracts, the process of first stations rebranding began. The Issuer is introducing the brand as franchise at petrol stations, however, for the time being it does not supply fuels to petrol stations in the territory of Ukraine. As of the day of present statements publication the AVIA chain in Ukraine includes in total 7 stations. The plan of AVIA chain development in Ukraine assumes 30 stations until the end of 2020.
- **LPG** – the Group assumes that the level of sales and margins in the segment of liquefied petroleum gas LPG will remain relatively stable. After the sale of the LPG cylinders segment it plans to develop the wholesale, including investments into storage capacity development.
- **Bio-fuels** – the Group expects the continuation of the sales of bio-fuels and bio-oils, including the utilisation of extended purchase sources of this fuel.
- **Natural gas** - the Group develops natural gas project of which the essence is multi-directional intensification of gaseous fuel sales. In 2019 the Group conducted a disinvestment of part of the assets in this business segment. The Group will focus on highest-margin businesses, in particular sales and distribution of natural gas through Unimot System Sp. z o.o. from own distribution network.
- **Electricity** – the Group continues the development of electricity sale as an element of implementing the strategy of creating a multi-energy sales offer. In the scope of electricity sale to final customers using foreign infrastructure it will continue its further organic development. It will continue to acquire new customers and signing contracts that generate margins for future years. The Group undertook actions to introduce within the subsidiary Unimot Energia i Gaz Sp. z o.o. an offer of selling, installing and servicing photovoltaic panels for the business segment. Commencing the activity in this area is planned already in H1 2020. In the area of electricity wholesale through exchange and brokerage platforms and additional services for the energy market the Group expects that the margins in 2020 will remain at a similar level.
- **Other petroleum products** – in the scope of bitumen products the Group plans further development of the achieved volumes and their contribution to the Group's result in the whole of 2020.
- **Compulsory reserve** - Unimot S.A. will continue the fulfilment of maintaining the compulsory reserve according to Act of 16 February 2007 on crude oil inventories, refinery products and natural gas and the principles of proceeding in the event of threat to national liquid fuels security and disturbance on the oil market was introduced (consolidated text: Journal of Laws 2014, item 1695, as amended) through independent creation of the compulsory reserve, in place of the fees (tickets) for third-party entities. Just like in the previous year, in order to minimise the risk associated with the market price of diesel the Company concluded relevant hedging transactions, in accordance with the hedging policy valid in the Company. Independent maintenance of the compulsory reserve, in conjunction with the conclusion of hedging transactions for the market price of diesel, will significantly reduce the costs of maintaining the compulsory reserve.

## 2.8 RISK FACTORS AND THREATS TO THE CAPITAL GROUP

### Factors related to the operations of the Company and the capital Group:

**Risk related to interest rates level and financing the activity from foreign sources** – within the conducted economic activity the Group utilises various forms of financing with foreign capital, including bank loans and lease. Due to the fact that the cost of external financing sources is based on variable interest rates the Group is exposed to the risk resulting from an increase of interest rates and as a consequence an increase in the cost of debt service. Therefore, a potential increase of interest rates can contribute to an increase in the cost of debt service and as a consequence to decrease the financial result of the Group and deteriorate the financial efficiency of the carried-out ventures. Attention needs to be drawn also to the possibility of not acquiring financing: regarding current activity, investments and concluded hedging transaction from foreign sources due to the reasons attributable to the Issuer as well as external ones.

**The risk of withdrawal, revocation or infringement of concession for trade in fuels or an imposition of a financial penalty** - the Issuer and its subsidiaries have the concessions required under Polish law and issued for time specified therein and by the Energy Regulatory Office regarding the Issuer's business. The provisions of the Energy Law, applicable to the Issuer and its subsidiaries, in cases of breach of security, or the principles of fair dealing, provide for the possibility of the withdrawal of the concession, which would result in the necessity of cessation of activities. The Energy Law also provides for the possibility to impose a financial penalty on those who violate the provisions of the concession. A possible need to pay the financial penalty by the Issuer or its subsidiaries may result in deterioration of its financial results.

The key management of the Issuer has experience in carrying out the activities covered by the above concessions and, hence, is fully aware of the existing risks, as well as the scope of activities regulated by these concessions. The Issuer constantly monitors the validity of the concessions on the website of the Energy Regulatory Office. Therefore, the risk of an event resulting in withdrawal of the concession, its expiry or infringement thereof the Issuer evaluates as small.

**The risk associated with the loss of key managerial staff and finding qualified workers** - the success of the Issuer depends on the actions of people who act as managers, with rich professional experience and established trading relationships in the industry. There is a risk of loss by the Issuer and the companies belonging to its Capital Group of these workers and non-replacement them with people having similar qualifications. Concerning the maintenance of perennial good relationships with these employees and managers the Issuer evaluates occurrence of this risk as low.

**The risk of dependence on external terminals and transshipment bases** - the Issuer uses transshipment bases and external terminals situated in areas favourable from the point of view of the direction of the delivery. There is a risk of termination or non-renewal of contracts for cooperation with these operators which may affect the Issuer's financial results, due to the need to seek new bases located in the greater distance from the potential recipients. The Issuer minimises this risk by efforts to diversify the bases and terminals it uses.

**Transport related risks** - due to the difficult political situation in Ukraine and the possibility of events that can result in, among others, damage or destruction of transport infrastructure of the country, there is a risk of delays or inability to realise supply of LPG through the territory of this country to the terminal of which services the Issuer uses. The Issuer reduces this risk by diversifying the supply channels, among others, by purchasing gas from the Polish suppliers and from the Western Europe. The Issuer is also exposed to additional risks associated with the fees charged by the carrier from excessive downtime of means of transport (road tankers, cars, ships). The Issuer minimises this risk through a proper organisation of the sales process, and the use of internal procedures for verification of documents which restrict the number of events causing excessive downtime.

**The risk connected with maintaining compulsory reserve of liquid fuels** – In view of the business in the scope of trade in diesel and other fuels, the Issuer is obliged to maintain compulsory reserve of these fuels, which is associated with significant costs of financing such stocks and storage thereof. The Issuer is also exposed to price changes which may have an impact on the valuation of stocks. Due to the above, there is a risk of non-maintenance by the Issuer of required reserve, which is associated with high financial penalties. The issuer prevents this risk through the conclusion of contracts related to the maintenance of the compulsory reserve, by monitoring the level of the required reserve.

**The risk associated with the obligation to provide the National Indicative Target for biocomponents** - conducting its activities in the area of trade in liquid fuels and liquid biofuels, the Issuer is obliged to provide in a given year a minimum share of biocomponents and other renewable fuels in the total quantity of liquid fuels and liquid biofuels sold, disposed of or used in any other form for own use, in accordance with the coefficients – the National Indicative Target and the National Reductive Coefficient. There is a risk of default of biofuel levels required by law which may result in the imposition of a

penalty on the Issuer. The Issuer minimises this risk by ongoing monitoring of the number of required ratios.

**Risk associated with prices of raw materials** - the business model of the Issuer mainly relies on the purchase of liquid and gaseous fuels abroad or in Poland, its distribution and subsequent sale. Conducting such a business, the Issuer assumes a positive margin which is its profit. The lack of price stability of liquid and gaseous fuels in Poland and abroad has a significant impact on the margins achieved and consequently on the results obtained by the Issuer. Additionally, a sharp increase in prices of energy carriers may lead to decrease in consumption, which may translate into deterioration of the financial standing of the Issuer.

Owning huge inventory of goods is connected with wholesale trade in fuels. Change in prices on the world markets, and consequently on the domestic market, may generate a loss at the sale of goods to the recipients. The Issuer secures the risk of price changes of goods with appropriate hedge transactions. With this end in view, the Issuer uses forward transactions. In hedging transactions, however, there may be an incomplete adjustment of the hedging transaction to the actual price, quantity and derivative instrument used, which may result in deterioration in the financial results of the Issuer's Group. For fast-moving goods, the risk is reduced by moving pricing formulas per customer and by setting purchase and sales prices in the shortest possible time interval.

**Foreign-exchange risk** - the Issuer purchases goods (import of fuels) and sales (export of fuels) settled in foreign currencies. The main currencies used for export and import transactions are EUR and USD. Currency purchases in 2016 constituted ca. 2/3 (most in USD) of all purchases of the Issuer, while the share of sales settled in foreign currencies in that period constituted 1/4 (most in EUR) of the total sales. Unfavourable changes in exchange rates may adversely affect the margins achieved and therefore the financial results of the Issuer.

The Issuer uses the currency risk hedging procedure to minimise the risk of exchange rate fluctuations from the time of purchase of the commodity to the time of sale in cases where the purchase and sale are carried out in different currencies. The basic method of hedging against the currency risk is natural balancing of currency positions, i.e. the pursuit of a closed currency position against a single currency, which implies a balance between the size of all earnings and expenditures. The Issuer uses hedging instruments against the currency risk (mainly forward transactions and currency swap), reflected in real transactions and constituting security of trade margin calculation rates. The Issuer does not use currency options to hedge the exchange rates. The Issuer intends to use hedging instruments against the currency risk in the future.

**Risk connected with transactions with related entities** - within the Issuer's Capital Group and between the Issuer and entities related personally and in terms of capital transactions are made in relation to which the tax regulations provide for special pricing rules (so-called transfer prices) and other conditions, including documentation and analysis of accepted remunerations for those transactions. Due to the ambiguity of the tax regulations, there is a risk that the tax authorities or tax audit may contest the transfer pricing assumptions, which may involve the imposition of higher-than-expected tax liabilities on the Issuer or subsidiaries. The Issuer and the companies of the Capital Group keep the transfer pricing documentation required by law. As a result of the planned change of regulations the Issuer's Capital Group took steps to prepare a transfer pricing policy that will meet the legal requirements.

**Risk connected with investments in the area of gaseous fuels** - the Issuer's Group is in the course of significant investments in the area of gaseous fuels. These investments require large financial expenses. The Group assumes that the return period of invested resources will be 7-10 years, and the owned pipeline network will be a source of revenues for the Issuer's Group for many years. It is uncertain that the adopted assumptions and goals will be implemented, and the return rate will be satisfactory.

**Factors related to the Company and Capital Group's environment:**

**The risk of instability of the Polish legal and tax system** - the Issuer and its subsidiaries are exposed to frequent changes in the law governing the activity of the fuel market, as well as changes in the tax law, including VAT, excise tax and fuel surcharge. Changes in the regulations may have an impact on the business operations associated with the need to incur additional costs, which may have a negative impact on the financial results of the Capital Group. The Issuer and its subsidiaries minimise this risk in its activities, using the services of tax and legal firms, and monitoring the changes in the law that are relevant to its business.

**The risk related to the existence of the grey market** - Unfair practices of some entities concern the sale of fuels without paying due fees and taxes and in violation of applicable regulations and laws. This results in decrease in competitiveness and reduction in demand for products offered by the Issuer and its subsidiaries, which may adversely affect the financial results achieved. The Issuer, having many years of experience on the market, is aware of all kinds of restrictions and risks associated with the grey market. The Issuer takes into account the possible impact of additional costs related to concession fees or hedge of the risk of solidary VAT in the business and the financial forecasts.

**Limited demand for diesel engine passenger cars** – In 2019 the expansion of electric-driven cars was continued. Also introduction of new methodologies for exhaust gasses emission measurement may cause that a part of diesel engines will not comply with rigid standards in force in the territory of the European Union. As a consequence motor concerns may limit the production of diesel engine parts. Additionally, a part of the customers may resign from diesel engines as less environmentally friendly. Although the scale of the phenomenon is presently low for the diesel oil market (diesel oil is primarily used by lorries), it cannot be excluded that in the future the demand for diesel oil will not decrease, which would result in the growth of competition and as a consequence a decrease of Group's revenues or margins.

**The risk resulting from high competition** - the liquid and gaseous fuel segment is subject to legal regulations and is licensed so that the products available are characterised by a degree of standardisation. For this reason, the main competitive advantage on the market are price, quality, and also timeliness and the ability to ensure continuity of fuel supply. The existing competition and the possibility of emerging next international companies on the Polish market may force the Issuer and its subsidiaries to lower prices of offered products, which will in turn be reflected in deterioration of financial results. The Issuer and its subsidiaries minimise this risk by building direct and lasting relationships with individual and wholesale customers. The Issuer and its subsidiaries strive to create links with its customers by offering high quality services and products, guaranteeing the continuity and timeliness of product deliveries, and adequately leading consumer lending policy.

**Risk resulting from the pandemic of coronavirus COVID-19** – activity of the Issuer and its subsidiaries is closely related to the economic prosperity. As of the publication date of the present statements it was difficult to foresee all the consequences of the spread of the coronavirus In Poland, Europe and the world. A detailed estimation of the impact of the coronavirus pandemic on the operations and financial situation of the Capital Group has been included in note 2.5 of the present statements.

## 2.9 LEVEL OF GROUP'S STRATEGY IMPLEMENTATION AND REFERENCE TO FINANCIAL RESULTS FORECASTS

In June 2018, the UNIMOT Group prepared and announced the Strategy for the years 2018-2023. Below, the Issuer presents major strategic goals together with a comment on their implementation:

- **Achieving PLN 75 million EBITDA in 2023.**

The UNIMOT Groups strives for annual growth of EBITDA by adopting a series of strategic initiatives, developing the diesel business as well as LPG, natural gas and electricity, and for several months also bitumen products. Ultimately, the EBITDA result will be also largely contributed by the systematically expanded chain of AVIA petrol stations.

An element of the published strategy constituted the forecasts of the consolidated adjusted EBITDA for the years 2018-2023. The Company assumed the following levels: 2018 = PLN 12 million (book EBITDA), 2019 = PLN 34.0 million, 2020 = PLN 44.2 million, 2021 = PLN 54.3 million, 2022 = PLN 64.9 million, 2023 = PLN 74.8 million.

For the year 2018 the UNIMOT Group achieved the consolidated EBITDA result (book one) in the amount of PLN 13.5 million, i.e. exceeding the forecast value of PLN 12 million by 12.6%.

During 2019 the Company several times updated the forecast of the consolidated adjusted EBITDA for 2019. On 5th August 2019 (CR 21/2019) to the level of PLN 46.2 million, on 14th November 2019 to the level of PLN 57.6 million (CR 30/2019) and on 11<sup>th</sup> December 2019 (CR 32/2019) to the level of PLN 61.4 million. The achieved result reached the level of PLN 63.7 million, which means that the last forecast was exceeded by 3.7%.

On 11<sup>th</sup> December 2019 the Company informed in the current report NO 32/2019 about the update to the forecast of consolidated adjusted EBITDA for 2020 to the level of PLN 62.3 million. Simultaneously, it informed about changes to its previous information policy in the scope of publishing financial forecasts for the years to come. The Management Board of the Company decided to cancel the forecast of the consolidated adjusted EBITDA for the subsequent years (2021-2023) and publish it each time at the end of the preceding year.

The decision of the Management Board was related to external factors, independent of the Company, primarily significant market changes that occurred since the Strategy had been adopted (problems of one of the competitors) and which may (according to the announcements will) occur in the future (among others, a fusion of the two main fuel concerns). The aforementioned circumstances are very likely to have an impact on the forecasts for the future years and assessing this impact as of the present statements publication date was impossible.

- **Increased business efficiency measured by the ROCE index (calculated as EBITDA / assets net of short-term liabilities) – in 2023 ROCE = 15%**

The UNIMOT Group is going to systematically improve efficiency of all businesses ultimately reaching the ROCE index at the level of 15%. To do so, it undertakes a number of actions – both on the revenue as well as cost side. At the end of 2019 the ROCE index (calculated as EBITDA / fixed assets net of working capital) amounted to 28.3%, that is more than the assumed level 15% for the year 2023.

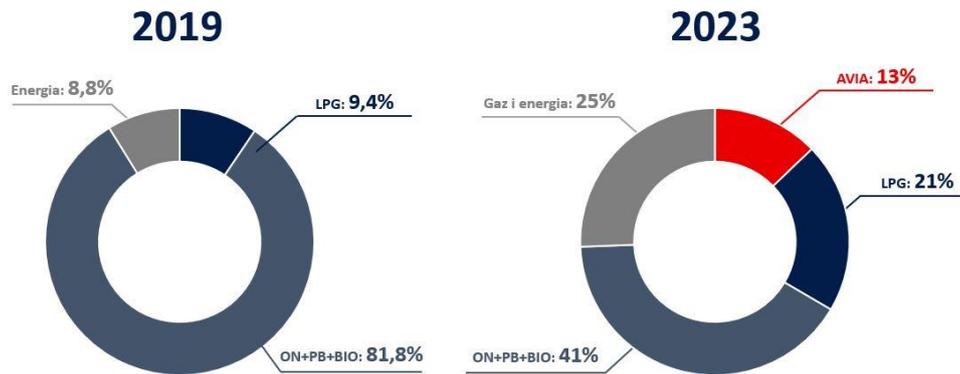
- **Activity diversification – generating in 2023 70% of EBITDA from intensively developing businesses beyond diesel**

The UNIMOT Group is developing and enlarging the scale of all conducted businesses. However, the fastest changes are assumed in the areas beyond diesel, which previously constituted the basis of the Issuer's activity. This is carried out primarily through:

- growth of the number of stations in the AVIA chain to 200 in 2023 at an assumption to concentrate on most prestigious locations,
- creation of a new source of profits in the form of non-fuel products sold at AVIA stations,
- doubling the sales of LPG, mainly through further development of wholesale and intensification of sales in the scope of autogas,
- development of attractive business areas in the scope of electricity and natural gas in response to future market trends (e.g. LNG stations, photovoltaics for the business segment),
- optimisation of assets in the natural gas business.

In addition, in August 2019 the UNIMOT Group decided to enter into a new segment of operation and commence import and sales of bitumen products in Poland – this supplemented the Group's offer in the area of petroleum products. Bitumen products are sold on the Polish market under the AVIA Bitumen brand. Since 2019 the UNIMOT Group has been also developing the sales of oils in China and Ukraine, assuming increased sales and entering new markets in the subsequent

years.



▪ **Development of AVIA chain in Poland – 200 petrol stations until the end of 2023**

One of the most important elements of the strategy for the years 2018-2023 is a dynamic development of the AVIA chain. The Issuer’s goal is to own 200 of AVIA petrol stations in 2023. To achieve this assumption the Company wants, among others, to increase the attractiveness of franchise offer through: introduction and development of a fleet card, increased elasticity of cooperation terms depending on the station’s potential, creating several flagship stations and expanding the offer with new products and services. In 2019 the Company focused on the changes in the team in charge of the chain’s development and streamlining the shop concept following the current trend of moving the weight from the fuels themselves to non-fuel products and services.

Liczba stacji w sieci AVIA w Polsce



At the end of 2019 the AVIA chain included 50 stations, where 12 of them were connected to the chain in 2019 (four were excluded due to chain optimisation process). The lower dynamics of connecting new facilities to the chain than before results mainly from the Group's concentration on stations with the highest efficiency potential.

Simultaneously, the UNIMOT Group has been developing the AVIA chain in Ukraine. As of the date of the present statements preparation there are 7 stations under the AVIA brand in this country. Their number is expected to reach 30 until the end of 2020.

▪ **Annual dividend payment in the amount of min. 30% of net profit of UNIMOT S.A.**

According to the dividend policy in force, in case net profit is achieved in the given fiscal year, the Management Board will recommend to the General Meeting of the Company to pay an annual dividend in the amount of min. 30% of the standalone net profit achieved in the given financial year.

Dividend for the year 2017 was paid on 19th June 2018. The Ordinary General Meeting of the Company decided to pay PLN 13.9 million of dividend (PLN 1.70 per share), which constituted 55.1% of standalone net profit. In 2018 the standalone net result of UNIMOT S.A. was negative.

▪ **Asset optimisation**

**Disinvestment in the natural gas area**

On 31st December Unimot S.A. concluded an agreement regarding a partial disinvestment in the natural gas area, which covers a venture carried out jointly with Blue Line Engineering S.A. under the investment agreement of 12 February 2014 (Current Report NO 6/2014) as amended.

Under the signed agreement Blue Line Engineering S.A. and Unimot S.A. transferred the ownership of shares in the companies:

- Blue Line Engineering S.A. transferred to Unimot S.A. owned shares in Unimot System Sp. z o.o., which includes also the company Blue LNG Sp. z o.o.,
- Unimot S.A. transferred to Blue Line Engineering S.A. shares owned in Blue Cold Sp. z o.o.

The parties also settled mutual receivables and liabilities related to previous financing of the operations of the aforementioned subsidiaries. The total amount of the transaction is PLN 12.64 million. Following the settlement of the transaction Unimot S.A. will pay Blue Line Engineering S.A. the amount of PLN 4.0 million.

The decision was made in relation to the adopted Capital Group's Strategy for the years 2018-2023, in which the Issuer assumes, among others, gas assets optimisation and concentration on most margin-efficient businesses. The Issuer's Capital Group will continue the development of natural gas sales and distribution by UNIMOT System Sp. z o.o., whose operating and financial standing has been gradually improving since mid-2018.

The Company assumes that the optimisation of gas assets will enable the gas segment to generate positive EBITDA in the years to come, which will positively contribute to the EBITDA of the whole Group. In 2019 EBITDA of Unimot System amounted to PLN 1.2 million and Blue LNG PLN 0.9 million.

#### Sale of LPG cylinders business

In June 2019 the process of selling the business of LPG cylinders by Unimot S.A. to Gaspol S.A. was completed. It was conducted through a transfer for payment of the rights and obligations arising from the contracts concluded with customers of LPG in cylinders along with a part of assets related to this business in the locations conducting sales of cylinders: Zawadzkie, Częstochowa, Świdnica, Niwnica and Jordanów. The decision to sell this segment resulted from the implementation of the Issuer's strategy that assumes focusing only on the most margin-effective businesses of high growth potential. In the LNG segment the Issuer intends to focus on other more promising areas, primarily wholesale of LPG. The premises of the gas bottling plant in Zawadzkie remained the property of Unimot S.A.

#### 2.10 SHARES OF UNIMOT S.A. ON WSE

The year 2019 on the Warsaw Stock Exchange was another poor period – it belonged to the worst stock markets in the world. The broad market index WIG gained only +0.25%. The index of largest companies that is WIG20 significantly loss its value recording a loss by 5.56%. A much better performance than the main market characterised the index of small companies that is sWIG80 gaining throughout 2019 13.94%. Among the industry indexes the best performance recorded WIG-Info (+42.3%) and WIG-Telekom (+40.9%). The biggest drops recorded in turn: WIG-Paliwa (-18.9%) and WIG-Energ (-18.6%).

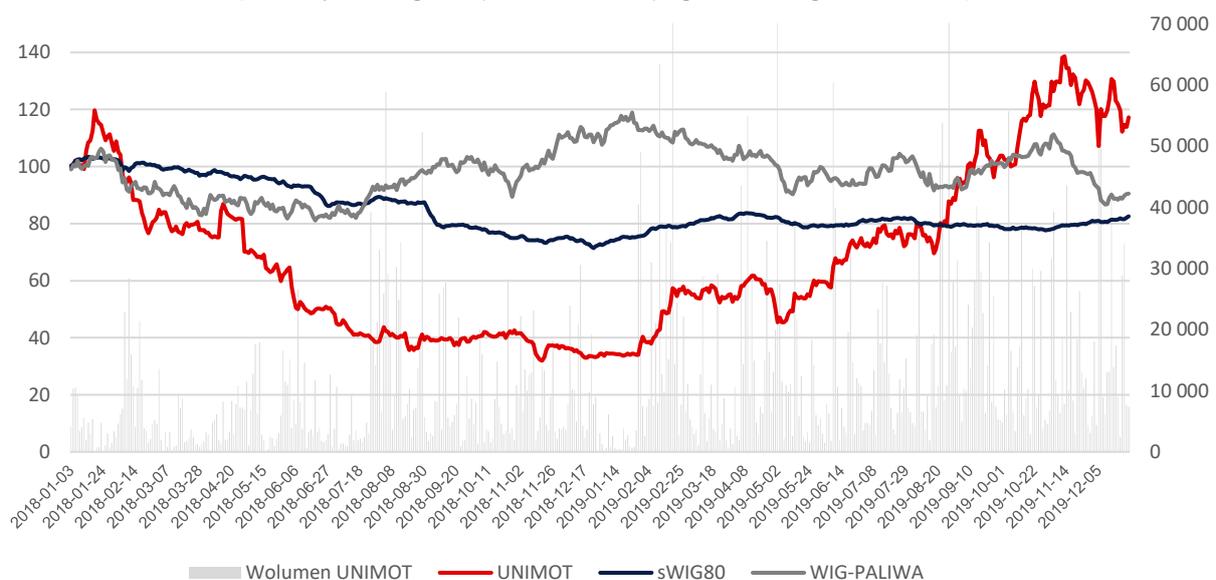
At the end of 2019 there were 401 domestic companies quoted on the Main Market of the Warsaw Stock Exchange of total capitalisation PLN 550.2 billion and 48 foreign companies of the total value of PLN 553.6 billion. The value of stock trading within the order book in 2019 amounted to PLN 191.4 billion.

During 2019 UNIMOT S.A. was one of the most growing companies on the WSE (4th position). Within the year the price of shares grew by 250.5% and oscillated in the range from PLN 8.0 (4<sup>th</sup> January) to PLN 33.9 (14<sup>th</sup> November). At the end of 2019 the market value of UNIMOT S.A. reached the level of PLN 228.7 million, while the book value amounted to PLN 243.6 million.

In December 2019 within the quarterly revision of main stock exchange indexes UNIMOT S.A. entered the sWIG80 index and sWIG80TR. At the end of 2019 the company was also included into the following indexes: WIG-Poland, InvestorMS, WIG-PALIWA, WIG.

#### Price of UNIMOT shares compared to indexes WIG and WIG-Paliwa

[left axis: price change in % (28.12.2018 = 100%), right axis: trading volume in items]



The year 2020 did not begin positively for financial markets – primarily due to a dynamic spread of the pandemic of coronavirus COVID-19. Following the uncertainty and fears of the markets at the end of February one could observe a slump on the stock exchanges in the whole world – the last week of February was the last since the infamous financial crisis of 2008.

Next record drops occurred on 9th March 2020 when the panic related to the coronavirus COVID-19 was intensified by the price war between crude oil producers. On this day the price of crude oil dropped by almost 30%. The S&P 500 index was down by 7.6%, Dow Jones Industrial at the end of the quotations was 7.8% below the line, and Nasdaq 7.3%. The British FTSE 100 lost 7.69%, the French CAC 40 was down by 8.39% and the Italian FTSE MIB – as much as by 11.17%. WIG was by 7.28% in the red, WIG20 recorded a loss of 7.87%, and mWIG40 dropped by 6.22%.

A few days later, 12.03.2020, deeper drops were observed at the Stock Exchange – WIG20 recorded the worst session in its history. In the period from 20th February to 20th March this year WIG lost 28.99%, and WIG20 29.63%.

The price of the shares of UNIMOT S.A. followed the market trends, but despite the positive information regarding financial results for 2019 and sales results for the first months of 2020 – drops were even deeper. In the last week of February it dropped by 29.84%, on 9th March this year it decreased by 17.9%, and on 12th March this year by 23.5%. In the period from 20th February to 20th March this year the shares of UNIMOT S.A. lost in value 42.09%. On 25th March this year the shares of the company cost PLN 17.20, and capitalisation amounted to PLN 141.0 million.

## 2.11 INVESTOR RELATIONS

UNIMOT S.A. ensures maintaining highest standards in the scope of corporate governance and communication as well as providing permanent and equal access to information about the Company and the Group for all the stakeholders.

Main actions carried out by UNIMOT S.A. in the scope of investor relations in 2019:

- **Direct meetings** – the company ensures meetings with the Board to the representatives of sell-side and buy-side when financial results are published and at different times as required,
- **Investor chats** – the company also ensures contact with the Board to individual investors with the use of electronic form; chats are organised every quarter immediately after the Company publishes its financial results; in 2019 the company conducted 4 chats, where the total attendance was over 1 thousand persons,
- **WallStreet Conference** – in 2019 representatives of UNIMOT S.A. once again participated actively in the WallStreet conference – this is the largest meeting in the region organised for individual investors and one of the largest events on the capital market in Poland; individual investors had an opportunity to meet the representative of the company within the fairs “Twoje Inwestycje” (information stand) and “Forum Akcjonariat” (a lecture),
- **Investor relations tab on the company’s website** – on its website the company informs, among others, about most important events and new recommendations. The tab is also regularly updated with new contents and reference materials (video, audio, presentations one-pagers). In 2019 the website was appreciated by the market – UNIMOT S.A., as one of the three Polish companies in the category of small companies qualified to the final stage of the prestigious contest of the Polish Association of Listed Companies : „Złota Strona Emitenta” (“Golden Website”).The website functions in Polish and English: <https://www.unimot.pl/relacje-inwestorskie/>,
- **Twitter communication** – the company conducts active communication through the social media Twitter providing most relevant information and answering questions; company’s account on Twitter is observed by over 500 persons.

UNIMOT S.A. is regularly evaluated and valued by the analysts of Dom Maklerski Banku Ochrony Środowiska S.A. In 2019 the office issued four recommendations for the company:

Publication date /update	Fundamental recommendation	Relative recommendation	Valuation in 12-month horizon	Price on the publication day
04.12.2019	<b>Buy</b>	Overweigh	<b>PLN 38,00</b>	PLN 28,60
27.09.2019	<b>Buy</b>	Overweigh	<b>PLN 31,50</b>	PLN 24,10
10.07.2019	<b>Buy</b>	Overweigh	<b>PLN 25,50</b>	PLN 17,40
04.04.2019	<b>Buy</b>	Overweigh	<b>PLN 21,50</b>	PLN 13,00

## 2.12 LOANS AND CREDITS TAKEN AND TERMINATED

### Credit and loan agreement analysis as of 31.12.2019

Name of financing company	in PLN thousand		Liability type	Date of granting	Repayment day	Securities
	Long-term part	Short-term part				
<b>Multi-currency credits (in PLN, USD, EUR):</b>						
BNP Paribas Bank Polska S.A. (formerly Raiffeisen Bank Polska S.A.)	-	1 150	overdraft	2011-08-11	2020-06-30	a bail mortgage on real estate together with an assignment of insurance policy, registered pledge on fixed assets, an authorization to the current account and other accounts, cession of receivables.
Bank Millenium S.A.	-	11 219	overdraft	2012-09-20	2020-05-21	a collective mortgage on real estate together with an assignment of insurance together a surety and declaration of submission to enforcement by Unimot Express Sp. z o.o.
<b>Credits in USD:</b>						
mBank S.A.	-	104 750	revolving credit/overdraft	2012-10-01	2020-10-23	a collective mortgage on real estate promissory note together with promissory note agreement cession of receivables, cession of insurance policy, registered pledge on diesel oil.
ING Bank Śląski S.A.	-	85 185	revolving credit/overdraft	2016-03-03	2020-05-31	registered pledge on stock authorization to current account and other accounts, cession of receivables, cession of insurance policy.
<b>Credits in PLN:</b>						
mBank S.A.	-	-	revolving credit/overdraft	2012-10-01	2021-03-19	a blank promissory note and promissory note agreement, cash deposit in the amount of PLN 1.1 million, declaration of submission to enforcement.
BNP Paribas Bank Polska S.A.	-	-	Credit line facility/ reverse factoring	2016-09-26	2026-09-26	promissory note together with promissory note agreement, pledge or registered pledge on financed or refinanced product cession of indemnification from insurance policy, confirmed cession of receivables, silent cession of receivables, registered pledge on bank account, declaration on submission to enforcement, authorization to dispose of financial resources in all bank accounts in Bank.
BNP Paribas Bank Polska S.A. (formerly Raiffeisen Bank Polska S.A.)	-	340	overdraft	2018-01-03	2020-06-30	security through credit limit in Unimot S.A.
Bank Millennium S.A.	-	1 506	overdraft	2012-09-20	2020-05-21	security through credit limit in Unimot S.A.
Orzesko-Knurowski Bank Spółdzielczy z/s w Knurowie (Wieleń) *	195	130	investment credit	2013-11-22	2022-06-20	own promissory note, contractual mortgage on real estate, cession from the policy; court registered pledge, surety of BLE SA, authorization to accounts, transfer authorization to accounts, transfer from contracts with the customers from Wieleń.
Orzesko-Knurowski Bank Spółdzielczy z/s w Knurowie (Tuczno) *	145	97	investment credit	2014-04-03	2022-06-20	own promissory note, contractual mortgage on real estate, cession from the policy, court registered pledge, surety of BLE S.A., authorization to accounts, transfer from the contract with Trumpf Mauxion Chocolates.
Orzesko-Knurowski Bank Spółdzielczy z/s w Knurowie (Białowieża) *	690	166	investment credit	2016-04-08	2025-03-30	own promissory note, contractual mortgage on real estate, cession from the policy, court registered pledge, surety of Unimot System Sp. z o.o. and Unimot S.A. authorization to accounts, transfer from contracts with the customers form Białowieża.
Bank Spółdzielczy w Płońsku *	850	200	investment credit	2014-05-14	2023-12-31	contractual mortgage, surety of Blue Line Engineering S.A., Unimot S.A., Quantum 6, cession of receivables, authorization to current account and other accounts, own promissory note.
Bank Gospodarstwa Krajowego *	3 700	600	investment credit agreement	2016-01-27	2024-06-30	a blank promissory note; endorsement Unimot S.A.; surety under civil law BLE; contractual mortgage up to PLN 12.760.058; register pledge on the group of future movables; transfer of receivables; transfer of receivables from the insurance contract; statement on voluntary execution pursuant to Art. 777 Unimot SA, BLE, Unimot System
BNP Paribas Factor Sp. z o.o. *	-	1 200	recourse factoring	2014-04-18	Contract for an indefinite period	own promissory note, cession of receivables.
Unimot Express Sp. z o.o. *	-	322	loan	2015-12-12	2020-12-31	no security
<b>Total</b>	<b>5 580</b>	<b>206 865</b>				

Margin on liabilities from credits, loans and other debt instruments depends on variable interest rate to which it refers. Interval analysis of margin is presented below:

- WIBOR 1M – margin in the range 0.9%, WIBOR 3M – margin in the range 1.6 – 6.25%,
- LIBOR 1M – margin in the range 1,1% - 2%,
- EURIBOR 1M – margin in the range 1.1% - 1.45%.

In 2019 or after the reporting date the occurrences of failures to reimburse capital or interests did not happen.

As of 31st December 2019 there were no infringements to covenants of credit agreements held by the Group.

There were no other infringements to the terms of credit agreements held by the Group.

## 2.13 GRANTED CREDITS AND LOANS

### Loans granted in 2019:

1. Unimot S.A. granted loans to Blue LNG Sp. z o.o. to the total amount of PLN 2 106 thousand. The interest rate of the granted loans amounts to 5% per year. The Borrower undertook to repay the granted loans until 31<sup>st</sup> December 2020. On 27<sup>th</sup> February the Borrower paid the amount of PLN 1 700,0 thousand, the remaining amount is PLN 406.0 thousand.
2. Unimot S.A. granted a loan to Green Electricity Sp. z o.o. to the amount of PLN 7 500 thousand. The interest rate of the granted loans amounts to 5% per year. The Borrower undertook to repay the granted loan in equal monthly instalments from 1<sup>st</sup> July 2021 to 31<sup>st</sup> December 2022. The loan debt as of 31<sup>st</sup> December 2019 amounted to PLN 3 500 thousand and as of the date of the present statements preparation the debt amounts to PLN 5 501 thousand.

### Loans granted before 2019 but still active:

3. Unimot S.A. granted loans to Unimot System Sp. z o.o. to the total amount of PLN 2 702.2 thousand. The interest rate of the granted loans amounts to 5% per year. The loan was repaid on 31.12.2019.

## 2.14 GRANTED AND RECEIVED SURETIES AND GUARANTEES

The Group held the following contingent liabilities as of 31<sup>st</sup> December 2019 and 31<sup>st</sup> December 2018:

The number of guarantees of the Parent Entity Unimot S.A. towards third parties, issued in the course of current activity as of 31<sup>st</sup> December 2019 and 31<sup>st</sup> December 2018 amounted to respectively PLN 30.52 million and EUR 1.7 million and PLN 61.17 million and EUR 1.45 million. These concerned mainly: civil and law guarantees connected with securing proper execution of contracts, and public and law guarantees resulting from the valid law regulations securing the correctness of conducting licensed activities in the liquid fuels sector and resulting from this activity receivables of tax, customs nature, etc.

The value of standby letters of credit issued on request of the Parent Entity Unimot S.A. as of 31<sup>st</sup> December 2019 and as of 31<sup>st</sup> December 2018 amounted respectively USD 19.4 million and USD 0 million.

The Parent Entity granted a civil surety for the liabilities of a related nonconsolidated entity in the amounts as of 31<sup>st</sup> December 2019 and as of 31<sup>st</sup> December 2018 respectively PLN 2.5 million and PLN 1.6 million.

The Parent Entity Unimot S.A. issued guarantees, civil sureties and avals for the liabilities of consolidated related entities in the amounts as of 31<sup>st</sup> December 2019 and as of 31<sup>st</sup> December 2018 respectively PLN 36.7 million and PLN 29.87 million.

The number of guarantees concerning liabilities of subsidiaries towards third parties issued in the course of the current activity as of 31<sup>st</sup> December 2019 and as of 31<sup>st</sup> December 2018 amounted to respectively PLN 21.74 million and PLN 15.24 million.

Related entities possessed sureties towards third parties as of 31<sup>st</sup> December 2019 and as of 31<sup>st</sup> December 2018 amounting to respectively PLN 13.10 million and PLN 14.15 million.

The Parent Entity Unimot S.A. granted surety for the liabilities of nonconsolidated related entities due to umbrella agreements in the amounts of PLN 3.5 million as of 31<sup>st</sup> December 2019.

### **3. BASIC INFORMATION ABOUT THE UNIMOT CAPITAL GROUP**



### 3. BASIC INFORMATION ON THE UNIMOT CAPITAL GROUP

#### 3.1 PARENT EQUITY'S DATA

Unimot Spółka Akcyjna ("Unimot S.A.", "Company", "Parent equity") with its registered office in Zawadzkie, at 2A Świerklańska, is a Parent equity in the Unimot Capital Group ("Capital Group", "Group"). The Company was entered on 29th March 2011 into the Business Register of the District Court in Opole VIII Commercial Division of the National Court Register, as KRS number: 0000382244.

Unimot S.A.'s shares from 7 March 2017 have been listed on the regulated market of the Warsaw Stock Exchange.

Full name	UNIMOT Spółka Akcyjna
Registered office:	Zawadzkie
Address:	Świerklańska 2a, 47-120 Zawadzkie
Phone:	+48 77 461 65 48
Website address	<a href="http://www.unimot.pl">www.unimot.pl</a>
Scope of operations	Liquid and gaseous fuels trade
Legal form:	Joint-Stock Company
Share capital	Share capital (primary) of the Issuer amounts to PLN 8 197 818,00 Total number of shares: 8 197 818 pieces Nominal value of shares: PLN 1
KRS:	District Court in Opole, VIII Commercial Division of the National Court Register under KRS number: 0000382244.
REGON:	160384226
NIP:	7561967341
Period for which the company was established:	Unlimited

#### 3.2 COMPOSITION OF THE UNIMOT CAPITAL GROUP

As of 31st December 2019 Unimot S.A. owned directly and indirectly the shares of the following subsidiaries:

Name of subsidiary	The Seat	Scope of unit's basic operations	Owned shares	Date of obtaining
Unimot System Sp. z o.o.	Poland	distribution of gas fuels through mains	100,00%	20.01.2014
Blue LNG Sp. z o.o.	Poland	distribution of gas fuels through mains	100,00%	04.07.2014
Unimot Paliwa Sp. z o.o.*	Poland	liquid fuels distribution	100,00%	16.11.2015
Unimot Energia i Gaz Sp. z o.o.	Poland	electricity and liquid fuels distribution	100,00%	30.12.2015
Unimot Energia i Gaz Sp. z o.o. SK.A.	Poland	liquid fuels distribution	100,00%	30.12.2015
Tradea Sp. z o.o.	Poland	electricity distribution	100,00%	23.05.2016
Unimot Ukraine LLC	Ukraine	liquid fuels distribution	100,00%	19.04.2018
Unimot Asia LLC	China	liquid fuels distribution	100,00%	04.09.2018
Unimot Energy LLC	Ukraine	electricity distribution	100,00%	02.04.2019

\* change of name of the company from Tankuj24.pl Sp. z o.o. to Unimot Paliwa Sp. z o.o. on 28.03.2019



**The following changes occurred in 2019 in the organisational structure of the Unimot Capital Group:**

- On 27th March 2019 the Parent Entity Unimot S.A. increased the capital in Unimot Ukraine LLC acquiring 1000 new shares at EUR 100 each, as a result the share capital of this company has increased by EUR 100 thousand. The share percentage of the Parent Entity in Unimot Ukraine LLC has not changed and amounts to 100.00%.
- On 2nd April 2019 the subsidiary Tradea Sp. z o.o. established a subsidiary Unimot Energy LLC, into which it provided the share capital in the amount of EUR 100 thousand. The percentage share of Tradea Sp. z o.o. in Unimot Energy LLC amounts to 100 %.
- On 28th June 2019 the Parent Entity Unimot S.A. increased the capital in Unimot Energia i Gaz Sp. z o.o. acquiring 1000 of new shares at PLN 1000 each, as a result the share capital of this company has increased by PLN 1.0 million. The percentage share of Unimot S.A. in Unimot Energia i Gaz Sp. z o.o. has not changed and amounts to 100.00%.
- On 24th July 2019 the Parent Entity Unimot S.A. increased the capital in Unimot Energia i Gaz Sp. z o.o. acquiring 1000 of new shares at PLN 1000 each, as a result the share capital of this company has increased by PLN 1.0 million. The percentage share of Unimot S.A. in Unimot Energia i Gaz Sp. z o.o. has not changed and amounts to 100,00%.
- On 31st July 2019 a merger was registered in the KRS between Blue LNG Sp. z o.o. and PPGW Sp. z o.o. The merger was conducted through the transfer of all the assets of PPGW Sp. z o.o. to Blue LNG Sp. z o.o. in return for shares, which were submitted by Blue LNG Sp. z o.o. to the co-owner of PPGW Sp. z o.o. (Unimot System Sp. z o.o.). The percentage share of Unimot System Sp. z o.o. in the merged entity amounts to 100 %.
- On 30th August 2019 the Parent Entity Unimot S.A. increased the capital in Unimot Ukraine LLC acquiring 1000 of new shares at EUR 100 each, as a result the share capital of the company grew by EUR 100. The percentage share of Unimot S.A. in Unimot Ukraine LLC has not changed and amounts to 100.00%.
- On 23rd October 2019 the Parent Entity Unimot S.A. increased the capital in Tradea Sp. z o.o. acquiring 2000 of new shares at PLN 1000 each, as a result the share capital of this company has increased by PLN 2.0 million to the total amount of PLN 3.8 million. The percentage share of Unimot S.A. in Tradea Sp. z o.o. has not changed and amounts to 100,00%.
- On 24th December 2019 the Parent Entity Unimot S.A. increased the capital in Tradea Sp. z o.o. acquiring 2000 of new shares at PLN 1000 each, as a result the share capital of this company has increased by PLN 2.0 million to the total amount of PLN 5.8 million. The percentage share of Unimot S.A. in Tradea Sp. z o.o. has not changed and amounts to 100,00%.
- On 31st December the Parent Equity Unimot S.A. concluded an agreement regarding a partial disinvestment in the natural gas area, which covers a venture carried out jointly with Blue Line Engineering S.A. under the investment agreement of 12 February 2014 as amended.

Under the signed agreement the following changes occurred in the structure of the Capital Group:

- Blue Line Engineering S.A. transferred to Unimot S.A. owned shares in Unimot System Sp. z o.o. The capital of Unimot System Sp. z o.o. has not changed. The percentage share of Unimot S.A. in Unimot System Sp. z o.o. has changed and amounts to 100%.
- The Parent Equity Unimot S.A. transferred to Blue Line Engineering S.A. shares owned in Blue Cold Sp. z o.o. The capital of Blue Cold Sp. z o.o. has not changed. The percentage share of Unimot S.A. in Blue Cold Sp. z o.o. has changed and amounts to 0%.

**Changes after the balance sheet date:**

- On 20th February 2020 the subsidiary Unimot System Sp. z o.o. increased the capital in Blue Lng Sp. z o.o. acquiring 22 000 of new shares at PLN 100 each, as a result the share capital of the company has grown by PLN 2.2 million to the total amount of PLN 3.96 million. The percentage share of Unimot System Sp. z o.o. in Blue LNG Sp. z o.o. has not changed and amounts to 100%.

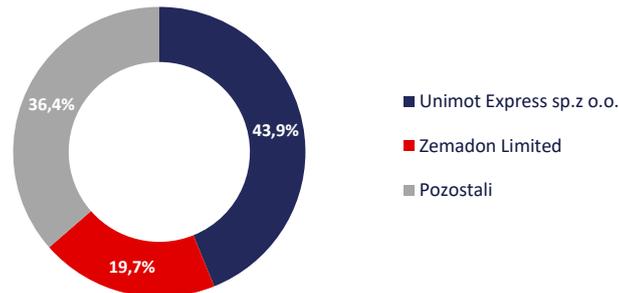
**Neither the Issuer nor the Capital Group hold foreign or domestic capital deposits into securities, intangible and legal assets and property.**

### 3.3 ISSUER SHAREHOLDER'S STRUCTURE

Shareholders holding directly or indirectly through subsidiaries at least 5% of the total votes at the General Meeting of the Issuer as of the publication date of the present consolidated financial statements:

Shareholder	Number of	Share in capital %	Number of votes	Share in votes %
Unimot Express Sp. z o.o.	3 593 625	43,84%	3 593 625	42,04%
Zemadon Limited	1 616 661	19,72%	1 966 661	23,01%
Others	2 987 532	36,44%	2 987 532	34,95%
<b>Total</b>	<b>8 197 818</b>	<b>100,00%</b>	<b>8 547 818</b>	<b>100,00%</b>

Shareholder's structure in %



### 3.4 HISTORY OF UNIMOT S.A. AND THE CAPITAL GROUP

The Company operates under the name UNIMOT S.A. The registered office of the Company is Zawadzkie, ul. [street] Świerkłańska 2a.

The Company was established by a notarial deed on January 14, 2011. It was registered in the business register maintained by the District Court in Opole, VIII Commercial Division, under KRS number 0000382244, pursuant to the order of 29 March 2011.

The traditions of UNIMOT S.A. date back to 1992 and are based on the relationships and experiences of Unimot Express - a specialist in liquid fuel trade. The Company's activities in the Liquefied Petroleum Gas (liquified propane-butane) sector are based on a gas bottling plant located in Zawadzkie, Opolskie Voivodeship and the experience gained in the LPG sector from Gaz-Zaw (the LPG segment of this company was incorporated into the Unimot Express Sp. z o.o. Company in 2003). Over time, the Company has become one of the largest suppliers of car gas in southern Poland, offering LPG to customers from its own gas bottling plant in Zawadzkie. The Company also conducts direct (domestic and foreign) wholesale from external handling terminals located in different parts of the country. As a result of the dynamic development of Unimot Express in this sector, UNIMOT S.A. was separated.

The activity of UNIMOT SA was launched in 2011 under the name UNIMOT GAZ S.A. In June 2011 an in-kind contribution in the form of gas bottling plant in Zawadzkie was provided by Unimot Express Sp. z o.o. On April 27, 2012, the Ordinary General Meeting of UNIMOT S.A. adopted a resolution to increase the Company's Share capital through the issue of Series D shares.

Shortly after, the Company obtained a license from the Energy Regulatory Office for trading in liquid fuels. The year after, in September 2012, UNIMOT S.A. debuted on the NewConnect market, placing on the market 2,400,000 series C shares and 103,797 series D shares from the new issue.

In 2014, UNIMOT S.A. developed dynamically, exploiting new opportunities in the energy sector. The Company engaged in the liberalization process of the natural gas market, including acquiring and expanding distribution networks, launching natural gas liquefaction installation and several LNG regasification installations. In addition, the Company expanded its offer by wholesale of diesel oil and focused its operations on liquid fuels. In the fourth quarter of 2014 the Company took over the profitable part of Unimot Express Sp. z o.o. - a specialist in the distribution of liquid fuels, thus extending the geographic reach of its business. In the same period the name UNIMOT GAZ S.A. was officially changed to UNIMOT S.A. which was to emphasize the multi-energy nature of the Company's offer.

In the fourth quarter of 2015, UNIMOT S.A. acquired 100% of shares in Energogas Sp. z o.o. which holds, among others, electricity trading license. Whereas, in the second quarter of 2016, UNIMOT S.A. acquired 100% of shares in Tradea Sp. z

o.o. which also holds, among others, electricity trading license. These companies are developing electricity sales as a part of implementation of the multi-energy sales offer strategy.

In 2016, the Company continued its LPG trading activity in all its existing business lines, trading in bio-fuels and biooils and natural gas through its subsidiaries and began trading in electricity to final customers also through its subsidiaries. The largest dynamic development of the business was in the wholesale of diesel with the use of acquired in 2014 profitable part of Unimot Express Sp. z o.o. UNIMOT S.A. geographically expanded its offer in this area by successive increase of the number of fuel bases to 12 ones, offering diesel throughout the country.

On 10-21 February 2017 the Company conducted a public offer of 2,2 million shares at the issue price PLN 45 offering them to individual and institutional investors (20 % of the offer). The offer enjoyed a great interest of the investors and was very successful. As a result the Issuer acquired resources in the amount of PLN 99 million (net PLN 96,6 million). According to the issuance prospectus the acquired resources were destined by the Issuer to increase the current capital used in fuel trading, development of AVIA franchise fuel stations network, and also creation of Tankuj24 application for online fuel sales. Series J shares were introduced to trading on the regulated market of the WSE with effect from 7 March 2017. At the same time, shares previously listed on the NewConnect market were introduced to trading on the regulated market.

In 2018 the Group was carrying out, among others, public issuance goals; increase of wholesale turnover in diesel oil and development of AVIA stations chain in Poland. Through newly-created subsidiaries the Group also commenced building the chain of AVIA stations in Ukraine and distribution of automotive oils and lubricants under the AVIA brand in China.

In 2019 the Group continued the goals of public issuance; further growth of diesel oil wholesale and development of AVIA stations chain in Poland and Ukraine. The Group also entered new business areas: it commenced import and sales of bitumen products in Poland and made a capital investment into the area of widely understood electromobility. The Group also conducted a disinvestment in the natural gas segment and sale of LPG cylinders business. These events have been described in detail in item 2.1 of the present statements.

### 3.5 BODIES OF UNIMOT S.A.

As of 31st December 2019 and as of the day of present statements preparation the composition of the Management Board is as follows:



#### **ADAM SIKORSKI – PRESIDENT OF THE MANAGEMENT BOARD**

Co-founder of the UNIMOT Capital Group (since 1992) – one of the largest private companies on the energy market in Poland. In 2012 he became the Chairman of the Supervisory Board and the main shareholder of PZL Sędziszów S.A. – a leading domestic automotive filter manufacturer, and from 2015 to 2018 he assumed the position of the President of the Company's Management Board.

Mr Sikorski graduated from the Executive MBA and the Executive Doctor of Business Administration at the Institute of Economic Sciences of the Polish Academy of Sciences in Warsaw. He is also a graduate of the Department of International Economic Relations at the Polonia Academy in Częstochowa.

Since 2015 he has been a certified member of The John Maxwell International Team as a licensed coach, teacher and motivational speaker. He is personally interested in the subject of personal development and leadership. Since August 2018 Adam Sikorski is the President of the Management Board of UNIMOT S.A.



#### **ROBERT BRZOZOWSKI – VICE-PRESIDENT OF THE MANAGEMENT BOARD**

Robert Brzozowski is a graduate of the University of Gdansk. In 2016 he graduated from the prestigious BI Norwegian Business School, earning the title of Executive Master of Business Administration in the field of energy. In the years 2000-03 he served as the Director of Trade and Marketing of ORLEN Morena Sp. z o.o., and for the next 2 years he held the office of Commercial Director of LOTOS Marine.

With the UNIMOT Group he has been associated since 2008 as the coordinator of international fuel trade. In UNIMOT S.A. he was responsible, among others, for the project of wholesale diesel sale. On August 25, 2014, he assumed the position of Member of the Management Board and the Company's Commercial Director. Since October 2015 until the end of 2017 he was the President of the Management Board

of UNIMOT S.A. Since January 2018, Robert Brzozowski has been the Vice-President of the Management Board of the Company for Commercial Affairs.



#### **MAREK MOROZ – VICE-PRESIDENT OF THE MANAGEMENT BOARD**

Mr Marek Moroz is a graduate of the Central School of Planning and Statistics (presently the Warsaw School of Economics) in Warsaw. At the beginning of 1990s Mr Moroz worked, among others, at the Ministry of Privatisation and Industrial Development Agency. In the years 1991-1997 he was a consultant and then a manager at SG Warburg & Co. Ltd and for subsequent three years the Director of Enterprise Financing Department in Rabobank Polska SA.

In the period 2000-2003 Mr Marek Moroz was the Director of Corporate & Advisory Department and Member of the Management Board of HSBC Investment Services (Poland) Sp. z o.o., and in the years 2005-2008 he was associated with PKN Orlen SA, where he worked as the Director of Capital Investment Bureau. Simultaneously,

he fulfilled the function of the President of the Supervisory Board of AB Mazeiuku Nafta, Vice-President of the Supervisory Board of Orlen Upstream Sp. z o.o., and also Member of the Supervisory Board of Polkomtel S.A.

In subsequent years Mr Moroz was the Vice-President of the Management Board of Icentics Corporate Solutions Sp. z o.o. (in the years 2010-2012), Managing Director of Bank Handlowy w Warszawie SA (Citi-Handlowy). Then, since 2013 he fulfilled the function of Proxy of the Management Board of ENERGA SA, and for another year he was the Vice-President of the Management Board for Financial Affairs at Energa Wytwarzanie S.A.

Since 2014 Mr Moroz conducted an individual business activity in the scope of financial consultancy. Since 2017 he has been associated with UNIMOT S.A., where he occupied the position of the Strategy and Finance Director.

Since August 2018, Mr Marek Moroz has been the Vice-President of the Management Board of UNIMOT S.A. for Financial Affairs.

As of 31st December 2019 and as of the day of present statements preparation the composition of the Supervisory Board is as follows:



**ANDREAS GOLOMBEK – PRESIDENT OF THE SUPERVISORY BOARD**

A graduate of Biefeld Technical University. After the university he worked for AEG (later Alstom and CEGELEC), where he was responsible for sales in Eastern and Central Europe.

In 2002 he took the post of the president of a newly-established company CEGELEC in Poland, whose brand he was building and developing until the end of 2005. In February 2006 he took the post of the president of the management board of Lurgi S.A. in Cracow, being responsible for sales, supplies, HR and quality. In 2007 The Lurgi Group was taken over by the Group Air Liquide, which resulted in a respective increase in the scope of responsibilities.

Since 2010 Mr Golombek was also a member of the Executive Team of the Lurgi Group, responsible for global purchases and supplies. Since 2012 he was entrusted the responsibility for carrying out projects in Air Liquide Engineering in the territory of Central and Central Europe and CIS countries.

In 2015 Mr Andreas Golombek established the company Go&management GmbH S. K. The company offers professional counselling services for chemical, petrochemical, refinery and energy industries that comprises the issues of strategy, management and optimization in the implementation process of high-budget investment projects.



**BOGUSŁAW SATŁAWA – VICE-PRESIDENT OF THE SUPERVISORY BOARD**

A graduate of the Technical University of Kiev, and Technical University Czestochowa. In 2005 he graduated from the Management School WIFI in Austria.

Between 2000-05 Bogusław Satława served as the Managing Director of Unimot-Truck Sp. z o.o. Over the next two years he was the Managing Director in Domex Sp. z o.o., and in 2010 - in Luxplast Sp. j. In the years 2008-09 he was an Adviser to the Management Board of Schultz Seating Poland Sp. z o.o. During the 2011-12 he served as the President of the Management Board of GFD Polskie Druty Sp. z o.o. and Edexpol Sp. z o.o. Sułkowiec.

From July 2013 to August 2014, Bogusław Satława served as the President of the Management Board of UNIMOT S.A., and in the years 2013-15 he was the President of the Management Board of the PZL Sędziszów S.A.

Since 2013 up to the present he has been a Member of the Management Board of Unimot Express Sp. z o.o.



**ISAAC QUERUB – MEMBER OF THE SUPERVISORY BOARD**

A citizen of Spain, a graduate of the Universidad Pontificia de Comillas in Madrid. From 1981-2003 he was the CEO and Member of the Management Board of Glencore España S.A. S.A. - a company operating in the sector of oil, metals and minerals in Spain, the Middle East and Africa.

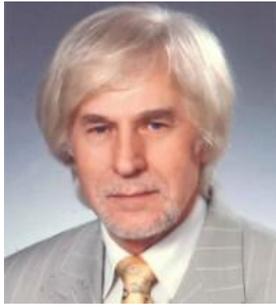
Since 2003, has been the partner of Andria Inversiones Inmobiliarias S.A., engaged in real estate trading, and Incogas S.A., related to trade in liquefied natural gas. During the period of 2007-13, as a co-founder of the company Moka Consulting S.A., he developed a strategy focusing on African countries, producing liquid natural gas, and in the years 2009-13 was a member of the Advisory Committee of the Portuguese company Iberiapremium SGPS.

From 2013, is the partner of Consejos y Estrategias Técnicas y Empresariales SL which deals with business consultancy, and the member of the Supervisory Board of the Swiss company Bluequest Resources AG, related with trade in metals and minerals.

In the years 1996-2001 Isaac Querub was the President of the Jewish Community in Madrid and since 2011 he has been the President of the Federation of Spanish Jewish Communities.

He is also a Member of the Supervisory Board of the University of Tel Aviv and the President of Yad Vashem in Spain. In 2007 he was awarded with the Prince of Asturias Award, and in 2012, with the Moroccan order Ouissam Alaouite.

Mr Isaac Querub meets the independence criterion of the Supervisory Board Member specified in the Best Practices of WSE Listed Companies.



**PROF. DR HAB. RYSZARD BUDZIK – MEMBER OF THE SUPERVISORY BOARD**

Specialist for Organization and Management, a certificated appraiser (national license No. 2519, bank license No. 1874/XXXIII/01), a Member of the Silesian Association of Appraisers. Holds the academic title of Professor, awarded by the President of the Republic of Poland.

Between 1969-72 he worked as a technologist in Zakłady Górniczo-Hutnicze in Sabinów.

Since 1972 he has been associated with the Technical University of Czestochowa - initially as a researcher, then occupying senior positions of several faculties, now as the head of the Faculty of Production Management. Since 2010 he has also served as a lecturer and the

Head of the Logistics Faculty at the Technical University of Opole.

Prof. Budzik is also a Lecturer at the School of Management and Banking in Bielsko-Biała on postgraduate studies to the supervisory boards. Among his numerous publications there is more than 200 studies on Polish enterprises for privatization and ownership transformations for the Ministry of Treasury and Provincial Offices, as well as more than 20 studies on restructuring of Polish companies.

A Member of the Audit Committee. Mr Ryszard Budzik meets the independence criterion of the Supervisory Board Member specified in the Best Practices of WSE Listed Companies.



**PIOTR CIEŚLAK – MEMBER OF THE SUPERVISORY BOARD**

A graduate of the University of Economics in Poznań, specialising in Investment and Real Estate Management. He possesses experience of 20 years in the scope of stock exchange and macroeconomic analytics as well as valuation of companies. For several years he has been specialising in the area of corporate disputes and also in the subject domain of legal regulations regarding the capital market and commercial law companies. He has provided numerous lectures and training in the scope of finances, economy and capital markets law. He is the author of hundreds of comments, statements as well as articles and publications for the majority of leading financial and economic media.

For the period of 12 years Mr Cieślak was the Vice-President of the Board of the Association of Private Investors in charge of the Investor Rights Protection Department. Since 2011 he has been conducting advisory and consulting activity.

Since 2014 he has been a member of the Consultative Council for corporate governance set up by the WSE. Mr Cieślak has been a member of supervisory boards of public and private companies. Presently, he serves as a Managing Director in the Association of Private Investors and Advisor of the President of the Management Board

President of the Audit Committee. Mr Piotr Cieślak meets the independence criterion of the Supervisory Board Member specified in the Best Practices of WSE Listed Companies.



**PIOTR PRUSAKIEWICZ – MEMBER OF THE SUPERVISORY BOARD**

A graduate of the Technical University of Szczecin. In 2000 he completed postgraduate studies in management and marketing, and in 2004, Executive MBA in the International Management Centre of the University of Warsaw and the University of Illinois.

Between 2000-11 Piotr Prusakiewicz was associated with Rafineria Trzebinia S.A., where initially he served as a specialist technologist, then the Head of Production, Director of Production, and for the last 5 years he was a Member of the Management Board. Then, in the years 2012-13 he was the Deputy Director of the Business Entity in SARPI Dąbrowa Górnicza SP. z o.o. In addition, during the period of 2006-12 Piotr Prusakiewicz was a

member of CEN WG24/TF FAME at the European Standardisation Organisation and a Member of the Subcommittee for Fuels of the Technical Committee No. 222 at the Polish Standardisation Committee (until 2013).

From 2012 until now Peter Prusakiewicz has operated as an individual entrepreneur in consultancy, including technique and chemical technology in the area of: liquid fuels, liquid biofuels and environmental protection.

A Member of the Audit Committee. Mr Piotr Prusakiewicz meets the independence criterion of the Supervisory Board Member specified in the Best Practices of WSE Listed Companies.



#### DARIUSZ FORMELA – MEMBER OF THE SUPERVISORY BOARD

A graduate of Gdansk University, the Faculty of Law and Administration and also the MBA programme within the cooperation of Bradford University and Leon Kozminski Academy in Warsaw.

In the years 1998-2008 Mr Formela was associated with PKN ORLEN, among others, as an Executive Director for Organisation. In the years 2007-2008 Mr Dariusz Formela was a Member of the Management Board of PKN ORLEN and AB Mazeikiu Nafta, and also Vice-President of the Supervisory Board of UNIPETROL SA. In his professional career he supervised programmes of value creation and cost reduction, among others, for PGE

Polska Grupa Energetyczna. Mr Formela was also responsible for corporate governance and projects of mergers, take-overs and integration of assets.

Mr Dariusz Formela from 2012 to 31 August 2018 was the President of Management Board of Gobarto S.A., where he had previously held the position of the Member of the Management Board.

### 3.6 SUMMARY OF ISSUER'S SHARES HELD BY MANAGING AND SUPERVISING PERSONS

**Mr Robert Brzozowski** – the Vice-President of the Management Board of the Issuer holds 32 030 of the Issuer's shares, whose share in the share capital on the balance sheet date 31.12.2019 amounted to 0.39%, and the share of the total number of votes at a General Meeting represented 0.37%.

**Mr Marek Moroz** the Vice-President of the Management Board of the Issuer as of 31.12.2019 held 4 750 of the Issuer's shares, whose share in the share capital as of the publication date of the present statements amounted to 0.06%, and the share of the total number of votes at a General Meeting represented 0.06%.

**Mr Adam Antoni Sikorski** – – the President of the Management Board of the Issuer, owns indirectly 100% of shares of Zemadon Ltd. in Cyprus through "Family First Foundation" seated in Vaduz in Liechtenstein which he controls and of which the beneficiary is the family of Mr Adam Antoni Sikorski.

**Zemadon Ltd.** with its registered office in Nicosia, Cyprus is a major shareholder of the Issuer, which as of 31.12.2019 owns 19.72% in the Issuer's share capital and 23.01% in votes at the Issuer's General Meeting.

Zemadon Ltd., with its registered office in Nicosia, Cyprus is also a shareholder in Unimot Express Sp. z o.o. (the main shareholder of the Issuer) which has 49.75% of share in the share capital and votes. The second partner of Unimot Express Sp. z o.o. is Mr. Adam Władysław Sikorski (nephew of Mr. Adam Antoni Sikorski) with 49.75% share and votes at a meeting of shareholders. The remaining minority share which is 0.5% in the share capital and votes in Unimot Express Sp. z o.o. is owned by Mrs Magdalena Sikorska, wife of Adam Antoni Sikorski – the President of the Management Board.

As of 31.12.2019 Unimot Express Sp. z o.o. owned 43.84% in the share capital and 42.04% in votes at the General Meeting of Unimot S.A.

Since 5 December 2016 spouses Adam Antoni Sikorski and Magdalena Sikorska, due to their oral agreement on conducting common policy towards Unimot Express Sp. z o.o. and Unimot S.A., indirectly through Unimot Express Sp. z o.o. and Zemadon Ltd. they controlled a total of 63.56% of the share capital and 65.05% of votes in the General Meeting of Unimot S.A.

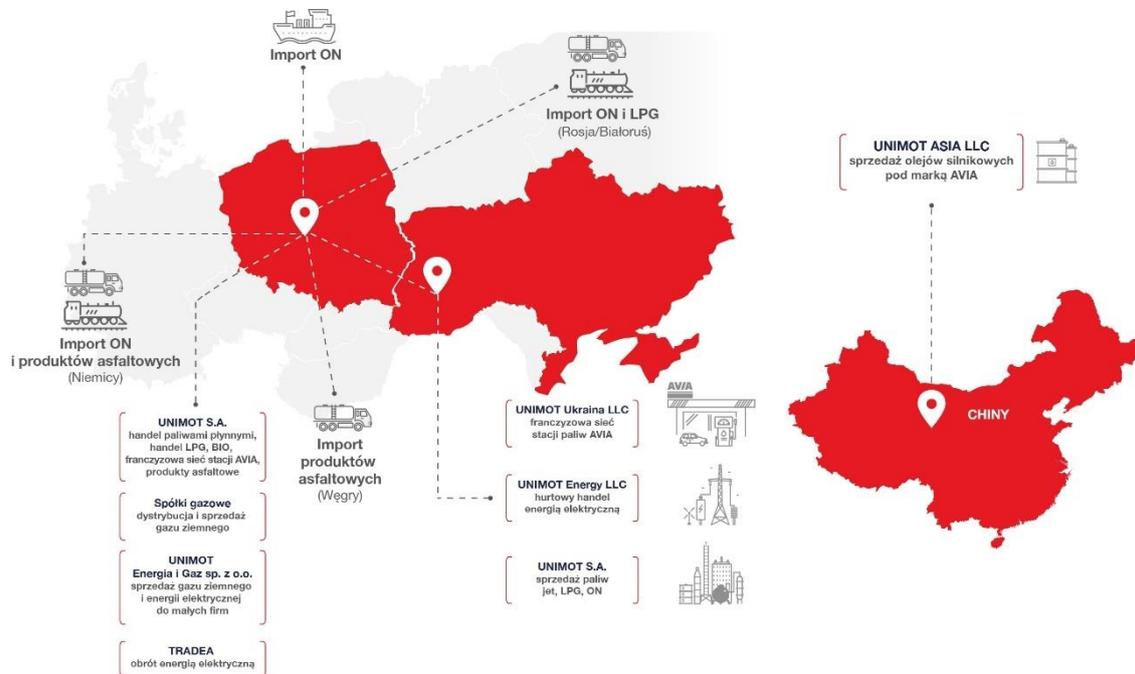
The entity related with the Issuer, due to being subject to joint control by Unimot Express Sp. z o.o. is Unimot-Truck sp. z o.o. seated in Warsaw, where Unimot Express Sp. z o.o. has 52.02% of share in the share capital and Ammerviel Ltd., seated in Nicosia, Cyprus, in which Unimot Express Sp. z o.o. has 100% of shares.

The company related with the Issuer is also PZL Sędziszów S.A. with its registered office in Sędziszów Małopolski, in which Mr. Adam Antoni Sikorski owns 48.78% and Unimot Express SP. z o.o. owns 48.78% of share in the share capital.

The unit related with the Issuer, due to be being subject to common control by Mr. Adam Antoni Sikorski (indirectly by Zemadon Ltd.) is U.C. Energy Ltd. seated in Cyprus.

### 3.7 CHARACTERISTICS OF THE GROUP AND OPERATING SEGMENTS

The UNIMOT Group is an independent importer of liquid and gaseous fuels, whose offer includes: diesel oil, bio-fuels, LPG, natural gas, electricity, oils and lubricants and bitumen products. The Group is also developing a chain of petrol stations under the AVIA brand in Poland and Ukraine.



Types of activity	Company/companies that conduct activity
Liquid fuels trade	UNIMOT S.A.
Bio-fuels trade	UNIMOT S.A.
LPG trade	UNIMOT S.A.
Distribution and sale of natural gas	UNIMOT S.A., UNIMOT Energia i Gaz, UNIMOT System, Blue LNG
Sale and trading of electricity	UNIMOT Energia i Gaz, Tradea, Unimot Energy
Bitumen products trade	UNIMOT S.A.
Oils trade	UNIMOT S.A., UNIMOT Asia
Operating a chain of petrol stations	UNIMOT S.A., UNIMOT Ukraine

#### LIQUID FUELS

UNIMOT conducts the operation in the scope of wholesale of diesel oil for diesel engine cars and petrol. The fuels are sold under the AVIA brand.

The Group uses many suppliers. In the case of liquid fuels a large portion of the purchase is carried out outside Poland, and the Issuer is a direct importer. The fuels are imported primarily from Russia (maritime transport through the fuel depot in Dębogórze), from Belarus (rail transport) and Germany (rail and road transport). Since 2018 a significant share in diesel oil purchases constitutes the Polish product from the largest Polish fuel concern. The fuel is purchased both based on annual contracts and the spot market.



Liquid fuels are sold in the territory of the whole country with the use of a wide distribution network that covers the whole country in franco (sale of product together with the transport service) and loco (sale of product from the fuel depots with independent reception by the customer). UNIMOT possesses a database of over 1 000 active customers – these include primarily transportation and construction companies, fuel wholesalers, petrol stations (including AVIA chain) and agriculture.

#### Distribution network of fuels sold by UNIMOT



Following the legal regulations in force the Group is obliged to provide in a given year a minimum share of biocomponents in the total amount of sold liquid fuels pursuant to the National Indicative Target. This is done by physically adding biocomponents to the imported liquid fuels in the process of blending.

The Group is also obliged to maintain compulsory reserves of liquid fuels in the amount that depends on the volume of import in the preceding year.

#### BIO-FUELS

The Group conducts an activity in the scope of bio-fuels sale, which are destined for diesel engine vehicles, which is an autonomous fuel. Compared to traditional diesel oil, due to its qualities, bio-fuels contribute to a significant reduction of emission of harmful substances as well as greenhouse gases.

The offer includes:

- Diesel oil B100 – a methyl-ester being an autonomous fuel,
- Methyl esters (FAME) – a biocomponent of the following quality: RME; UCOME; FAME 10; FAME 0.

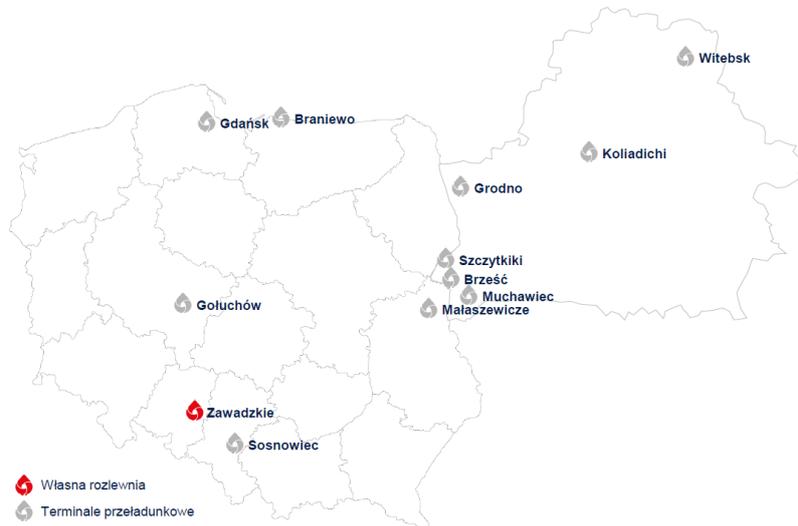
Bio-fuels are purchased primarily in the country from largest domestic fuel concerns and private entities within announced procurements. The products are sold to wholesale entities, which collect the commodity from fuel depots themselves.

## LPG

The Group conducts sales of liquefied petroleum gas (LPG) both on the wholesale and retail market.

The wholesale of LPG is conducted directly from an inhouse bottling plant in Zawadzkie, as well as foreign transshipment stations – in Poland and Belarus. The gas is supplied to transshipment stations by rail and road transport from Russia and Belarus.

**Distribution network of fuels sold by UNIMOT**



The Group distributes the liquefied gas to petrol stations (including the AVIA chain) and heating tanks – both 120 own ones as well as the installations constructed by other companies. The gas is transported to destinations from transshipment stations with the use of own vehicle tanks.

Due to the business specificity, the portfolio of gas customers is significantly differentiated.

## NATURAL GAS

The following types of activity in the natural gas area are conducted within the Group:

- Trading natural gas through the Polish Power Exchange and over the counter together with import from abroad (UNIMOT S.A.),
- Sale and distribution of natural gas to final customers with the use of inhouse network and foreign infrastructure (UNIMOT System, Blue LNG and UNIMOT Energia i Gaz).

Natural gas is purchased on the Polish Power Exchange and over the counter (OTC market). UNIMOT S.A., being a member of EFET, use in natural gas trading standardised framework agreements EFET. The source of supplies for subsidiaries is the Issuer and gas producers.

## ELECTRICITY

The following types of activity in the electricity area are conducted within the Group:

- Wholesale electricity trade through exchange and brokerage platforms (Tradea),
- Sales of electricity to final customers with the use of foreign infrastructure (Unimot Energia i Gaz).

Purchases of electricity, which is traded by the subsidiaries, are conducted through exchange and brokerage platforms and over the counter (OTC). Electricity is sold to final customers, which are small and medium-sized enterprises and institutions. A relatively large number of customers in these areas (several thousand) influences a high fragmentation of this sale.

The Group within the operations of Tradea specialises in purchases of electricity directly from the energy producers from renewable energy sources and cogeneration units in Poland, rendering comprehensive energy services. Additionally, it took measures to enter the Scandinavian electricity market through NASDAQ Commodities. The commencement of sales is planned in H1 2020.

In 2019 the Group also took measures to launch within Unimot Energia i Gaz an offer of sale, assembly and service of photovoltaic panels for the business segment under the brand of AVIA SOLAR. Commencing the activity in this scope is planned in Q2 2020.

#### **OILS AND LUBRICANTS**

In 2019 the Group launched an activity in the scope of sales and distribution of automotive oils and lubricants under the AVIA brand in China, creating a year before a dedicated company and opening an office in Shanghai. The first delivery of engine oils to China took place in June 2019 and was continued in subsequent months.

In 2019 the Group also commenced the sale of automotive oils AVIA on the Ukrainian market. This sale is conducted through a network of authorised distributors of UNIMOT.

The Group purchases the product primarily in the Netherlands, where it buys oils directly from the producer – a company with over 100 years of operation. About 10% of the oils is purchased in Poland – the suppliers are the leading domestic producers. The Dutch oils are top class synthetic products for top class vehicles. The Polish oils are mineral products for vehicles and industry.

#### **BITUMEN PRODUCTS**

In 2019 the Group commenced the activity in the scope of import and sale of bitumen products through establishing a cooperation with a team of experts who had been in charge of this business for many years, previously working for one of the Group's competitors. The products have been sold on the Polish market under the AVIA Bitumen brand since September 2019.

Bitumen is the best solution for roads of differentiated traffic intensity. There are a number of bitumen surfaces, each of them characterised by different physical and utility features. The offer of UNIMOT includes the whole range of bitumen products: paving grade bitumen, modified bitumen and highly-modified bitumen, industrial and low-temperature one. The offer also includes special products, such as, among others, adhesive products, cellulose fibre, special binders.

The Group purchases the products primarily in one of the German refineries and sells them in various parts of Poland depending on the logistic capacities and demand.

#### **PETROL STATIONS**

Since 2017 the UNIMOT Group has been developing in Poland the chain of petrol stations under the AVIA brand, which is represented by over 3 thousand facilities in 14 countries of Europe. It was established in Switzerland in 1927.

The portfolio of AVIA petrol station in Poland comprises:

- Own leased stations
- Franchise stations

The new distribution channel allows for reaching the new segment of fuel customers – retail customers.

Since 2019 the chain has also been developed in Ukraine.

The Group also supplies fuel to Polish stations.

### 3.8 MARKET ENVIRONMENT

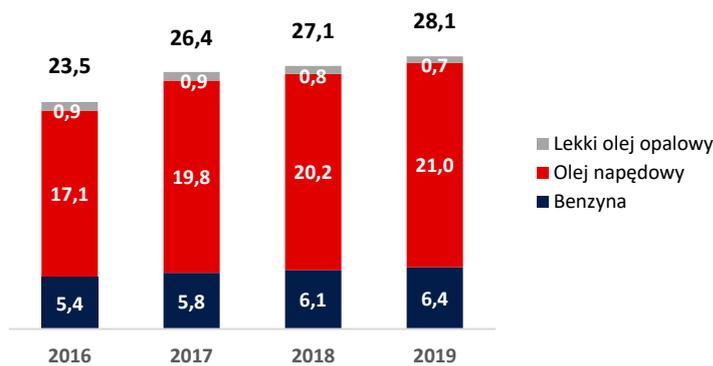
#### LIQUID FUELS, INCLUDING DIESEL OIL

The year 2019 is another year when the consumption of liquid fuels was growing. This is confirmed by the latest market data prepared by POPiHN. The observed in the current year increase in the sales of fuels has its basis in the economic growth and increased incomes of the citizens, but it is also influenced by an effective implementation of legal regulations (fuel package and transportation package) that control the grey market (*source: POPiHN*).

In 2019 the consumption of all fuels in Poland amounted in total to PLN 34.8 million and was up by 4.0% against 2018. The main part of the domestic demand (60.4%) was attributed to diesel oil (prevailing in the Group's sales), the sale of which grew from 20.3 M m<sup>3</sup> in 2018 to 21.0 M m<sup>3</sup> in 2019, which is up by 3.6% yoy (*source: POPiHN za: Lotos S.A.*).

**Consumption of liquid fuels in Poland [in M m<sup>3</sup>]**

(*source: POPiHN za: Lotos S.A.*)



In case of import, according to the latest publicly available data (for three quarters of 2019), the import of all liquid fuels to Poland dropped in the period Q1-Q3 2019 (7.68 M m<sup>3</sup>) by 2% against the period Q1-Q3 2018 (7.86 M m<sup>3</sup>).

The import of diesel oil (prevailing in the Unimot Group's sales) in the period Q1-Q3 2019 amounted to 4.08 M m<sup>3</sup> and was lower than in the corresponding period of the previous year by 3%. At the same time it constitutes as much as 26% of the domestic consumption (28% in Q1-Q3 2019) (*source: POPiHN*).

The balance of international turnovers after 3 quarters of 2019 still demonstrate a clear surplus of import of all types of fuels over their export. This difference presently amounts to over 5.2 M m<sup>3</sup>, whereas a year ago it was about 4.9 M m<sup>3</sup> (up by 6.1% yoy). This result was achieved at an increased domestic production (*source: POPiHN*).

The balance of international turnovers in the scope of diesel oil after 3 quarters of 2019, similarly to previous years, also demonstrates a very clear surplus of import over export. This difference presently amounts to over 4.05 M m<sup>3</sup>, whereas a year ago it was about 4.16 M m<sup>3</sup>. In both periods (like in previous years), this was the largest surplus of import over export of all the types of liquid fuels (*source: POPiHN*). Poland is a large net importer of diesel oil (the domestic production is not able to cover the demand).

Since the beginning of 2019 emission fee is included into each litre of petrol and diesel oil in the amount of 0.08 PLN. The fee goes to the Low-Emission Transport Fund – resources from this fund are supposed to support the development of the market and infrastructure of alternative fuels in transport, and to the National Fund for Environmental Protection and Water Management. The fee is an element of fuel sale price.

#### BIO-FUELS

In 2019, similarly to previous years, on the basis of the provisions of the law on liquid bio-components and bio-fuels all the entities producing and importing fuels from abroad were obliged to fulfil the National Indicative Target (NIT). The level of NIT for 2019 amounted to 8.0% according to the heating value, in 2018 this level amounted to 7.5%, and in 2017, 7.1% according to the heating value.

At the same time, in 2019 the mechanism of so-called obligatory blending of bio-components in liquid fuels was in force, defined as a minimum share of biocomponents in quarterly settled fuels. The entity implementing the NIT was obliged to ensure in the given quarter a minimum share of biocomponents included in liquid fuels; in Q1 min. 50%, in Q2 min. 78%, in Q3 min. 78%, in Q4 min. 57% of achieving the NIT through blending.

Also, a substitution fee was in force in 2019, which meant that the entity implementing the NIT and documented the fulfilment of this obligation at the specified minimum level of the NIT, established for the given calendar year, can pay a substitution fee. The substitution fee is due to the entities that achieved at least 85% of the obligatory level pursuant to the act.

Additionally, the definitions used in the act were clarified, among others it was clarified that the economic activity in the scope of import or intra-community purchase of biocomponents can be performed independently or through another entity.

In connection with the entry into force of various regulations in 2017 one can observe a drop in the amount of produced liquid bio-fuels (B100). However, within the first three quarters of 2019 the production of methyl esters increased (the biocomponent that complies with the sustainable development criteria, which does not entitle to its double incorporation to the NIT fulfilment) – from 636.3 thousand tonnes in the period Q1-Q3 2018 to 659.1 thousand tonnes in the period Q1-Q3 2019 (*source: KOWR*).

### LPG

In 2019 one could observe a slight growth of the market of liquefied petroleum gas (LPG). According to the latest data published by POPIHN for the three quarters of 2019, the consumption in this period grew by 4% yoy and amounted to 3.8 M m<sup>3</sup>. The segment structure of the LPG market in 2019 was not subject to a significant change against the previous year. Still, the majority of it constitutes autogas – 3.1 M m<sup>3</sup> in the period of Q1-Q3 2019 and this represented about 64% of the engine petrol market.

Simultaneously, so called re-export of this type of fuel decreased (down by 11% yoy, to the level of 0.37 M m<sup>3</sup>), which demonstrates a still stable position of this fuel on the Polish market.

As in previous years, the majority of the domestic demand is covered by import, mainly from Russia, Kazakhstan and Belarus. Within the first threequarters of 2019 the import of LPG amounted to 3.0 M m<sup>3</sup> and its share in market supply was 79% – by 2 percentage points less than in the previous year.

### PETROL STATIONS

At the end of 2019 there were over 7.6 thousand of petrol stations functioning on the domestic market, i.e. by 2% more than a year ago. As in the previous years, about a half of petrol stations were facilities of independent operators, 30.2% of petrol stations functioned in the chain of domestic concerns, and 20.2% of foreign ones. The development of concerns' stations chains occurred through development of own as well as franchise stations (*source: POPIHN za: Lotos S.A.*).

In 2018 the number of stations in the chain of Orlen grew by 13 (to 1800). Also, the number of stations of LOTOS increased by 11 (to 506). Among the foreign concerns the largest growth was recorded by the stations of BP, the number of which increased by 23 (to 575).

Among the chains of independent stations the largest one belongs to Anwim (stations under the MOYA brand) – 244 facilities (*source: POPIHN za: Lotos S.A.*). The chain of AVIA stations manager by UNIMOT includes 50 facilities (up by 12 in 2019).

### BITUMEN PRODUCTS

In 2019 the “Programme for the Construction of National Roads” until 2023 (with a perspective until 2025) was continued, which resulted in a growth in the market demand for bitumen products. The “Programme for the Construction of National Roads” defines the directions of actions and investment priorities in the scope of national roads network development in Poland. It assumes finishing the construction of the network of express roads and motorways as well as construction of bypasses in the networks of national roads.

Domestic producers cover about 80% of the bitumen, the remaining part is import, primarily from Germany, Czech Republic and Hungary. It is estimated that in 2019 the demand for bitumen products reached the level of 1.2-1.3 million of tonnes of bitumen. The main bitumen products include: paving grade bitumen, bitumen modified with PMB polymers and industrial bitumen.

In the subsequent years the Polish bitumen market will undergo changes in the product and geographical structure. In connection with entry into force the regulation IMO 2020 (introduced by the International Maritime Organisation) regarding a drastic decrease of the content of sulphur in marine fuel, a change in the production structure will occur in the European refineries. To meet the requirements a number of modernised presently refineries will increase the production of “cleaner” fuel for ships, limiting out of necessity the production of bitumen. It is estimated that at the same time part of the refineries of old type will be in turn able to increase the production capacities. This will cause that in the subsequent years a key role will be played by efficient logistics and the issue of storing and confectioning the bitumen products.

## NATURAL GAS

In 2019 there were in force liberated in 2017 provisions that regulate the gas market in Poland, where a relevant issue is limiting the administrative supervision over the prices of gaseous fuels.

On 1.01.2017 provisions of the act – Energy law became effective, which waive by operation of law the supervision of the President of the Energy Regulatory Office over the tariffs of gas sale to wholesale customers, sale of LNG and CNG and sale of gas to final customers who purchase this fuel in a virtual point or in the mode of tenders, auctions of public procurements.

Since 1.10.2017 the obligation was waived to submit for acceptance by the President of the ERO the tariffs on sale of high-methane and nitrogen-rich natural gas to final customers not being households. The supervision of the President of the ERO over the tariffs (i.e. maximum prices) for network gas sold to households has been maintained until the end of 2023 (source: URE).

According to the valid principle of Third-Party Access (TPA) to the network, all final customers have the right to freely choose the seller of electricity and natural gas. Final customers using the network of a local supplier can individually choose the seller of electricity or gas that will offer most attractive conditions of sale. The President of the Energy Regulatory Office conducts a cyclical assessment of the factual use of the right to choose the seller.

In the past year there was a slight increase of the number of customers who changed the gas seller. According to the data presented by distribution system operators in 2019 the seller was changed by 53.92 thousand of customers against 53.90 thousand of customers in 2018 (up by 0.1% yoy), whereas in the number of metering systems in 2019 the change was conducted for 61.7 thousand of systems against 61.0 thousand of systems in 2018 (up by 1.0% yoy). At the end of 2019 the number of changes of the seller amounted in total to 244.2 thousand whereas in metering systems in total 286.4 thousand since the moment when the possibility to change the seller was made available (incremental data) (source: URE).

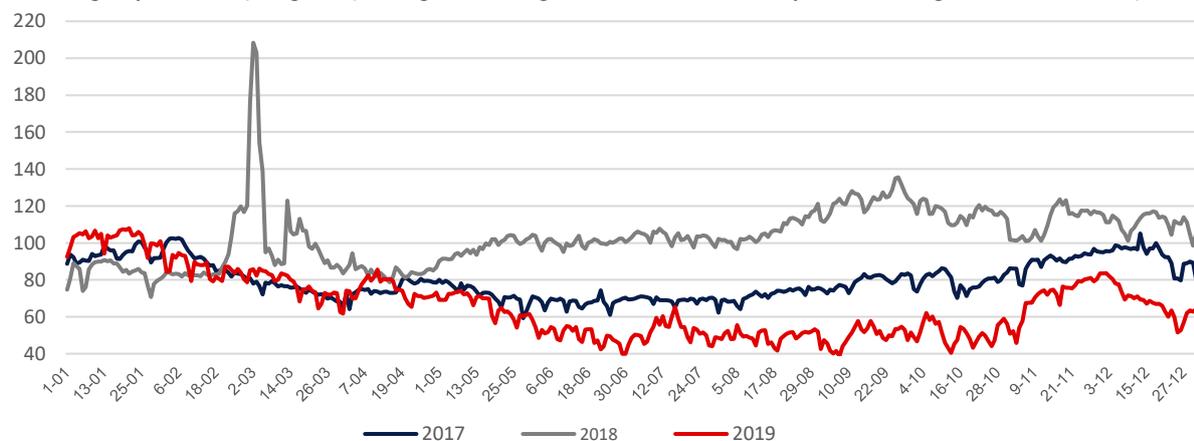
The volume of natural gas trading at the Polish Power Exchange in 2019 amounted to 146 106 097 MWh, which is up by 2.0% against 2018, and at the same time it is the best result in the history of this commodity trading on the PPE. The volume on the CFIM was also a record one, which grew yoy by 3.2% to the level of 123 466 857 MWh. On the spot market the volume of trade dropped by 4.4% to the level of 22 639 240 MWh. The volume on the Day-Ahead Market of gas (DAMg) amounted to 16 949 762 MWh (down by 3.7%), and on the Intra-Day Market of gas (IDMg) 5 689 478 MWh (down by 6.3%) (source: TGE).

In 2019 the prices of gas demonstrated a significant declining trend.

The weighted average price on the DAM&IDMg in 2019 amounted to 72.72 PLN/MWh, which is down by 33.30 PLN/MWh against 2018 (-31.4% yoy). The corresponding December price dropped in month by 5.10 PLN/MWh, to the level of 70.16 PLN/MWh (-6.8% yoy). On the CDM in turn in 2019 the weighted average price of one-year futures contract GAS\_BASE\_Y-20 amounted to 89.91 PLN/MWh, that is by 16.37 PLN/MWh less than the corresponding price of GAS\_BASE\_Y-19 in 2018 (-15.4% yoy). In December the corresponding price of GAS\_BASE\_Y-20 amounted to 74.00 PLN/MWh, which is by 6.90 PLN/MWh less than in November (-8.5% yoy), which is the lowest value in the whole of 2019 (source: TGE).

Gas price comparison in 2017, 2018 and 2019:

### Natural gas quotations (TGEgasDA) – weighted average volume of transaction price for DAMg for an instrument (in PLN)



At the end of Q3 2019 a concession for gaseous fuels trading held 192 entities while 97 enterprises actively participated in natural gas trading (source: URE).

## ELECTRICITY

The demand for electricity is related to the economic growth in the country. According to the preliminary estimates of the Central Statistical Office (GUS) in 2019 the GDP grew by about 4.0% yoy (against the growth of 5.1% yoy in 2018).

According to the data of National Power System (NPS), the national demand for electricity in Poland in 2019 dropped to the level of 169.4 TWh against 170.9 TWh in 2018, which is a drop by 0.9% yoy (in 2018 the growth amounted to 1.7% yoy).

The weighted average BASE price on the day-ahead market reached in 2019 the level of 229.62 PLN/MWh, which is up by 4.91 PLN/MWh against 2018 (+2.19% yoy). The corresponding price for December amounted to 184.80 PLN/MWh, which means a monthly drop by 33.10 PLN/MWh and the lowest monthly value in 2019 (-15.2% yoy). (source: TGE).

On the derivative market in turn the weighted average price of a one-year futures contract BASE\_Y-20 amounted in the whole 2019 to 266.40 PLN/MWh, which is up by 24.00 PLN/MWh against the price of BASE\_Y-19 in 2018 (+9.9% yoy). In December the corresponding price of BASE\_Y-20 dropped compared to November by 13.76 PLN/MWh, to the lowest in the whole of 2019 value of 242.14 PLN/MWh (-5,4% yoy). (source: TGE)

The volume of electricity trading on the PPE in 2019 amounted to 228.9 TWh, which is up by 1.3% against 2018, and therefore the best result in the history of this commodity trading on the PPE. Also the volumes on the DAM and IDM were record ones, and on the whole spot market the volume grew by 22.4%, to the level of 33,9 TWh. The volume on the Day-Ahead Market (DAM) amounted to 33.7 TWh (up by 22.1%), and on the Intra Day Market (IDM) 174.5 TWh (up by 125.3%). On the Commodity Derivatives Market (CDM) the volume of trade dropped by 1.7%, to the level of 195.0 TWh.

According to the valid principle of Third-Party Access (TPA) to the network, all final customers have the right to freely choose the seller of electricity and natural gas. Final customers using the network of a local supplier can individually choose the seller of electricity or gas that will offer most attractive conditions of sale. The President of the Energy Regulatory Office conducts a cyclical assessment of the factual use of the right to choose the seller.

In the past year one could observe a decrease in the number of customers who changed the seller in the tariff groups A, B and C, and also in G tariff group (households). Data presented by the distribution system operators demonstrate that in tariff groups A, B and C in 2019 a change of seller was made by 8.9 thousand of customers compared to 12.8 thousand in 2018 (down by 30.1 yoy), but in the tariff group G in 2019 a change of the seller was made by 52.6 thousand of customers compared to 57.7 thousand of customers in 2018 (down by 8.9% yoy). At the end of 2019 the number of TPA customers from tariff groups A, B and C amounted in total to 210 thousand, but in tariff group G (households) in total 657 thousand since the moment the possibility of changing the seller had been made available (incremental data) (source: URE).

### Law on Electricity

An important element of the market environment in the electricity segment is adopted on 28th December 2018 law on amending the law on excise tax and several other laws, that is so called law on electricity, amended on 21<sup>st</sup> February 2019 and 13<sup>th</sup> June 2019 apart from a decrease in excise duty for electricity, decrease of transition charge (distribution) foresees obliging energy enterprises that conduct activity in the scope of electricity trading to apply in 2019 prices and rates of payments for electricity not higher than applied on 30<sup>th</sup> June 2018.

The amendment of 13<sup>th</sup> June 2019 significantly limited the scope of the law's application – the mechanism of maintaining/reducing the prices and rates of payments for electricity in settlements with final customers for the 2<sup>nd</sup> half of 2019 will have a limited scope and will cover exclusively final customers: (i) from a widely understood so called G tariff Group (customers from this group do not have to take any further steps to utilise the mechanism of maintaining/reducing the prices and rates of payments), (ii) being micro-entrepreneurs or small enterprises in terms of the law – The Law of Entrepreneurs, (iii) being hospitals, (iv) being units of public finances sector, (v) being other than specified in items (ii) – (v) public organisational units without legal personality. The customers from the categories described in items (ii) – (v) in order to utilise the mechanism of maintaining/reducing the prices and rates of payments have to submit to the electricity supplier a declaration of their status, i.e. declare that they belong to one of the abovementioned categories.

Energy enterprises were obliged to adjust contracts with final customers and introduce the abovementioned prices and rates within 30 days as of the day of entry into force of the implementing provisions, effective as of 01.01.2019. The implementing provisions will enter into force on 14.08.2019. Energy enterprises will be able to claim compensation for lost revenues from Fundusz Wypłaty Różnic Cenowych (Price Difference Payment Fund), created within Zarządca Rozliczeń S.A., in the form of amounts to cover the difference between the average weighted price of electricity on the wholesale market, calculated according to the formula specified in the regulation, and the volume of revenues resulting from applying the prices and rates as of 30.06.2018.

The Law on Electricity refers exclusively to settlements with final customers in 2019. As of the day of the present statements preparation a Project of the law on compensations due to increase of electricity prices in 2020 was presented in the Public Information Bulletin (BIP) of the Council of Ministers and the Prime Minister's Office. The draft of the law introduces a system of compensations only for final customers being households and the Group's Companies do not conduct sales to them.

## PRIMARY PRODUCTS GOODS OR SERVICES OF THE CAPITAL GROUP AND THE ISSUER

### Issuer's data

#### Standalone revenues on sales and their structure in particular assortment group:

<i>in PLN thousand</i>	<b>01.01.2019 - 31.12.2019</b>	<b>%</b>	<b>01.01.2018 - 31.12.2018</b>	<b>structure %</b>
DIESEL AND BIO-FUELS	3 933 694	90,4%	2 950 888	89,8%
LPG	343 449	7,9%	301 709	9,2%
Gaseous fuels	38 604	0,9%	32 675	1,0%
Other	33 374	0,8%	98	0,0%
<b>Total</b>	<b>4 349 121</b>	<b>100,0%</b>	<b>3 285 370</b>	<b>100,0%</b>

#### Standalone volumes in particular assortment groups:

<i>in m3/tonnes/GWh</i>	<b>01.01.2019 - 31.12.2019</b>	<b>01.01.2018 - 31.12.2018</b>	<b>change %</b>
DIESEL AND BIO-FUELS [m3]	1 121 601	840 366	33,5%
LPG [T]	167 860	126 632	32,6%
Gaseous fuels [GWh]	389,19	282,23	37,9%

### Capital Group's data

<i>in PLN thousand</i>	<b>01.01.2019 - 31.12.2019</b>	<b>%</b>	<b>01.01.2018 - 31.12.2018</b>	<b>structure %</b>
DIESEL AND BIO-FUELS	3 933 713	88,5%	2 950 419	87,5%
LPG	343 476	7,7%	301 709	9,0%
Gaseous fuels	47 868	1,1%	44 750	1,3%
Electricity *	87 306	2,0%	73 398	2,2%
Other	33 057	0,7%	718	0,0%
<b>Total</b>	<b>4 445 420</b>	<b>100,0%</b>	<b>3 370 994</b>	<b>100,0%</b>

#### Consolidated volumes in particular assortment groups:

<i>in m3/tonnes/GWh</i>	<b>01.01.2019 - 31.12.2019</b>	<b>01.01.2018 - 31.12.2018</b>	<b>change %</b>
DIESEL AND BIO-FUELS [m3]	1 121 601	840 366	33,5%
LPG [T]	167 860	126 632	32,6%
Gaseous fuels [GWh]	504,80	405,00	24,6%
Electricity [GWh]	2 078,50	1 529,00	35,9%

\* Since 2018 revenues and costs of electricity wholesale through exchange and brokerage platforms in Tradea Sp. z o.o. have not been included into the gross result from sales According to the valid since 2018 IFRS 15 the result on this activity is directly included into financial revenues/costs. This refers to the amount of PLN 451.7 million of revenues and PLN 436.9 million of costs in 2019 (PLN 227.1 million of revenues and PLN 219.8 million of costs in 2018).

### 3.10 SOURCES OF SUPPLIES AND TRADE AREAS OF THE CAPITAL GROUP AND THE ISSUER

#### Issuer's sources of supply

The Group uses many suppliers. In the case of liquid fuels a large portion of the purchase is carried out outside Poland, and the Issuer is a direct importer. This concerns in particular LPG and diesel oil. These fuels are imported mainly from the east (Belarus, Russia, Kazakhstan, Lithuania). In case of diesel fuel import is executed by ships through the fuel base in Dębogórze and by draft of cars from Belarus and Germany. LPG is imported by rail, including broad-gauge, up to the terminal in Sławków.

Biofuels are purchased mainly in the country. While purchases of diesel fuel and LPG in Poland are a complementation to imports and are made in the case of a beneficial relationship in pricing or to provide additional supply during periods of increased demand which cannot be met in a timely manner using foreign supplies.

Natural gas is purchased on the Polish Power Exchange and within transactions outside of the stock market (OTC market). The Issuer as a member of the EFET in gas trading uses standardised EFET framework agreements.

In 2019 none of the suppliers exceeded the threshold of 10 % of total fuel purchases.

The Issuer does not have a rigid policy on diversification of suppliers. Selection of suppliers, increasing of the level of diversification of supplies, or restriction of the number of suppliers in a given period is mainly due to the prices that the suppliers offer to the Issuer on the delivered goods. The purchases are made on the basis of market offer. The Issuer does not have fixed contracts with suppliers, which could restrict its actions.

The issuer is not dependent on any of the suppliers.

#### Sources of supplies of the remaining companies of the Unimot Capital Group

Purchase of electricity, which is traded by the subsidiaries, is conducted through exchange and brokerage platforms and over the counter (OTC).

In 2019 none of the suppliers of the Capital Group's subsidiaries exceeded 10% threshold of total fuel purchases.

#### Issuer's trade areas

In the segment of liquid fuels the Issuer has an established position on the markets of LPG, diesel oil and bio-fuels. The Company focuses its activities on the domestic market. In 2019 exports accounted for about 20% of the sale revenue. The entire foreign sale is made in Europe, and the vast majority goes to customers from the European Union.

The Issuer as a multi-energy company has a varied offer, making it easier to maintain a diversified portfolio of customers. The Company concentrated its activities on the wholesale market, but in selected business areas also sells goods to a retail customer.

Diesel oil is sold to wholesalers and to professional final customers, each with their own tanks (e.g. transport companies, industrial plants), and also to petrol stations (including the AVIA chain stations).

Biofuels are offered to wholesale operators, which alone receive goods from fuel depots.

The most diverse portfolio of customers relates to LPG. The fuel is sold to the wholesale operators (e.g. bulk gas), as well as in retail sale (e.g. LPG car gas stations or household tanks).

In 2019, none of the customers exceeded the threshold of 10% of the total sales revenues.

The issuer is not dependent on any of the customers.

#### Trade areas of the remaining companies of the Unimot Capital Group

Electricity is sold in subsidiaries based on foreign infrastructure to final customers, which are small and medium-sized enterprises and institutions. A large number of customers in this area (several thousand) influences a large fragmentation of this sale.

Natural gas is sold in subsidiaries based on inhouse and foreign infrastructure to final customers, which are small and medium-sized enterprises and institutions. The number of customers in this area (several hundred) influences a large fragmentation of this sale.

In 2019 none of the customers of the remaining companies of the Capital Group exceeded the 10% threshold of total revenues on sales.

### 3.11 CORPORATE SOCIAL RESPONSIBILITY

In all the areas of its operation the Group complies with the principles of professionalism and business honesty – simultaneously taking care of the quality and safety of products that it trades. We also scrupulously respect the relationships with customers, suppliers, employees, local community and investors, resting them on respect and mutual trust.

The UNIMOT Group also endeavours to respect the natural environment and the surrounding in which it operates. As a fuel company it strives to minimise the negative impact on the natural environment, among others, through a diligent implementation of the National Indicative target and development of alternative means of transport powered with electricity. In June the present year UNIMOT S.A. made an investment into the Internet platform blinkee.city, therefore entering a new area of operations - electromobility. The investment also involves promotion of the idea of sharing vehicles.

The Group, being simultaneously also an electricity seller strives to ensure that it comes to the largest extent from renewable energy sources. It can be already stated that the majority of electricity sold by the company UNIMOT Energia i Gaz is “green” energy, which comes primarily from wind and photovoltaic farms.

The UNIMOT Group also undertakes a series of actions that are aimed to develop positive and responsible relationships with the social groups that surround us.

For several years we have been supporting education of outstanding, young Poles at best American and European universities (such as: Harvard, Stanford, Yale, Oxford or Cambridge) cooperating with the IVY Poland Foundation, which promotes education and conducts a programme of tailored educational advisory. It selects candidates and the UNIMOT Group provides them with interest-free loans to cover the cost of tuition. In total the Group has granted loans for over 10 participants in the amount of over PLN 200 thousand.

UNIMOT is also involved in the local community through promotion of sports activities and education. Within the undertaken actions it, among others, supports the cycling race President of Częstochowa Cup, development of sports interests of young persons through sponsoring the cycling club Kolejarsz-Jura Częstochowa, and it also cooperates with the Częstochowa University of Technology. In 2019 the UNIMOT Group has supported education of entrepreneurs within the conference „Myśl na większą skalę”. The Group also supports SIEMACHA foundation, which according to its mission creates open, affluent and learning communities based on free will, honest dialogue and respect of principles.

At the end of the UNIMOT Group started the cooperation with the Zawadzkie Municipality, one of the poorest municipalities in Poland, where the registered office of UNIMOT S.A. is located. Within the cooperation UNIMOT provided for the municipality the amount of PLN 100 thousand, which will be used to build a modern and safe playground for children in the centre of Zawadzkie and will support two local clubs that develop sports passions among the youths: the Karate Club NIDAN and Autonomous Section of Handball.

**Following the growth of its scale of its operations UNIMOT S.A. pays more excise, taxes and other charges. In 2019 the total amount of paid excise, VAT, emission fee, fuel charge, CIT and property tax exceeded PLN 1.4 billion.**

# 4. FINANCIAL RESULTS OF UNIMOT S.A.



#### 4. FINANCIAL RESULTS OF UNIMOT S.A.

##### 4.1 PRESENTATION OF BASIC ECONOMIC AND FINANCIAL SIZES OF UNIMOT S.A.

###### STATEMENTS ON FINANCIAL CONDITION

<i>in PLN thousand</i>	<b>31.12.2019</b>	<b>31.12.2018</b>
<b>Fixed assets</b>	<b>86 693</b>	<b>64 225</b>
<b>Current assets</b>	<b>553 786</b>	<b>478 747</b>
Inventory	238 701	190 280
Trade and other receivables	263 470	204 765
Financial resources and their equivalents	26 776	38 960
Other current assets	24 839	44 742
<b>TOTAL ASSETS</b>	<b>640 479</b>	<b>542 972</b>

<i>in PLN thousand</i>	<b>31.12.2019</b>	<b>31.12.2018</b>
<b>Equity</b>	<b>243 607</b>	<b>189 782</b>
<b>Liabilities</b>	<b>396 872</b>	<b>353 190</b>
Long-term liabilities	15 183	6 244
Short-term liabilities	381 689	346 946
<b>TOTAL LIABILITIES</b>	<b>640 479</b>	<b>542 972</b>

Working capital (inventories + receivables + cash resources – trade liabilities) is stable. The higher level of inventories is driven by, among others, transactions of diesel purchases from ING Bank Śląski S.A., of which the Issuer informed in the current report No 24/2019 of 17.08.2019. This inventory was taken over by Unimot S.A. at the end of Q3 2019.

Inventory level considers operating inventories level and value of the level due to compulsory reserve in the amount of PLN 155.9 million as of 31<sup>st</sup> December 2019 against PLN 123.4 million as of 31<sup>st</sup> December 2018.

Short-term liabilities include working capital loans for financing the working capital and credit for financing the compulsory reserve in the amount of PLN 85.2 million as of 31<sup>st</sup> December 2019 against PLN 93.1 million as of 31<sup>st</sup> December 2018.

###### STATEMENT ON TOTAL REVENUES

<i>in PLN thousand</i>	<b>01.01.2019 - 31.12.2019</b>	<b>01.01.2018 - 31.12.2018</b>
Revenues on sales	4 353 881	3 281 838
Profits (losses) on financial instruments hedging sales	(4 760)	3 532
Cost of sold goods, products and materials	(4 141 208)	(3 168 891)
<b>Gross profit on sales</b>	<b>207 913</b>	<b>116 479</b>
Other operating revenues	2 076	2 261
Sales costs	(113 570)	(90 478)
Overheads	(20 528)	(16 961)
Other net profits/losses	959	478
Other operating costs	(294)	(1 482)
<b>Profit on operating activity</b>	<b>76 556</b>	<b>10 297</b>
Financial revenues	1 232	744
Financial costs	(10 346)	(11 663)
<b>Net financial costs</b>	<b>(9 114)</b>	<b>(10 919)</b>
<b>Profit/(loss) before taxation</b>	<b>67 442</b>	<b>(622)</b>
Income tax	(13 617)	(1 577)
<b>Net profit/(loss) for the accounting period</b>	<b>53 825</b>	<b>(2 199)</b>

In 2019 the Company achieved a growth in revenues on sales compared 2018 at the level of 32.7%. In this period the Company achieved the net profit at the level of PLN 53.8 million against a loss of PLN -2.2 million in 2018. The improved book results were primarily driven by a higher than in the corresponding period of the past year margin on sales of goods (up by 78.5% yoy, including the impact of compulsory reserve valuation). The details have been presented in item 2.4 of the present statements.

#### COST BY TYPE STRUCTURE

<i>in PLN thousand</i>	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
Amortisation	(4 138)	(3 274)
Electricity and materials consumption	(2 427)	(2 911)
Foreign services	(95 098)	(79 873)
Taxes and charges	(1 366)	(1 435)
Remunerations	(10 283)	(11 344)
Social security and other benefits	(2 099)	(2 458)
Other cost by type	(8 878)	(7 738)
<b>TOTAL COST BY TYPE</b>	<b>(124 289)</b>	<b>(109 033)</b>

In 2019 the majority of costs by type remained at the level similar to 2018. The higher value of foreign services results from a larger operational scale of the Company's activity.

#### RESULTS

<i>in PLN thousand</i>	01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
EBIT *	76 556	10 297
EBITDA **	80 694	13 571
GROSS RESULT	67 442	(622)
NET RESULT	53 825	(2 199)

\* EBIT ratio --> defined as Earnings Before Interest and Taxes

\*\*EBITDA ratio --> defined as Earnings Before Interest, Taxes, Depreciation and Amortization

In 2019 the Company recorded EBIT profit in the amount of PLN 76.6 million, while in 2018 PLN 10.3 million (up by 643.5% yoy).

In the scope of EBITDA result in 2019 the Company achieved PLN 80.7 million against PLN 13.6 million in 2018 (up by 494.6% yoy).

The improved book results are driven primarily by a higher than in the corresponding period of the previous year margin on sales of goods (up by 78.5% yoy, including the impact of compulsory reserve valuation). The details have been presented in item 2.4 of the present statements.

#### 4.2 THE INDEX AND COMPARATIVE ANALYSIS OF UNIMOT S.A.

The presented below indicator evaluation of the Company was conducted on the basis of the consolidated financial statements for 2019 and reference period.

##### Financial liquidity

The following ratios were used to assess the financial liquidity:

- **Current ratio - a ratio of current assets to short-term liabilities.** The ratio determining the ability of the Group to repay its current short-term liabilities in the medium term, this is after the realisation of owned stock, short-term financial assets, collection of short-term receivables and use of cash.
- **Quick ratio - a ratio of current assets net of stock to short-term liabilities.** The ratio determining the ability of the Group to repay its current short-term liabilities within a short time, this is after the realisation of short-term financial assets, collection of short-term receivables and use of cash on bank accounts.
- **Cash ratio - a ratio of cash balance to short-term liabilities.** The ratio determining the ability of the Group to immediately repay its current short-term liabilities within a short time, this is only after the realisation of owned cash on bank accounts.

FINANCIAL LIQUIDITY RATIOS	31.12.2019	31.12.2018
Current liquidity ratio	1,5	1,4
Quick liquidity ratio	0,8	0,8
Cash liquidity ratio	0,1	0,1

Liquidity ratios achieved at the end of 2019 remain at safe levels. The possessed experience in the scope of receivables hedging, systematic policy of controlling trade credits and long-term cooperation with financial institutions allow to maintain liquidity ratios at proper levels.

### **Profitability**

Profitability analysis is based on a group of ratios allowing to assess the effectiveness of the sales activities of the Company and the impact of individual groups of costs on its financial result:

- **Rate of return on sales** - return on sales sets the efficiency of carried out sales activities, that is, it allows you to specify the part of profit remaining in the company to cover the costs of its operation – after taking into account the direct costs of sale. Similarly, this ratio allows you to determine the effect of Group’s direct sale costs on its result.
- **Gross profitability** - determines the performance of activities carried out by the Group, that is, in general allows the assessment part of the income remaining in the Group to cover tax, after taking into account the costs of financial activities and abnormal events. Similarly, this ratio, interpreted in conjunction with the above ratios of profitability, allows the assessment part of the result that is built not by operating activities, but results from the financial activities or impact of the events of extraordinary nature.
- **Net profitability** - determines the revenue percentage of the Group representing its net result, that is after the costs of its activities have been covered: sales, operating, financial and after taxes have been paid.
- **Return on equity (ROE):** a ratio of net profit to average state of equity during a financial year. The ratio allows the investors to assess the performance of utilisation of capital entrusted to the Group. It means the percentage share of funds earned by the Group (net result) that can be paid in the form of a dividend, to the capital brought by investors plus part of cash earned by the Group in previous years (equity).
- **Return on assets (ROA):** a ratio of net profit to average state of assets during a financial year. The ratio allows the investors to assess the performance of utilisation of all assets owned by the Group.

<b>PROFITABILITY RATIO</b>	<b>2019</b>	<b>2018</b>
ROE	22,1%	-1,2%
ROA	8,4%	-0,4%
PROFIT RATE ON SALES	4,8%	3,5%
GROSS PROFITABILITY	1,6%	0.0%
NET PROFITABILITY	1,2%	-0.1%

The growth in profitability ratios at all the analysed levels has been driven by the growth of the achieved result compared to the corresponding period of the previous year. The impact on higher financial results in 2019 had factors described in detail in item 2.4 of the present statements.

### **Efficiency of action**

The following ratios were used to assess the efficiency of action:

- **Average collection period (days):** a ratio of trade receivables at the end of a financial year to revenue from net sales x 360. The ratio determines the average period in days which is followed by collection of receivables from invoices issued by the Group. In general, you should strive to minimise this ratio.
- **Creditor (days):** a ratio of short-term receivables against suppliers at the end of a financial year to revenue from net sales x 360 days. The ratio determines the average period in days which is followed by repayment of Group’s liabilities. In general, you should strive to maximise this ratio.
- **Inventory turnover (days):** a ratio of average state of inventory at the end of a financial year to revenue from net sales x 360. The ratio determines the average period in days during which the Group holds the stock before sale thereof. Considering the performance, you should strive to minimise this ratio.

OPERATION EFFICIENCY RATIOS	2019	2018
Rotation of trade receivables (days)	22	22
Rotation of trade liabilities (days)	14	12
Inventory rotation (days)	20	21
Inventories rotation (days) adjusted for compulsory reserve	9	9

Rotation ratios show similar settlement periods as in the corresponding period of the previous year.

The inventory rotation ratio decreased from 21 days at the end of 2018 to 20 days at the end of 2019, in this due to compulsory reserve. The inventory rotation ratio adjusted for the value of the compulsory reserve at the end of 2019 did not change compared to 2018 and demonstrates a fast rotation of inventories (mainly diesel).

Cash conversion cycle = a cycle from cash to cash

Cash to Cash = inventory cycle + receivable cycle – liability cycle

Cash to Cash = 20 days + 22 days – 14 days = 28 days

Adjusted for the value of compulsory provision cash conversion cycle amounts:

Cash to Cash = 9 days + 22 days – 14 days = 17 days

The cash to cash cycle decreased from 31 to 28, i.e. by 3 days compared to the past year.

#### **Debt assessment**

The assessment of the degree of debt of the Company was made based on the following ratios:

- **Asset coverage ratio:** a ratio of the sum of equity value to the sum of total assets. The ratio determines the degree of coverage of the assets of the Group by its owned equities.
- **Debt ratio:** a ratio of total liabilities amount to value of assets in total. The ratio specifies to what extent the Group's assets were financed with debt.

DEBT RATIO	31.12.2019	31.12.2018
Total debt ratio	62,0%	65,0%
Equity/assets ratio	38,0%	35,0%
Equity to fixed assets ratio	281,0%	295,5%
Total debt ratio adjusted for credit for compulsory reserve	56,1%	57,8%

Debt ratios at the end of 2019 remain at the level similar to the end of 2018, which means that significant sources of external financing of the activity conducted by the Company have not changed.

**A positive evaluation of the above-mentioned ratios constitutes a basis for a positive evaluation of Company's capability to fulfil contracted liabilities and proves lack of threats in this scope.**

#### **4.3 GRANTED AND RECEIVED SURETIES AND GUARANTEES**

The number of guarantees of Unimot S.A. towards third parties, issued in the course of current activity as of 31<sup>st</sup> December 2019 and 31<sup>st</sup> December 2018 amounted to respectively PLN 30.52 million and EUR 1.7 million and PLN 61.17 million and EUR 1.45 million. These concerned mainly: civil and law guarantees connected with securing proper execution of contracts, and public and law guarantees resulting from the valid law regulations securing the correctness of conducting licensed activities in the liquid fuels sector and resulting from this activity receivables of tax, customs nature, etc.

The value of standby letters of credit issued on request of Unimot S.A. as of 31<sup>st</sup> December 2019 and as of 31<sup>st</sup> December 2018 amounted respectively USD 19.4 million and USD 0 million.

Unimot S.A. granted a civil surety for the liabilities of a related nonconsolidated entity in the amounts as of 31<sup>st</sup> December 2019 and as of 31<sup>st</sup> December 2018 respectively PLN 2.5 million and PLN 1.6 million.

Unimot S.A. issued guarantees, civil sureties and avals for the liabilities of consolidated related entities in the amounts as of 31<sup>st</sup> December 2019 and as of 31<sup>st</sup> December 2018 respectively PLN 36.7 million and PLN 29.87 million.

Unimot S.A. granted surety for the liabilities of nonconsolidated related entities due to umbrella agreements in the amounts of PLN 3.5 million as of 31<sup>st</sup> December 2019.

#### 4.4 LOANS AND CREDITS TAKEN AND TERMINATED

##### Credit and loan agreement analysis as of 31.12.2019:

Name of financing company	in PLN thousand		Liability type	Date of granting	Repayment day	Securities
	Long-term part	Short-term part				
<b>Multi-currency credits (in PLN, USD, EUR):</b>						
BNP Paribas Bank Polska S.A. (formerly Raiffeisen Bank Polska S.A.)	-	1 150	overdraft	2011-08-11	2020-06-30	a bail mortgage on real estate together with an assignment of insurance policy, registered pledge on fixed assets, an authorization to the current account and other accounts, cession of receivables.
Bank Millenium S.A.	-	11 219	overdraft	2012-09-20	2020-05-21	a collective mortgage on real estate together with an assignment of insurance together a surety and declaration of submission to enforcement by Unimot Express Sp. z o.o.
<b>Credits in USD:</b>						
mBank S.A.	-	104 750	revolving credit/overdraft	2012-10-01	2020-10-23	a collective mortgage on real estate promissory note together with promissory note agreement cession of receivables, cession of insurance policy, registered pledge on diesel oil.
ING Bank Śląski S.A.	-	85 185	revolving credit/overdraft	2016-03-03	2020-05-31	registered pledge on stock authorization to current account and other accounts, cession of receivables, cession of insurance policy.
<b>Credits in PLN:</b>						
mBank S.A.	-	-	revolving credit/overdraft	2012-10-01	2021-03-19	a blank promissory note and promissory note agreement, cash deposit in the amount of PLN 1.1 million, declaration of submission to enforcement.
BNP Paribas Bank Polska S.A.	-	-	Credit line facility/ reverse factoring	2016-09-26	2026-09-26	promissory note together with promissory note agreement, pledge or registered pledge on financed or refinanced product cession of indemnification from insurance policy, confirmed cession of receivables, silent cession of receivables, registered pledge on bank account, declaration on submission to enforcement, authorization to dispose of financial resources in all bank accounts in Bank.
BNP Paribas Factor Sp. z o.o. *	-	1 200	recourse factoring	2014-04-18	Contract for an indefinite period	own promissory note, cession of receivables.
<b>Total</b>	<b>-</b>	<b>203 504</b>				

Margin on liabilities from credits, loans and other debt instruments depends on variable interest rate to which it refers. Interval analysis of margin is presented below:

- WIBOR 1M – margin in the range 0.9%,
- LIBOR 1M – margin in the range 1,1% - 2%,
- EURIBOR 1M – margin in the range 1.1% - 1.45%.

In 2019 or after the reporting date the occurrences of failures to reimburse capital or interests did not happen. As of 31st December 2019 there were no infringements to covenants of credit agreements held by the Group. There were no other infringements to the terms of credit agreements held by the Group.

#### 4.5 GRANTED CREDITS AND LOANS

##### Loans granted in 2019:

1. Unimot S.A. granted loans to Blue LNG Sp. z o.o. to the total amount of PLN 2 106 thousand. The interest rate of the granted loans amounts to 5% per year. The Borrower undertook to repay the granted loans until 31<sup>st</sup> December 2020. On 27<sup>th</sup> February the Borrower paid the amount of PLN 1 700,0 thousand, the remaining amount is PLN 406.0 thousand.
2. Unimot S.A. granted a loan to Green Electricity Sp. z o.o. to the amount of PLN 7 500 thousand. The interest rate of the granted loans amounts to 5% per year. The Borrower undertook to repay the granted loan in equal monthly instalments from 1<sup>st</sup> July 2021 to 31<sup>st</sup> December 2022. The loan debt as of 31<sup>st</sup> December 2019 amounted to PLN 3 500 thousand and as of the date of the present statements preparation the debt amounts to PLN 5 501 thousand.

##### Loans granted before 2019 but still active:

3. Unimot S.A. granted loans to Unimot System Sp. z o.o. to the total amount of PLN 2 702.2 thousand. The interest rate of the granted loans amounts to 5% per year. The loan was repaid on 31.12.2019.

# 5. OTHER INFORMATION



## **5. OTHER INFORMATION**

### **5.1 INFORMATION ABOUT THE AUDIT FIRM**

The Issuer entered into contracts for auditing the consolidated financial statements on 7<sup>th</sup> August 2017 with the entitled entity Deloitte Polska Sp. z o.o. Sp. K. seated in Warsaw. The choice of the audit firm was made based on the resolution of the Supervisory Board NO 05/06 of 20<sup>th</sup> June 2017 to audit statements for the years 2017 – 2019.

The value of the contract for auditing the consolidated financial statements of the Issuer for the financial year ending on 31<sup>st</sup> December 2019 amounts PLN 121 500 net (the amount includes also the review of the interim standalone and consolidated statements as of 30<sup>th</sup> June 2019).

The auditor of the consolidated statement for the financial year ending 31st December 2018 was also the entitled entity Deloitte Polska Sp. z o.o. Sp. K. The contract was concluded on 7<sup>th</sup> August 2017.

The value of the contract for auditing the standalone and consolidated financial statements of the Issuer amounts PLN 121 500 net (the amount includes also the review of the interim standalone and consolidated statements as of 30<sup>th</sup> June 2018).

The aforementioned entity did not render for the Issuer nor its subsidiaries auditing services, tax advisory services or any other.

### **5.2 COURT PROCEEDINGS**

Neither the Issuer nor any of its subsidiaries are a party to the proceedings before a Court, a competent authority for the arbitral proceedings or a public authority concerning the liabilities or claims, which would significantly have an effect on the financial results.

Neither the Issuer nor any of its subsidiaries are a party to two or more proceedings before a Court, a competent authority for the arbitral proceedings or a public authority concerning the liabilities or claims, which would significantly have an effect on the financial results.

### **5.3 TRANSACTIONS WITH RELATED ENTITIES**

Transactions concluded by the Issuer and its subsidiaries with the related entities were conducted on market terms.

### **5.4 CHANGES TO THE PRIMARY PRINCIPLES OF MANAGING THE ISSUER'S ENTERPRISE AND ITS CAPITAL GROUP**

In the analysed period the primary rules of managing the Company and its Capital Group were not subject to significant changes.

### **5.5 AGREEMENTS AMONG THE COMPANIES OF THE CAPITAL GROUP AND MANAGING PERSONS FORESEEING COMPENSATIONS**

Neither the Issuer nor its subsidiaries did not conclude with the management personnel contracts foreseeing compensations in the occurrence of their resignation or dismissal from the occupied position without a material reason or in the occurrence if their recall or dismissal occurs due to a merger of the Issuer or subsidiaries in the form of a take-over.

### **5.6 REMUNERATION OF STATUTORY BODIES**

Members of the Issuer's Management Board receive fixed monthly remuneration performing the functions on the basis of the resolution of the Supervisory Board pursuant to § 20 clause 2 item f) of the Company's Statute.

Additionally members of the Issuer's Management Board can receive bonuses on the conditions specified in detail in the Bonus Scheme adopted by the Supervisory Board under the resolution of 13<sup>th</sup> November 2019. The adopted by the Supervisory Board bonus scheme foresees two types of bonuses: cash bonus and monetary bonus (cash allowance) that can be spent exclusively on a purchase of the shares of UNIMOT S.A. under the conditions and time limits laid down in the adopted bonus principles. The bonus for the purchase of shares does not include the President of the Management Board – Adam Sikorski.

The basis for calculating both types of bonuses is achieved consolidated adjusted (for the valuation of compulsory reserve of the fuels of UNIMOT S.A. and its subsidiaries) net profit of the UNIMOT Capital Group.

The total amount of the cash bonus for the Issuer's Management Board Members for 2019 (in 2020) amounts to 6.7% of the consolidated adjusted net profit of the UNIMOT Capital Group, whereas the President of the Company's Management Board Adam Sikorski and Vice-President of the Company's Management Board – Robert Brzozowski are entitled a cash bonus in the amount of 2.5% of the consolidated adjusted net profit of the Capital Group, and the Member of the Company's Management Board - Marek Moroz in the amount of 1.7% of this profit. Since 2021 the total amount of the cash bonus was established at the level of 7.5% of the consolidated adjusted net profit of the Capital Group, 2.5% for each Member of the Company's Management Board.

The members of the Company's Management Board are entitled to the cash bonus proportionally to the period of performing the functions in the Management Board of the Company in the given financial year.

The total amount of the monetary bonus for the purchase of shares for 2019 (in 2020) amounts to 4.2% of the consolidated adjusted net profit of the Capital Group, whereas the Vice-President of the Company's Management Boards – Robert Brzozowski is entitled a bonus in this respect in the amount of 2.5% of the consolidated adjusted net profit of the Capital Group and the Member of the Management Board – Marek Moroz in the amount of 1.7% of this profit. Since 2021 the total amount of the bonus for purchase of shares was established at the level of 5% of the consolidated adjusted net profit of the Capital Group, 2.5% for each Member of the Company's Management Board. This bonus can be granted to the members of the Company's Management Board exclusively under the specific financial conditions laid down in the resolution of the Supervisory Board.

Members of the Company's Board are obliged to spend the resources received with the bonus on purchase of shares exclusively for this purpose. The purchase of shares of UNIMOT S.A. shall take a form of stock exchange transactions within the period of 6 months since the resources have been received. Failure to purchase shares in the specified time period will result in lack of calculating and granting the bonus in 2 subsequent financial years. The shares purchased for the resources received as a bonus are subject to 3-year prohibition of disposal, except in the cases specified in the resolution.

The members of the Company's Management Board are entitled to the cash bonus proportionally to the period of performing the functions in the Management Board of the Company in the given financial year, whereas in case of dismissal or resignation of the Management Board Member during the financial year, the Member of the Company's Management Board shall not be obliged to spend this bonus on purchase of shares.

Additionally, Vice-President of the Company's Management Board - Mr Robert Brzozowski and Member of the Board – Mr Marek Moroz receive for rendering advisory, consulting and business development services in the scope of business segment development of the UNIMOT Capital Group in the electricity production area remuneration from the Issuer's subsidiaries (Tradea Sp. z o.o. and Unimot Energia i Gaz Sp. z o.o.). The basis for payment of remuneration in this respect are contracts for rendering services concluded by the members of the Company's Management Board for an indefinite time period, which foresee fixed monthly flat-rate remuneration for rendered services.

#### **Remuneration of the Management Board Members for 2019:**

##### **Adam Sikorski**

Mr Adam Sikorski receives remuneration for performing the function of the President of the Management Board pursuant to the resolution of the Supervisory Board of 10<sup>th</sup> September 2018 in the form of a monthly remuneration. In 2019 this remuneration amounted to PLN 122 500 gross. Additionally, pursuant to the resolution of the Supervisory Board of 13<sup>th</sup> November 2019 Mr Adam Sikorski is entitled to a bonus contingent on the results of the Unimot Capital Group:

- Cash bonus in the amount of 2.5% of the consolidated adjusted net profit of the Unimot Capital Group. Under the resolution No 2/03/2020 of 25.03.2020 the Supervisory Board granted a cash bonus in this respect for 2019 in the amount of 1 305 thousand gross.

##### **Robert Brzozowski**

Mr Robert Brzozowski receives remuneration for performing the function pursuant to the resolution of the Supervisory Board of 25<sup>th</sup> August 2014 in the form of a monthly remuneration. In 2019 this remuneration amounted to PLN 120 000 gross. Additionally, pursuant to the resolution of the Supervisory Board of 13<sup>th</sup> November 2019 Mr Robert Brzozowski is entitled to the following bonuses contingent on the results of the Unimot Capital Group:

- Cash bonus in the amount of 2.5% of the consolidated adjusted net profit of the Unimot Capital Group. Under the resolution No 2/03/2020 of 25.03.2020 the Supervisory Board granted a cash bonus in this respect for 2019 in the amount of 1 305 thousand gross.
- Bonus (cash allowance) for the purchase of the issuer's shares in the amount of 2.5% of the consolidated adjusted net

profit of the Unimot Capital Group. Under the resolution No 2/03/2020 of 25.03.2020 the Supervisory Board granted a monetary bonus in this respect for 2019 in the amount of 1 305 thousand gross.

Additionally, Mr Robert Brzozowski in 2019 while performing the function of the Vice-President of the Management Board received remuneration from the Issuer's subsidiaries (Tradea Sp. z o.o. and Unimot Energia i Gaz Sp. z o.o.) in the form of payment for the issues VAT invoices for rendering advisory, consulting and business development services in the scope of business segment development in the electricity area in the total amount of PLN 150 000 gross.

#### **Marek Moroz**

Mr Marek Moroz receives remuneration for performing the function pursuant to the resolution of the Supervisory Board of 10<sup>th</sup> September 2018 in the form of a monthly remuneration. In 2019 this remuneration amounted to PLN 60 000.

Additionally, pursuant to the resolution of the Supervisory Board of 13<sup>th</sup> November 2019 Mr Marek Moroz is entitled to the following bonuses contingent on the results of the Unimot Capital Group:

- Cash bonus in the amount of 1.7% of the consolidated adjusted net profit of the Unimot Capital Group. Under the resolution No 2/03/2020 of 25.03.2020 the Supervisory Board granted a cash bonus in this respect for 2019 in the amount of 888 thousand gross.
- Bonus (cash allowance) for the purchase of the issuer's shares in the amount of 1.7% of the consolidated adjusted net profit of the Unimot Capital Group. Under the resolution No 2/03/2020 of 25.03.2020 the Supervisory Board granted a monetary bonus in this respect for 2019 in the amount of 888 thousand gross.

Additionally, Mr Marek Moroz in 2019, while performing the function of the Vice-President of the Management Board, received remuneration from the Issuer's subsidiaries (Tradea Sp. z o.o. and Unimot Energia i Gaz Sp. z o.o.) in the form of payment for the issues VAT invoices for rendering advisory, consulting and business development services in the scope of business segment development in the electricity area in the total amount of PLN 300 000 gross.

All the members of the Management Board of the Company received in 2019 from the Issuer benefits in kind in the form of the right to use a work phone, a work laptop and the right to use a company car.

To the best knowledge of the Issuer, in 2019, apart from the above-mentioned benefits, the Members of the Management of the Company did not receive any additional benefits from the Issuer based on profit-sharing or bonus plan, in the form of share options or other benefits in kind.

#### **Remuneration of the Supervisory Board Members for 2019:**

Under the resolution of the Ordinary General Meeting of 2<sup>nd</sup> June 2016 the Members of the Supervisory Board receive monthly remuneration in the amount of net PLN 1,500.

#### **Amount of remuneration in 2019:**

Andreas Golombek – PLN 24 615,72 gross,

Bogusław Satława – PLN 24 615,72 gross,

Isaac Querub – PLN 26 179,80 gross,

Ryszard Budzik – PLN 24 615,72 gross,

Piotr Cieślak – PLN 24 615,72 gross,

Piotr Prusakiewicz – PLN 24 615,72 gross,

Dariusz Formela – PLN 22 135,53 gross.

To the best knowledge of the Issuer, the Members of the Supervisory Board did not receive any additional benefits from the Issuer based on profit-sharing or bonus scheme, in the form of share options or other benefits in kind. In addition, the members of the Supervisory Board are not entitled to benefits of a deferred or conditional nature from the Company.

In 2019, the Members of the Supervisory Board did not receive any remuneration from subsidiaries of the Issuer.

#### **5.7 LIABILITIES DUE TO PENSIONS AND SIMILAR NATURE BENEFITS FOR FORMER MANAGING AND SUPERVISING PERSONS**

No such liabilities.

#### **5.8 INFORMATION ABOUT THE CONTROL SYSTEMS FOR EMPLOYEE SHARES SCHEMES**

Neither the Issuer nor its subsidiaries run employee shares schemes.

#### **5.9 INFORMATION ABOUT AGREEMENTS SIGNIFICANT FOR THE OPERATION OF UNIMOT S.A. AND THE CAPITAL GROUP**

No such contracts.

## 6. REPRESENTATIONS ON APPLYING CORPORATE GOVERNANCE

### 6.1 INDICATION OF THE SET OF CORPORATE GOVERNANCE PRINCIPLES TO WHICH THE ISSUER IS SUBJECT, AND THE PLACE WHERE THE TEXT OF THE SET OF PRINCIPLES IS PUBLICLY AVAILABLE

As of 31.12.2019 the Issuer complies with the recommendations and principles of corporate governance adopted in the document "Best Practices of the WSE Listed Companies 2016", which constitutes an appendix to the Resolution NO 26/1413/2015 of the Supervisory Board of the WSE of 13<sup>th</sup> October 2015. Information about the status of applying by the Company the recommendations and principles included in Best Practises of the WSE Listed Companies 2016 was first published on 07.03.2017, on the day of shares debut on the WSE. Application scope of Best Practices is available on the Issuer's website: [www.unimot.pl](http://www.unimot.pl).

The Issuer has not decided to apply another set of corporate governance principles.

### 6.2 INDICATION OF THE EXTENT TO WHICH THE ISSUER HAS DEPARTED FROM THE PROVISIONS OF THE SET OF CORPORATE GOVERNANCE PRINCIPLES, TOGETHER WITH AN EXPLANATION

In the scope of "Best Practice of the WSE Listed Companies 2016", applicable as of the date of publication of the statements the Issuer does not apply three recommendations and three detailed principles:

- *Recommendation II.R.2. Persons taking decisions to elect members of the management board or the supervisory board of a company should ensure that the composition of these bodies is comprehensive and diverse among others in terms of gender, education, age and professional experience - the choice of personnel in the Company is not dependent on criteria such as gender and age. The main selection criteria to perform functions in the body are skills, professionalism and competence of a candidate to perform the function. Despite the lack of policy, the current composition of the Supervisory Board of the Company ensures the diversity both in terms of experience, education, and age, and the composition of the Management Board of the Company in terms of experience, education and gender.*
- *Recommendation 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 - due to the size and nature of the activities and the organisational structure, the Company will not separate special bodies responsible for internal control, risk internal control, risk management, compliance. The Company has separated the function of internal audit entrusted with the person on an independent position subordinate directly to the President of the Management Board.*
- *Recommendation 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:*
  - *real-time broadcast of the General Meeting,*
  - *real-time two-way communication enabling shareholders to address the General Meeting from a remote location,*
  - *exercise of the right to vote during a General Meeting either in person or through a plenipotentiary.*

The Issuer, bearing in mind the need for multiple steps of organisational and technical nature, the need to ensure the safety of the systems used and the costs and risks associated therewith and small market experience in this regard, at the moment decides not to: broadcast the General Meeting in real time, two-way communication in real time enabling shareholders to address the General Meeting from a remote location, and also exercise the right to vote during a General Meeting either in person or through a plenipotentiary.

- *Principle 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 - due to the size and nature of the activities and the organisational structure persons responsible for risk management and compliance are not employed in the Company. Internal control tasks, compliance as examination of acting in compliance with laws and internal audit are carried out by the bodies of the company within the scope of their statutory competence, and managers responsible for the functioning of particular organisational units. The Company has separated the function of internal audit entrusted with the person on an independent position subordinate directly to the President of the Management Board. The role of the Internal Auditor is, among others, to report to the Management Board and Supervisory Board or their committees about the results of conducted audits.*

- *Principle III.Z.5. The supervisory board monitors the efficiency of the systems and functions stipulated in principle III.Z.1 among others on the basis of reports provided to it periodically directly by the persons responsible for the functions and the company's management board, and makes an annual assessment of the efficiency of such systems and functions according to principle II.Z.10.1. In case an audit committee operates in the company, it shall monitor the efficiency of the systems and functions stipulated in principle III.Z.1. However, this does not release the supervisory board from conducting the annual assessment of the efficiency of such systems and functions. Due to the size and nature of the conducted activity and organizational structure, formalized systems concerning compliance and internal audit have not been implemented. For the abovementioned reasons only, the Company's Management Board as the body responsible for these systems' efficiency shall keep the Supervisory Board informed on their functioning in the scope that these systems are in force in the Company.*
- *Principle IV.Z.2. If justified by the structure of shareholders, the company should ensure publicly available real-time broadcasts of General Meetings - shareholding structure of the Issuer and the existing little interest of the shareholders in participation in the General Meetings of the Issuer does not justify the application of this principle to the Company. The Issuer, bearing in mind the need for multiple steps of organisational and technical nature, the risks associated therewith and little market experience in this regard, and also having regard to the shareholders' structure, at the moment decides not to enable participation in the General Meeting from a remote location, using means of electronic communication, i.e. through real-time broadcast of the General Meeting.*

In 2019 the Issuer did not modify the "Best Practises of the WSE Listed Companies 2016".

### **6.3 DESCRIPTION OF THE MAIN FEATURES OF THE ISSUER AND HIS SUBSIDIARIES INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS AND CONSOLIDATED FINANCIAL STATEMENTS**

Due to the size and nature of the activities and the organisational structure, there are no special control units separated in relation to the financial reporting process in the Group. The financial statements are prepared on the basis of data received from persons responsible for individual sections of the Group and on the basis of accepted and verified accounting evidence. Accounting operations are subject to operational and acceptance procedures. Access to information systems containing financial data is limited by granting of special rights to authorised employees only within the scope of the tasks entrusted to them.

The Chief Accountant is responsible for correct bookkeeping, in accordance with applicable law and the Accounting Policy adopted in the Group. Supervision of the proper bookkeeping is performed by the member of the Management Board – Vice-President of the Management Board for Financial Affairs, acting as the Chief Financial Officer. The CFO also supervises the preparation of the financial statements, the completeness of the data and the scope of their presentation.

The control function in the Group is served by an Audit Committee, which includes a person meeting the criteria of independence and having qualifications in the field of accounting or auditing required under the Act of 11<sup>th</sup> May 2017 on statutory auditors, audit firms and public supervision (Journal of Laws of 2017 pos. 1089). The first audit committee in the Group was appointed under the resolution of the Supervisory Board of 18 January 2013. The tasks and procedures of the audit committee in Unimot S.A. are determined by the Rules of Audit Committee adopted by the resolution of the Supervisory Board No 5/12/2017 of 11<sup>th</sup> December 2017. The Group has accepted policies in the scope of selecting the auditing office and in the scope of additional services rendered by the auditing office. The present composition of the Audit Committee: Piotr Cieślak – president, Piotr Prusakiewicz – member, Ryszard Budzik – member.

The Group's semi-annual financial statements are subject to a review, and the annual financial statements are subject to audit by the independent statutory auditor. Members of the Audit Committee have direct contact with the Director of the Auditor's Office. The auditor is obliged, in the course of his or her procedure, to report or, if necessary, consult with the Audit Committee. Notwithstanding this, before completing the audit of financial statements the Auditor draws up and submits a written report to the Audit Committee.

**6.4 INDICATION OF SHAREHOLDERS OWNING, DIRECTLY OR INDIRECTLY, QUALIFYING HOLDINGS, TOGETHER WITH AN INDICATION OF THE NUMBER OF SHARES OWNED BY THOSE ENTITIES, THEIR PERCENTAGE IN THE SHARE CAPITAL, THE NUMBER OF VOTES RESULTING THEREFROM AND THEIR PERCENTAGE IN THE TOTAL NUMBER OF VOTES AT THE GENERAL MEETING AS OF 31.12.2019 AND AS OF THE DATE OF THE STATEMENTS PREPARATION**

**Issuer Shareholder's Structure as of the balance sheet date 31.12.2019 and as of the date of present statements preparation:**

Shareholder	Number of	Share in capital %	Number of votes	Share in votes %
Unimot Express Sp. z o.o.	3 593 625	43,84%	3 593 625	42,04%
Zemadon Limited	1 616 661	19,72%	1 966 661	23,01%
Others	2 987 532	36,44%	2 987 532	34,95%
<b>Total</b>	<b>8 197 818</b>	<b>100,00%</b>	<b>8 547 818</b>	<b>100,00%</b>

Shareholders **directly** having qualifying holdings as of 31.12.2019 and as of the preparation date of the present statements:

- Unimot Express Sp. z o.o. having 3 593 625 of the Issuer's shares, representing 43.84% of the share capital, entitling to 3 593 625 votes at the General Meeting, i.e. 42,04% of votes at the general meeting.
- Zemadon Ltd. having 1 616 661 of the Issuer's shares, representing 19.72% of the share capital, entitling to 1 966 661 votes at the General Meeting, i.e. 23.01% of the votes at the general meeting.

Shareholders **indirectly** having qualifying holdings as of 31.12.2019 and as of the preparation date of the present statements:

- Adam Antoni Sikorski controlling "Family First Foundation" based in Vaduz, Liechtenstein, holding 100% of shares in Zemadon Ltd based in Nicosia, Cyprus, and therefore:
  - a) he indirectly controls through Zemadon Ltd. 1 616 661 of the Issuer's shares, representing 19.72% of the share capital, entitling to 1 966 661 votes at the general meeting, i.e. 23.01% of the votes at the general meeting.
  - b) indirectly with his spouse Magdalena Sikorska on the basis of an oral agreement on conducting a common policy towards Unimot Express sp. z o.o. and Unimot S.A. through Unimot Express Sp. z o.o. controls 3 593 625 of the Issuer's shares, representing 43.84% of the share capital, entitling to 3 593 625 votes at the general meeting, i.e. 42.04% of votes at the general meeting.
- Family First Foundation" based in Vaduz, Liechtenstein holding 100.00% of votes in Zemadon Ltd based in Nicosia, Cyprus through which it indirectly controls 1 616 661 of the Issuer's shares, representing 19.72% of the share capital, entitling to 1 966 661 votes at the general meeting, i.e. 23.01% of the votes at the general meeting, owned by Zemadon Ltd. and in connection with the agreement between the spouses Adam Antoni Sikorski and Magdalena Sikorska concerning the conduct of a common policy towards Unimot Express Sp. z o.o. and Unimot S.A. indirectly through Unimot Express sp. z o.o. held 3 593 625 of the Issuer's shares, representing 43.84% of the share capital of the Issuer, entitling to 3 593 625 votes at the general meeting, i.e. 42.04% of votes at the general meeting of the Issuer.

**6.5 INDICATION OF THE HOLDERS OF ANY SECURITIES WITH SPECIAL CONTROL RIGHTS AND A DESCRIPTION OF THOSE RIGHTS**

Zemadon Ltd holds 350,000 series B shares of the Issuer privileged in relation to voting in such a way that there are two votes at the General Meeting of Shareholders for one share

As of the balance sheet date 31.12.2019 Zemadon Ltd. holds in total 1 616 661 of the Issuer's shares, representing 19.72 % of the share capital and entitling to 1 966 661 votes, i.e. 23.01% votes at the general meeting.

**6.6 INDICATION OF ANY RESTRICTIONS ON EXERCISING THE RIGHT TO VOTE, SUCH AS RESTRICTIONS OF THE EXERCISING THE RIGHT TO VOTE OF HOLDERS OF A GIVEN PERCENTAGE OR NUMBER OF VOTES, DEADLINES FOR EXERCISING VOTING RIGHTS, OR PROVISIONS, ACCORDING TO WHICH, WITH THE COMPANY'S COOPERATION, THE CAPITAL RIGHTS RELATING TO SECURITIES ARE SEPARATED FROM THE HOLDING OF SECURITIES**

The Issuer's shares do not hold any restrictions on the exercise of voting rights at the General Meeting of Shareholders. The restrictions may arise from generally applicable laws, among others the Act on Offering in the event of a breach of the provisions on the calls and the Commercial Code Art. 6.

## **6.7 INDICATION OF ANY RESTRICTIONS ON THE TRANSFER OF OWNERSHIP RIGHTS OF THE ISSUER'S SECURITIES**

There are no restrictions on the transfer of the ownership rights of bearer shares.

The transferability of registered privileged as to the vote Series B shares is limited on the basis of § 10 of the Statute of the Company. Other shareholders of the registered shares, proportionally to the quantity of owned registered shares are entitled to the priority right to acquire registered shares in the Company.

The transferability of the shares of A series, C series, D series, E series, F series, G series, H series, I series, J series and K series is not restricted under the Statute of the Issuer.

## **6.8 DESCRIPTION OF THE PRINCIPLES ON THE APPOINTMENT AND DISMISSAL OF MANAGERS AND ON THEIR POWERS, IN PARTICULAR THE RIGHT TO TAKE THE DECISION TO ISSUE OR BUY BACK SHARES**

The managers constituting the Management Board act under the Act on Commercial Code, the Company's Statute and Rules of the Management Board. Their work is directed by the principles adopted by the Company in the code "Best Practice of the WSE Listed Companies 2016 ". The Management Board of the Company comprises of one up to five people who are appointed and recalled by the Supervisory Board. The number of the Management Board members is set by the Supervisory Board. It is possible to change the number of members of the Management Board during the course of the common term of office of the Management Board. The members of the Management Board are appointed for a period of the common term of office of five years. It is acceptable to appoint the same people for the next term of office of the Management Board. The shareholders, and also persons outside the Company may be appointed to the Management Board.

General principles of operation of the Company's Management Board defines the Company's Statute § 16a.

The competence of the Management Board includes all cases non-reserved by law or by the Statute to other bodies of the Company. Acquisition and disposal of real estate, right of perpetual usufruct or participation in the real estate is the competence of the Management Board and does not require a resolution of the General Meeting.

Each Member of the Management Board individually to the amount of PLN 500,000.00, two Members of the Management Board together or one Member of the Board together with a Proxy over 500,000.00 are entitled to make representations in respect of property rights and obligations of the Company, including signing contracts and entering into commitments. Each member of the Management Board individually is entitled to make representations in respect of non-property rights and obligations of the Company.

In principle, the Management Board decides in the form of resolutions on the meetings convened by the President of the Management Board on his or her own initiative or upon a motion of the Member of the Management Board or upon a motion of the Supervisory Board. If the Management Board has more than one member, the resolutions of the Management Board may also be adopted outside the meeting of the Management Board in writing or by means of direct remote communication, provided that all members of the Management Board have been notified of the content of the draft resolution. Voting in the mode described in the previous sentence can be called for by the President of the Management Board or by any other Board Member. Should there be an equal number of votes for and against the vote of the President of the Management Board is decisive if the Management Board has more than one member.

The Management Board Member informs the Management Board of any conflict of interest in connection with its function or the possibility of conflict, and refrains from taking the floor in the discussion and participation in voting on the resolution in relation to which the conflict of interest has arisen.

The General Meeting has the right to take the decision to issue or buy back shares.

## **6.9 DESCRIPTION OF RULES FOR AMENDING THE STATUTE OR THE ARTICLES OF ASSOCIATION OF THE ISSUER'S COMPANY**

The change of the Statute is conducted pursuant to the Commercial Companies Code.

## **6.10 THE MODE OF ACTION OF THE GENERAL MEETING AND ITS ESSENTIAL POWERS AND DESCRIPTION OF SHAREHOLDERS' RIGHTS AND MANNER FOR EXERCISING THEM, IN PARTICULAR THE PRINCIPLES RESULTING FROM THE RULES OF THE GENERAL MEETING, IF SUCH RULES HAVE BEEN ADOPTED, AS FAR AS THE INFORMATION IN THIS RESPECT DO NOT RESULT DIRECTLY FROM LEGAL PROVISIONS**

The superordinate legal act governing the action of the General Meeting is the Commercial Code. The detailed actions of

the General Meeting are determined by the Company's Statute and the Rules of the General Meeting of Shareholders of UNIMOT S.A.

The General Meeting may be ordinary or extraordinary. The Ordinary General Meeting is convened by the Management Board not later than 30 June each year. The Extraordinary General Meeting is convened by the Management Board on its own initiative or at the written request of the Supervisory Board or at the request of the shareholders, representing at least 1/20 of the Share capital. Resolutions of the General Meeting are adopted by an absolute majority of votes, unless the Commercial Code or the provisions of this Statute provide for stricter conditions for adopting the resolutions. The General Meetings take place at the Company's registered office, in Czesochowa or in Warsaw.

The Resolutions of the General Meeting require:

- consideration and approval of a report of the Management Board of the Company's activities and of a financial statement for the previous financial year and granting discharge to the members of the Company's bodies in respect of fulfilment of their duties,
- adoption of a resolution on the distribution of profits or the financing of losses,
- determination of the dividend date,
- decisions concerning claims for redress of damage caused upon formation of the Company or in the course of management or supervision,
- sale or lease the Company business or organized part thereof as well as establishment of limited proprietary rights thereon;
- issue of convertible bonds or with pre-emptive rights and issue of subscription warrants referred to in Art.453 § 2 of the Commercial Code,
- acquisition of own shares in the case specified in Art. 362 § 1 point 2 of Commercial Code and authorisation to acquire them in the case specified in Art. 362 § 1 point 8 of the Commercial Code,
- conclusion of the agreement referred to in Art. 7 of the Commercial Code,
- determination of number of and remuneration of the members of the Supervisory Board.

In accordance with the provisions of the Commercial Code (Art. 402<sup>1</sup> – 402<sup>3</sup>) convening of the General Meeting is effected by an announcement made on the Issuer's website and in the manner prescribed for the transmission of current information (in the form of the current report). The announcement is made at least twenty-six days before the date of the General Meeting.

The agenda of the General Meeting is set by the Management Board and it is contained in the announcement convening the General Meeting. The Supervisory Board or other entity entitled to convene the General Meeting on the basis of separate laws determines the agenda only in case the meeting is not convened, or the agenda of the General Assembly not determined by the Management Board. The Supervisory Board as well as a shareholder or shareholders representing at least one-twentieth of the Share capital may request the inclusion of certain matters in the agenda of the forthcoming General Meeting. In matters not covered by the agenda a resolution cannot be adopted, unless all the share capital is represented at the General Meeting, and none of the participants raises objections concerning the resolution. A resolution on convening an Extraordinary General Meeting and resolutions of administrative nature can be adopted, even though they were not placed on the agenda.

In accordance with the wording of Art. 406<sup>1</sup> - 406<sup>3</sup> of the Commercial Code the right of attending the General Meeting of a public company is held only by persons who are shareholders of the Company, sixteen days before the date of the General Meeting (date of registration of attending the General Meeting). However, the persons authorized on prescribed shares and temporary certificates as well as pledgees and users entitled to the right to vote, have the right to attend the General Meeting if they are registered in the share register on the day of registration of attending the General Meeting. At the request of a person entitled by dematerialized shares submitted no earlier than after the announcement of the Meeting convention and no later than on the first business day following the day of registration the attendance, the entity running the securities account issues a named certificate entitling to attend the General Meeting.

Under Art. 412 – 412<sup>2</sup> of the Commercial Code, each shareholder may attend the General Meeting and exercise the right to vote in person or by proxy. The proxy exercises all the powers of the shareholder at the general meeting, unless the content of the power of attorney states otherwise. The power of attorney to attend the General Meeting and exercise the voting right requires a written or an electronic form.

## 6.11 INFORMATION ON THE PERSONAL COMPOSITION AND CHANGES THAT IT UNDERWENT OVER THE LAST FINANCIAL YEAR CONCERNING THE MANAGEMENT BODIES, SUPERVISORY AND ADMINISTRATIVE BODIES

### The Management Board

#### Composition of the Management Board as of 31.12.2019 and as of the preparation date of the present statements:

Adam Sikorski - President of the Management Board  
 Robert Brzozowski - Vice-President of the Management Board  
 Marek Moroz - Vice-President of the Management Board

**In 2019 there were no changes to the composition of the Company's Management Board.**

### The Supervisory Board

#### Composition of the Supervisory Board as of 31.12.2019 and as of the preparation date of the present statements:

Andreas Golombek – President of the Supervisory Board  
 Bogusław Satława - Vice-President of the Supervisory Board  
 Piotr Cieślak - Member of the Board  
 Isaac Querub - Member of the Board  
 Piotr Prusakiewicz - Member of the Board  
 Ryszard Budzik - Member of the Board  
 Dariusz Formela - Member of the Board

**In 2019 there were no changes to the composition of the Company's Supervisory Board.**

According to the Act of 11th May 2017 on Statutory Auditors and Their Self-Government, Entities Authorised to Audit Financial Statements and Public Supervision an Audit Committee operates in public-interest entities, of which members are appointed by the Supervisory Board or the Review Panel from among its members, of which at least one must meet the conditions of independence and be qualified in the field of accounting or auditing, operates in units of public interest

According to § 18 paragraph 8 of the Company's Statute, the Supervisory Board of the Company appoints the Audit Committee responsible for the supervision of the financial affairs of the Company. The Audit Committee should be composed of at least three members, including the Chairman, appointed by the Supervisory Board, including at least two independent members of the Supervisory Board of which a least one is qualified in the field of accounting or auditing. The Chairman of the Audit Committee is appointed by the Supervisory Board from among the independent members of the Supervisory Board. Detailed rules and mode of operation of the Audit Committee are determined by the Rules of the Audit Committee annexed to the Rules of the Supervisory Board.

The first audit committee in the Company was appointed under the resolution of the Supervisory Board of 18 January 2013. The tasks and procedures of the audit committee in the Company are determined by the Rules of Audit Committee adopted by the resolution of the Supervisory Board No. 02/1 of 18 January 2013. The currently valid Rules of the Audit Committee was adopted by the resolution of the Supervisory Board No. 5/12/2017 of 11<sup>th</sup> December 2017.

### The Audit Committee

#### Composition of the Audit Committee as of 31.12.2019 and as of the preparation date of the present statements:

Piotr Prusakiewicz – President of the Audit Committee  
 Piotr Cieślak – Member of the Audit Committee  
 Ryszard Budzik – Member of the Board the Audit Committee

**In 2019 there were no changes to the composition of the Audit Committee.**

Members of the Audit Committee meet the independence criteria specified in art. 129 clause 3 of the Law of 11<sup>th</sup> May 2017 on statutory auditors, audit companies and public supervision.

Four people included in the Supervisory Board, i.e. Mr. Piotr Cieślak, Mr. Piotr Prusakiewicz, Mr. Isaac Querub and Mr. Ryszard Budzik, meet the criterion of independence of a Member of the Supervisory Board specified in Best Practices of the WSE listed Companies.

Mr Ryszard Budzik holds the qualifications in the area of accounting or financial audit required pursuant to the Act of 11.05.2017 on Statutory Auditors and Their Self-Government, Entities Authorised to Audit Financial Statements and Public Supervision an Audit Committee operates in public-interest entities. Mr Ryszard Budzik is a certified property valuation expert whose responsibilities include valuation of enterprises. His numerous publications include over 300 of studies concerning Polish enterprises for privatisation and ownership transformations for the Ministry of Treasure and Voivodeship Offices as well as 20 s restructuring studies of Polish companies.

Mr Piotr Prusakiewicz possess the knowledge and skills in the scope of the industry in which the Issuer operates. Mr Piotr Prusakiewicz acquired his knowledge at the Refinery Trzebinia S.A., where he was, among others, Production Director and Member of the Management Board.

In 2019 there were four meetings of the Audit Committee held.

There has been no remuneration committee appointed in the Company.

The audit firm auditing the financial statements of the Issuer rendered for it a permitted nonaudit service – a review of the consolidated financial statements. The assessment of independence was performed.

Primary principles of selecting an audit firm and the policy of rendering by the audit firm and persons related to it permitted nonaudit services include, among others, the following: .

- Possibility to ensure rendering the full scope of services regarding the statutory audit stipulated in Art. 2 item 1) of the Act on Statutory Auditors and compliance with all the requirements under the Act on Statutory Auditors;
- Previous experience of the audit firm in auditing statements of entities of activity profile similar to Unimot S.A. and statutory auditing of public interest entities;
- Price offered by the audit firm;
- Reputation of the audit firm, professional experience and qualifications of the statutory auditor;
- Confirmation of independence of the audit firm to statutory audit at the stage of the Procedure of its selection pursuant to the Act on Statutory Auditors;
- The audit firm and the persons related to it do not render directly or indirectly for Unimot S.A. and its subsidiaries any prohibited nonaudit services or financial audit activities.

The Audit Committee at the stage of preparing a recommendation for the Supervisory Board takes into account the binding law provisions and in particular the Act on Statutory Auditors and follows the guidelines concerning the selection of an auditor included in the policy regarding the selection of an audit firm. The recommendation was prepared following the conducted section procedure that complies with the criteria in force.

The Supervisory Board at the meeting on 20<sup>th</sup> June 2017 selected Deloitte Polska Sp. z o.o. Sp. k. with the registered office in Warsaw, entered into the registry of entities authorised to audit financial statements maintained by the National Council of Statutory Auditors, under no. 73, to:

1. Review the interim condensed financial statements of the Company for the years 2017 – 2019;
2. Review the interim condensed consolidated financial statements of the Company for the years 2017 – 2019;
3. Audit of the financial statements of the Company for the years 2017 – 2019;
4. Audit of the consolidated financial statements of the Company for the years 2017 – 2019.

#### **6.12 DESCRIPTION OF THE DIVERSITY POLICY APPLIED TO THE ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES OF THE ISSUER WITH REGARD TO ASPECTS SUCH AS AGE, SEX OR EDUCATION AND PROFESSIONAL EXPERIENCE, THE PURPOSE OF THIS DIVERSITY POLICY, ITS IMPLEMENTATION METHOD AND EFFECTS DURING THE REPORTING PERIOD**

As of the date of publication of these statements the Issuer does not meet Recommendation II.R.2. Best Practice of the WSE Listed Companies 2016 worded as follows: *“Persons taking decisions to elect members of the management board or the supervisory board of a company should ensure that the composition of these bodies is comprehensive and diverse among others in terms of gender, education, age and professional experience”*. The choice of personnel in the Company is not dependent on criteria such as gender and age. The main selection criteria to perform functions in the body are skills, professionalism and competence of a candidate to perform the function. Despite the lack of policy in this regard, the current composition of the Supervisory Board of the Company ensures the diversity both in terms of experience, education, and age, and the composition of the Management Board of the Company in terms of experience, education and gender.

Zawadzkie, 25th March 2020.

.....  
**Adam Sikorski**  
 President of the Management Board of  
 Unimot S.A.

.....  
**Robert Brzozowski**  
 Vice-President of the Management Board  
 of Unimot S.A.

.....  
**Marek Moroz**  
 Vice-President of the Management Board of  
 Unimot S.A.

## REPRESENTATION OF THE MANAGEMENT BOARD OF UNIMOT S.A.

### REPRESENTATION

We hereby represent, that, according to the best of our knowledge the annual separate financial statements for the fiscal year 2019 and the comparable data for the year 2018 have been drawn up in accordance with the provisions in force in relation to the Issuer, and that they reflect in a true, honest and clear manner the property and financial situation of the Issuer and its financial result, as well as that the Statements on the activities of Unimot S.A. and the Unimot Capital Group include the real picture of the Issuer's standing, including a description of the main threats and risks.

The Management Board of the Company hereby represents that the entity authorised to audit the annual standalone financial statements, i.e. Deloitte Polska Sp. z o.o. Sp. K. with its registered office in Warsaw, was selected in accordance with the law, and that this entity and the statutory auditors who audited the statements for 2019, complied with the conditions to give unbiased and independent opinions about the standalone financial statements, in accordance with the relevant provisions of national law and professional standards and governing professional ethics.

The Management Board of the Company also represents that it complies with the binding provisions regarding the rotation of the audit firm and the key statutory auditor and obligatory periods of grace, and that the Company holds a policy in the scope of audit firm selection and the policy in the scope of rendering for the Issuer by the audit firm, an entity related to the audit firm or a member of its network, additional nonaudit services, including services conditionally exempt from the prohibition of rendering by the audit firm.

Zawadzkie, 25<sup>th</sup> March 2020.

.....  
**Adam Sikorski**  
President of the Management Board of  
Unimot S.A.

.....  
**Robert Brzozowski**  
Vice-President of the Management Board  
of Unimot S.A.

.....  
**Marek Moroz**  
Vice-President of the Management Board of  
Unimot S.A.

## REPRESENTATION OF THE MANAGEMENT BOARD OF UNIMOT S.A.

### REPRESENTATION

We hereby represent, that, according to the best of our knowledge the annual separate financial statements for the fiscal year 2019 and the comparable data for the year 2018 have been drawn up in accordance with the provisions in force in relation to the Issuer, and that they reflect in a true, honest and clear manner the property and financial situation of the Unimot Capital Group and its financial result, as well as that the Statements on the activities of Unimot S.A. and the Unimot Capital Group include the real picture of the development and situation of the Unimot Capital Group, including a description of the main threats and risks.

The Management Board of the Company hereby represents that the entity authorised to audit the annual consolidated financial statements, i.e. Deloitte Polska Sp. z o.o. Sp. K. with its registered office in Warsaw, was selected in accordance with the law, and that this entity and the statutory auditors who audited the statements for 2019, complied with the conditions to give unbiased and independent opinions about the consolidated financial statements, in accordance with the relevant provisions of national law and professional standards and governing professional ethics.

The Management Board of the Company also represents that it complies with the binding provisions regarding the rotation of the audit firm and the key statutory auditor and obligatory periods of grace, and that the Company holds a policy in the scope of audit firm selection and the policy in the scope of rendering for Unimot and the Unimot Capital Group by the audit firm, an entity related to the audit firm or a member of its network, additional nonaudit services, including services conditionally exempt from the prohibition of rendering by the audit firm.

Zawadzkie, 25<sup>th</sup> March 2020.

.....  
**Adam Sikorski**  
President of the Management Board of  
Unimot S.A.

.....  
**Robert Brzozowski**  
Vice-President of the Management Board  
of Unimot S.A.

.....  
**Marek Moroz**  
Vice-President of the Management Board of  
Unimot S.A.

## REPRESENTATION OF THE SUPERVISORY BOARD OF UNIMOT S.A.

### REGARDING THE FUNCTIONING OF THE AUDIT COMMITTEE

The Supervisory Board of Unimot S.A. pursuant to § 70 clause 1 item 14 and § 71 clause 1 item 12 of the Regulation of the Minister of Finance of 29<sup>th</sup> March 2018 on the current and periodical information published by the securities issuers as well as the conditions for the recognition as equivalent of the information required by the legal regulations of countries that are not member states (Journal of Laws of 2018, pos. 757) represents that Unimot S.A. and the Unimot Capital Group:

- comply with the regulations regarding appointment, composition and functioning of audit committee, including complying by its members with the requirements concerning knowledge and skills in the scope of the industry in which the Issuer operates as well as in the scope of accounting or auditing financial statements,
- the audit committee performed the responsibilities of an audit committee stipulated in the binding provisions of law.

Warsaw, 25<sup>th</sup> March 2020.

.....  
**Andreas Golombek**  
 President of the  
 Supervisory Board

.....  
**Bogusław Satława**  
 Vice-President of  
 the Supervisory Board

.....  
**Piotr Cieślak**  
 Member  
 of the Supervisory Board

.....  
**Isaac Querub**  
 Member of the Supervisory Board

.....  
**Piotr Prusakiewicz**  
 Member of the Supervisory Board

.....  
**Ryszard Budzik**  
 Member of the Supervisory Board

.....  
**Dariusz Formela**  
 Member of the Supervisory Board

**EVALUATION OF THE ANNUAL FINANCIAL STATEMENTS AND THE REPORT OF THE  
MANAGEMENT BOARD**

**CONDUCTED BY**

**THE SUPERVISORY BOARD OF UNIMOT S.A.**

The Supervisory Board of Unimot S.A. pursuant to § 70 clause 1 item 14 and § 71 clause 1 item 12 of the Regulation of the Minister of Finance of 29<sup>th</sup> March 2018 on the current and periodical information published by the securities issuers as well as the conditions for the recognition as equivalent of the information required by the legal regulations of countries that are not member states (Journal of Laws of 2018, pos. 757) represents that:

- having reviewed the annual standalone financial statements of Unimot S.A. and annual consolidated financial statements of the Unimot Capital Group for the financial year 2019 and also having reviewed the opinion of the statutory auditor and the audit report, it positively evaluates the concerned financial statements in the scope of their compliance with the books, documents and the factual state.
- having reviewed the report on the activities of Unimot S.A. and the Unimot Capital Group for the financial year 2019, it positively evaluates the concerned financial statements in the scope of their compliance with the books, documents and the factual state. The concerned statements reflects the correct picture of the development and achievements as well as financial and propriety situation of Unimot S.A. and the Unimot Capital Group.

Warszawa, 25<sup>th</sup> March 2020.

.....  
**Andreas Golombek**  
President of the  
Supervisory Board

.....  
**Bogusław Sattawa**  
Vice-President of  
the Supervisory Board

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**Piotr Cieślak**  
Member  
of the Supervisory Board

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**Isaac Querub**  
Member of the Supervisory Board

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**Piotr Prusakiewicz**  
Member of the Supervisory Board

.....  
**Ryszard Budzik**  
Member of the Supervisory Board

.....  
**Dariusz Formela**  
Member of the Supervisory Board

**REPRESENTATION OF THE SUPERVISORY BOARD OF UNIMOT S.A.**

**REGARDING THE AUDIT FIRM CONDUCTING AUDIT**

**OF THE STANDALONE AND CONSOLIDATED FINANCIAL STATEMENTS**

The Supervisory Board of Unimot S.A. pursuant to § 70 clause 1 item 7 and § 71 clause 1 item 7 of the Regulation of the Minister of Finance of 29<sup>th</sup> March 2018 on the current and periodical information published by the securities issuers as well as the conditions for the recognition as equivalent of the information required by the legal regulations of countries that are not member states (Journal of Laws of 2018, pos. 757) represents that in Unimot S.A. and the Unimot Capital Group:

- the entity authorised to audit the annual standalone financial statements and the annual consolidated financial statements, i.e. Deloitte Polska Sp. z o.o. Sp. K. with its registered office in Warsaw, was selected in accordance with the law, and that this entity and the statutory auditors who audited the statements of the Company and the Capital Group for 2019, complied with the conditions to give unbiased and independent opinions about the consolidated financial statements, in accordance with the relevant provisions of national law and professional standards and governing professional ethics;
- comply with the binding provisions regarding the rotation of the audit firm and the key statutory auditor and obligatory periods of grace, and that the Company holds a policy in the scope of audit firm selection and the policy in the scope of rendering for the Issuer by the audit firm, an entity related to the audit firm or a member of its network, additional nonaudit services, including services conditionally exempt from the prohibition of rendering by the audit firm.

Warsaw, 25<sup>th</sup> March 2020.

.....  
**Andreas Golombek**  
 President of the  
 Supervisory Board

.....  
**Bogusław Sattawa**  
 Vice-President of  
 the Supervisory Board

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**Piotr Cieślak**  
 Member  
 of the Supervisory Board

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**Isaac Querub**  
 Member of the Supervisory Board the

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**Piotr Prusakiewicz**  
 Member of the Supervisory Board

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**Ryszard Budzik**  
 Member of the Supervisory Board

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**Dariusz Formela**  
 Member of the Supervisory Board