Current report nr: 4/2018 r

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Preliminary financial results of Relpol S.A. for 2017

The Management Board of Relpol S.A. in Żary has decided to make preliminary financial results pertaining to Relpol S.A. available to the public. Such decision was taken due to the completion of the cost settlement process and obtaining preliminary individual data for 2017, as well as due to withdrawing from publishing a consolidated statement for the fourth quarter of 2017, and a growing interest among the shareholders in the results obtained in 2017.

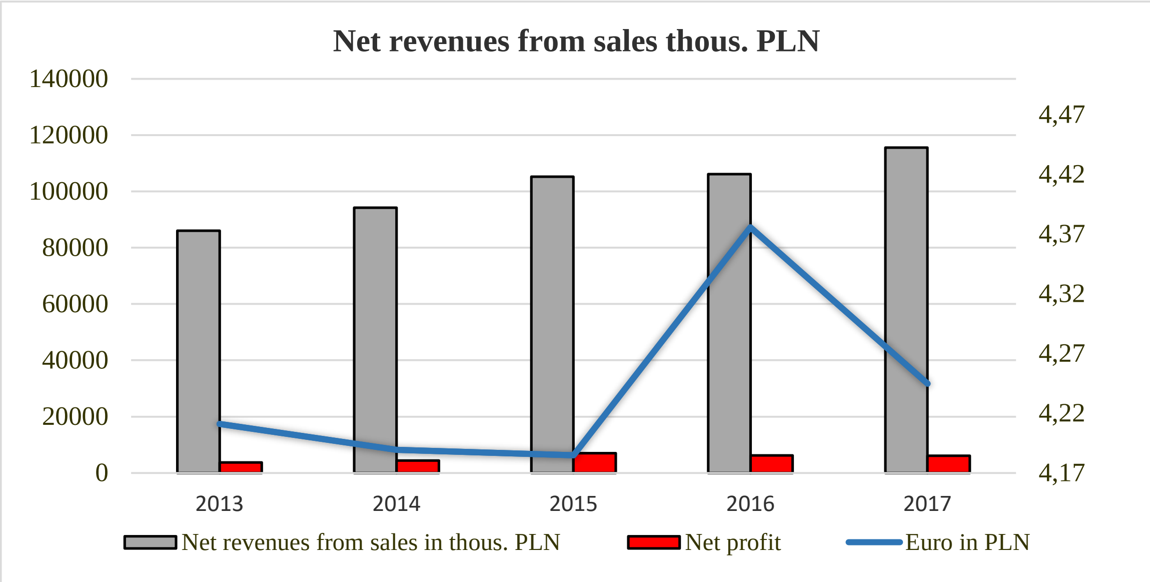
These results relate to Relpol S.A., and not to the capital group. These are preliminary results, and they may change when we compare them with annual results that will be published in April 2018, once the financial statement has been reviewed by an auditor.

As of today, the company does not possess preliminary consolidated data for 2017, because it does not have all financial data from its subsidiaries. However, it is Relpol S.A. that has the greatest impact on the results of the capital group. For example, the share of the parent company's sales in the consolidated sales for the period of three quarters of 2017 reached 93.8%. When it comes to the net results, it is even more. The dominant company's net profit for the period of three quarters of 2017 reached PLN 5.3 m and exceeded the consolidated net profit (PLN 5.2 m). This has influenced the results of its subsidiaries and the performed adjustments and exclusions from consolidation.

Selected financial data for 2017 concerning Relpol S.A.

in thous. PLN

Selected financial data from the profit and loss account	from 01.01.2017 to 31.12.2017	from 01.01.2016 to 31.12.2016	Dynamics
Net revenues from sales of products, goods and materials, including:	115,532	106,089	108.9%
country	36,053	35,919	100.4%
export	79,479	70,170	113.3%
Costs of products, goods and materials sold	91,024	81,638	111.5%
Gross profit on sales in PLN '000	24,508	24,451	100.2%
Gross margin on sales (%)	21.2%	23.0%	- 1.8 p.p.
EBIDTA in PLN '000	13,902	12,672	109.7%
EBIDTA margin (%)	12.0%	11.9%	0.1 p.p.
EBIT in PLN '000	8,335	6,919	120.5%
EBIT margin (%)	7.2%	6.5%	0.7 p.p.
Net profit	6,052	6,166	98.2%
Operating profit margin (%)	5.2%	5.8%	- 0.6 p.p.



Comments to the profit and loss account for 2017

Another very good year for the company's activities has come to an end. The company generated record-high revenues from sales (the highest ever in its history). This level of revenues was obtained at a lower exchange rate of the Euro than in 2016. We maintain a high dynamics of export sales. The net profit is similar to the 2016 level. The level of profit was influenced by a higher purchase cost dynamics of the products, goods and materials sold than in 2016, caused, among others, by an increase in the prices of raw materials, materials and remunerations. Moreover, the net profit for 2017 was decreased by negative exchange rate differences by PLN 744,000. In 2016 exchange rate differences were positive and improved the net profit by PLN 155,000.

In 2016 dividends received from subsidiaries were also higher, and amounted to PLN 739,000, whereas the amount of dividends in 2017 was PLN 73,000. These dividends have influence on individual statements. In consolidated statements this amount is excluded as part of consolidation adjustments.

in thous. PLN

Selected financial data from the balance sheet	from 01.01.2017 to 31.12.2017	from 01.01.2016 to 31.12.2016	Dynamics
ASSETS	**92,946**	**90,004**	**103.3%**
Fixed assets, of which:	**38,395**	**39,863**	**96.3%**
Tangible fixed assets	29,903	30,695	97.4%
Intangible assets	8,020	8,622	93.0%
Current assets, of which:	**54,551**	**50,141**	**108.8%**
Stock	28,386	26,213	108.3%
Total amounts due on account of deliveries and services	23,654	18,295	129.3%
Other amounts due	1,623	1,412	114.9%
Cash and cash equivalents	484	3,869	12.5%
LIABILITIES	**92,946**	**90,004**	**103.3%**
Equity	**72,418**	**70,577**	**102.6%**
Long-term liabilities, including:	**3,977**	**4,718**	**84.3%**
Interest-bearing bank loans and non-bank loans	282	1,154	24.4%
Reserves for deferred income tax	1,736	1,672	103.8%

Reserves for other liabilities and other charges	1,588	1,330	119.4%
Short-term liabilities, including:	**16,551**	**14,709**	**112.5%**
Trade and similar liabilities	7,710	6,714	114.8%
Other liabilities	4,295	4,126	104.1%
Short-term part of interest-bearing long-term bank loans and non-bank loans	2,515	2,050	122.7%
Reserves for other liabilities and other charges	1,684	1,338	125.9%

Comments to the balance sheet:

The balance sheet amount has increased by 3.3%. The largest change in the balance sheet has occurred in amounts due and inventories. Together with the increase in sales and extending certain payment terms, the amounts due on account of deliveries and services increased by 29.3%. The level of inventories rose by 8.3%. Inventories relate to the level of materials, raw materials, goods in progress and finished goods.
In the company's liabilities, short-term liabilities increased by 12.5% (PLN 1.8 m), while out of this amount liabilities on account of deliveries rose by PLN 1.0 m, and current parts of bank loans and non-bank loans by PLN 0.5 m. Whereas, long-term liabilities on account of bank loans and non-bank loans decreased by PLN 0.7 (by 75.6%).

The situation in the company is stable. The company has an increasing number of orders, which translates into a rise in manufacturing and sales. Currently, there are investment activities being carried out to increase manufacturing capacity for selected product groups and extend the range of finished goods. The completion of the investment works is scheduled for the fourth quarter of 2018.

Legal basis: Art. 17 sec. 1 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse.

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Krzysztof Pałgan
Vice President of the Management Board

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Sławomir Bialik
President of the Management Board