

Translation from the original Polish version. In the event of differences resulting from the translation, reference should be made to the official Polish version.

FINANCIAL STATEMENT OF RELPOL S.A.

FOR THE YEAR 2018 from 1 January 2018 to 31 December 2018

in accordance with IFRSs of the UE



Żary, April 2019 r.

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I. INTRODUCTORY INFORMATION

1. On the company

As of the date of publication of the financial statements.

Issuer's name, registered office and address	Registering authority	Share capital	Core business activity according to the Polish Classification of Business Activity (PKD)
Relpol S.A. ul. 11 Listopada 37 68-200 Żary www.repol.pl sekretariat@repol.com.pl	District Court in Zielona Góra, VIII Commercial Division of the National Court Register KRS (National Court Register) number: 0000088688	PLN 48,045,965 9,609,193 bearer shares 9,609,193 votes at the General Meeting of Shareholders	27.12.Z Manufacture of electricity distribution and control apparatus
Composition of the Management Board		Composition of the Supervisory Board	
Sławomir Bialik – President of the Management Board Krzysztof Pałgan – Vice President of the Management Board		Zbigniew Derdziuk – Chairman Piotr Osiński – Vice Chairman Adam Ambroziak Agnieszka Trompka Jacek Gdański	

Short description of the objects of the company

For 60 years, Relpol S.A. has been manufacturing the industrial automation components, in particular electromagnetic relays for various branches of the industry, electronics, photovoltaics and railways, electric car charging stations, control and monitoring relays, as well as plug-in sockets for relays.

Since 2000, Relpol S.A. has also been manufacturing, installing and maintaining gamma-neutron radiation portal monitors and digital protection systems CZIP, used in medium voltage switchboards.

The description of the business model, the product groups and their applications has been provided in the report on the operations of the company and the capital group for 2017, in the section pertaining to non-financial information.

2. On the financial statements

Format of the financial statements

The present financial statements have been prepared based on the historical cost principle, except for the revaluation of buildings, to which the fair value principle was applied.

The company's duration is unlimited.

Reporting period

The reporting periods are quarterly (at the end of each calendar quarter), half-year (at the end of a calendar half of the year) and annual periods (at the end of each calendar year). The company's financial year is the calendar year. These financial statements have been drawn up for the annual period from 1 January 2018 to 31 December 2018.

The comparative data pertain to the period from 1 January 2017 to 31 December 2017.

Audit of the financial statements

The presented financial data as at 31 December 2017 and 31 December 2017 has been verified by an expert auditor.

Approval of the financial statements

The financial statements for 2017 were approved by the General Meeting of Shareholders on 12 June 2018. The financial statements for 2018 were approved by the Management Board and will be published on 25 April 2019.

Currency: unless indicated otherwise, all financial data in the consolidated financial statements has been provided in PLN thousand. The functional currency of Relpol S.A. is Polish zloty (PLN).

Significance

For the purposes of these financial statements, a significance of 1% of the balance sheet total has been adopted.

Place of keeping the accounting ledgers

The accounting ledgers of the company are kept at its registered office in Żary.

Contents of the financial statements

The financial statements drawn up as at the date of closing the accounting ledgers or as at any other balance sheet date consist of:

- a statement of financial position,
- a profit and loss account,
- a statement of comprehensive income,
- a statement of cash flows,
- a statement of changes in equity,
- notes to the financial statements.

Statement on the compliance of the financial statements with IFRS

These financial statements have been drawn up in accordance with the International Financial Reporting Standards ("IFRS") as endorsed by the EU.

Statement on the going concern assumption

These financial statements have been drawn up with the assumption that Relpol S.A. will continue their operations as a going concern in the foreseeable future and as at the date of drawing up hereof, there are no circumstances which would indicate a threat to the continuation of such operations.

3. Information from the Management Board concerning the selection of an audit firm to audit the financial statements

On the basis of the statement issued by the Supervisory Board, the Management Board of Relpol S.A. informs that:

- 1) The audit firm UHY ECA Audyt Spółka z ograniczoną odpowiedzialnością Sp. k. with its registered office in Kraków, which audited the separate and consolidated annual financial statements for 2018, was selected in accordance with the applicable regulations, including the procedures for the selection of an audit firm. The audit firm and the members of the audit team met the conditions for the preparation of an impartial and independent audit report on the annual separate and consolidated financial statements in accordance with the applicable regulations, professional standards and rules of professional ethics.
- 2) Relpol S.A. complies with the applicable regulations related to the rotation of the audit firm and the key statutory auditor, as well as with the mandatory grace periods.
- 3) Relpol has a Policy regarding the selection of an audit firm to audit financial statements of Relpol S.A., a Procedure regarding the selection of an audit firm to carry out a statutory audit of financial statements and a Policy for the provision of permitted non-audit services by an audit firm.

4. Statements of the Management Board

To the best of the Management Board’s knowledge, the annual financial statements of the Relpol S.A. for 2018, as well as the comparative data used in the statements, have been drawn up in accordance with the accounting principles applicable to the company. They reflect the property and financial position, as well as the financial result achieved by the company in the specified reporting periods in a true, accurate and clear way.

The management report on the operations of the issuer and the capital group gives a true image of the development and achievements of the group and its economic and financial condition, including the characteristics of the basic risk and threat factors.

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Based on Article. 62 section 6 of the Ordinance of the Minister of Finance of March 29, 2018 regarding current and periodic information published by issuers of securities, the Management Board of Relpol SA. has decided to draw up the Report of the Management Board on the operations of Relpol SA and the Relpol Capital Group for 2018 as one document. Due to the fact that Relpol S.A. as a parent company whose sales revenues and net result account for more than 90% of consolidated sales revenues and over 90% of consolidated net profit, preparation of a separate Management Report on the activities of Relpol SA. it would be a duplication of information contained in the report on the operations of the Capital Group and would not provide any relevant information.

Krzysztof Pałgan
Vice President of
The Management Board

Sławomir Bialik
President of
the Management Board

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II. FINANCIAL DATA

SELECTED FINANCIAL DATA	in PLN '000	in PLN '000	in EUR '000	in EUR '000
	For 2018 from 1.01.2018 to 31.12.2018	For 2017 from 1.01.2017 to 31.12.2017	For 2018 from 1.01.2018 to 31.12.2018	For 2017 from 1.01.2017 to 31.12.2017
PROFIT AND LOSS ACCOUNT				
Sales revenues of products, goods and materials	126,821	115,533	29,722	27,218
Profit (loss) on operating activities	11,091	8,334	2,599	1,963
Gross profit (loss)	11,335	7,720	2,656	1,819
Net profit (loss)	9,023	6,052	2,115	1,426
STATEMENT OF CASH FLOWS				
Cash flow from operating activity	11,343	4,676	2,658	1,102
Cash flow from investing activity	(7,432)	(3,284)	(1,742)	(774)
Cash flow from financing activity	(4,249)	(4,693)	(996)	(1,106)
Total cash flow	(338)	(3,301)	(79)	(778)
STATEMENT OF FINANCIAL POSITION				
	Balance as at 31.12.2018	Balance as at 31.12.2017	Balance as at 31.12.2018	Balance as at 31.12.2017
Total assets	101,248	92,381	23,546	22,149
Long-term liabilities	3,877	4,006	902	960
Short-term liabilities	19,862	15,957	4,619	3,826
Equity capital	77,509	72,418	18,025	17,363
Share capital	48,046	48,046	11,173	11,519
OTHERS				
Number of shares	9,609,193	9,609,193	9,609,193	9,609,193
Weighted average number of shares	9,609,193	9,609,193	9,609,193	9,609,193
Annualized profit (loss) per ordinary share (in PLN / EUR)	0.94	0.63	0.22	0.15
Profit (loss) for the reporting period per ordinary share (PLN / EUR)	0.94	0.63	0.22	0.15
Book value per share (in PLN / EUR)	8.07	7.54	1.88	1.80
Diluted book value per share (in PLN / EUR)	8.07	7.54	1.88	1.80
Declared or paid dividend per share (in PLN / EUR)	0.00	0.40	0.00	0.09

Method for translating amounts from PLN to EUR in the “Selected financial data” table

	Average exchange rate from 1.01.2018 to 31.12.2018	Average exchange rate from 1.01.2017 to 31.12.2017	Exchange rate as at 31.12.2018	Exchange rate as at 31.12.2017
EUR/PLN exchange rate	4,2669	4,2447	4,3000	4,1709

1. Profit and loss statement

PROFIT AND LOSS STATEMENT	Note	in PLN `000	
		from 1.01.2018 to 31.12.2018	from 1.01.2017 to 31.12.2017
Net revenues from sales of products, goods and materials	2	126,821	115,533
Costs of products, goods and materials sold	3	97,096	90,627
Gross profit on sales		29,725	24,906
Selling costs	3	1,127	905
Overheads	3	16,773	14,873
Profit (loss) on sales		11,825	9,128
Other operating income	4	900	452
Other operating expenses	4	1,634	1,246
Profit (loss) on operating activities		11,091	8,334
Financial revenues	5	360	265
Financial costs	5	116	879
Gross profit (loss)		11,335	7,720
Taxes	6	2,312	1,668
Other reductions in profit		0	0
Net profit (loss) on continuing operations		9,023	6,052
Net profit (loss) on discontinued operations	7	0	0
Net profit (loss)		9,023	6,052
Net profit, including 1 share (PLN / share):			
- ordinary	9	0.94	0.63
- diluted	9	0.94	0.63

2. Statement of comprehensive income

STATEMENT OF COMPREHENSIVE INCOME	in PLN `000	
	from 1.01.2018 to 31.12.2018	from 1.01.2017 to 31.12.2017
Net profit (loss) on continuing operations	9,023	6,052
of which net profit/loss on discontinued operations	0	0
Components of other comprehensive income,	(85)	(368)
a) which will not be subsequently reclassified into profit or loss	(85)	(368)
Actuarial gains and losses	(97)	(454)
Adjustment for the application of IFRS 9 as at 01/01/2018	(8)	0
Deferred tax	20	86
b) which will be subsequently reclassified into profit or loss under specific conditions	0	0
Total comprehensive income	8,938	5,684

3. Statement of financial position

		in PLN '000	
STATEMENT OF FINANCIAL POSITION	Note	31.12.2018r.	31.12.2017r.
ASSETS			
(Long-term) fixed assets		39,158	38,788
Tangible fixed assets	10	31,791	30,296
Investment property	11	0	0
Intangible assets	12	6,919	8,020
Financial assets	13	385	385
Long-term accounts receivable	16	63	87
Deferred tax assets	6	0	0
(Short-term) current assets		62,090	53,593
Inventory	14	30,535	27,508
Trade accounts receivable	15	28,910	23,362
Other accounts receivable	16	2,110	1,835
Short-term investments	13	0	0
Cash and cash equivalents	17	166	484
Prepayments and accruals	18	369	404
Long-term assets classified as held for sale	7	0	0
Current assets in total		62,090	53,593
TOTAL ASSETS		101,248	92,381
LIABILITIES			
Equity		77,509	72,418
Share capital	19	48,046	48,046
Retained earnings:	19	29,463	24,372
-Supplementary capital		20,247	17,982
-Revaluation reserve	19	193	338
-Profit/ loss brought forward		0	0
-Current year result		9,023	6,052
Long-term accounts payable		3,877	4,006
Interest-bearing bank credits and loans	21	0	282
Lease liabilities	22	619	371
Other accounts payable	24	0	29
Deferred income tax reserve	18	0	0
Provision for deferred income tax	6	1,715	1,736
Provisions for other liabilities	20	1,543	1,588
Short-term accounts payable		19,862	15,957
Trade accounts payable	23	9,362	7,394
Lease liabilities	22	614	347
Other accounts payable	24	4,972	4,296
Current portion of interest-bearing bank credits and loans	21	2,992	2,516
Deferred revenue	18	95	85
Provisions for other liabilities	20	1,827	1,319
TOTAL LIABILITIES		101,248	92,381

4. Statement of cash flows

in PLN '000

STATEMENT OF CASH FLOWS	from 1.01.2018 to 31.12.2018	from 1.01.2017 to 31.12.2017
A. Cash flows from operating activities	11,343	4,676
I. Profit before income tax	11,335	7,720
II. Total adjustments	8	(3,044)
1. Share of losses of joint ventures accounted for using the equity method	0	0
2. Amortisation and depreciation	5,775	5,567
3. Exchange gains (losses)	(50)	84
4. Interest and profit sharing (dividend)	(4)	(394)
5. (Profit) loss on investment activities	392	(130)
6. Change in provisions	358	(129)
7. Change in inventory	(3,027)	(1,295)
8. Change in receivables	(5,741)	(5,415)
9. Change in short-term liabilities excluding credits and loans	3,586	156
10. Change in prepayments and accruals	35	(53)
11. Income tax paid / refunded	(1,316)	(1,435)
12. Other adjustments	0	0
B. Cash flows from investment activities	(7,432)	(3,284)
I. Inflows	152	722
1. Disposal of intangible and tangible fixed assets	32	210
2. Disposal of investment in real property and in intangible assets	0	0
3. From financial assets including:	120	512
- disposal of financial assets	8	0
- dividends	87	512
- other inflows from financial assets	25	0
4. Other inflows from investment activities	0	0
II. Outflows	(7,584)	(4,006)
1. Purchase of intangible assets and tangible fixed assets	(7,584)	(4,006)
2. Investments in real estate and intangible assets	0	0
3. For financial assets	0	0
4. Other outflows from investment activities	0	0
C. Cash flows from financial activities	(4,249)	(4,693)
I. Inflows	1,109	1 643
1. Net inflows from issuance of share and other capital instruments and from capital contributions	0	0
2. Credits and loans	1,109	1,643
3. Other inflows from financial activities	0	0
II. Outflows	(5,358)	(6,336)
1. Purchase of own shares	0	0
2. Dividend and other payments to shareholders	(3,845)	(3,844)
3. Profit distribution liabilities other than profit distribution payments to shareholders	0	0
4. Repayment of credits and loans	(872)	(2,050)
5. Redemption of debt securities	0	0
6. Payment of other financial liabilities	0	0
7. Payment of liabilities arising from financial leases	(558)	(324)

Financial Statements of Relpol S.A. for 2018

8. Interest	(83)	(118)
9. Other outflows from financial activities	0	0
D. Total net cash flows	(338)	(3,301)
E. Balance sheet change in cash including:	(318)	(3,385)
- change in cash due to foreign exchange differences	(20)	84
F. Cash opening balance, including:	484	3,869
- foreign exchange differences	21	(105)
G. Closing balance, including:	166	484
- foreign exchange differences	1	21
- with limited ability to dispose of	67	30

5. Statement of changes in equity

STATEMENT OF CHANGES IN EQUITY	Share capital	Retained earnings				Total equity
		Supplementary capital	Revaluation reserve	Previous years' profit (loss)	The result of the current year	
Balance as at 1 January 2018	48,046	17,982	338	6,052	0	72,418
Financing of loss	0	0	0	0	0	0
Surplus from the sale of shares above their nominal value	0	0	0	0	0	0
Dividend payment	0	0	0	(3,845)	0	(3,845)
Correction of a basic error	0	0	0	0	0	0
Differences from revaluation	0	58	(58)	0	0	0
Share valuation	0	0	0	0	0	0
Division of the approved financial result for the previous year	0	2,207	0	(2,207)	0	0
Total comprehensive income, of which:	0	0	(87)	0	9,023	8,936
- result of the period	0	0	0	0	9,023	9,023
- correction from the application of IFRS 9 as at 01.01.2018	0	0	(7)	0	0	(7)
Balance as at 31 December 2018	48,046	20,247	193	0	9,023	77,509
Balance as at 1 January 2017	48,046	15,659	706	6,166	0	70,577
Financing of loss	0	0	0	0	0	0
Surplus from the sale of shares above their nominal value	0	0	0	0	0	0
Dividend payment	0	0	0	(3,843)	0	(3,843)
Correction of a basic error	0	0	0	0	0	0
Differences from revaluation	0	0	0	0	0	0
Share valuation	0	0	0	0	0	0
Division of the approved financial result for the previous year	0	2,323	0	(2,323)	0	0
Total comprehensive income, of which:	0	0	(368)	0	6,052	5,684
- result of the period	0	0	0	0	6,052	6,052
Balance as at 31 December 2017	48,046	17,982	338	0	6,052	72,418

III. NOTES TO THE FINANCIAL STATEMENTS

1. Business segments

An operating segment is a component of the entity:

- a) which engages in business activities, as a result of which it may generate revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
- b) whose operating results are reviewed regularly by the entity's chief operating decision maker in order to take decisions on the allocation of resources to the segment and assess its performance, and
- c) for which separate financial information is available.

In accordance with the requirements of IFRS 8, the operating segments should be identified based on the internal reports pertaining to those elements and evaluating their financial results which are regularly verified by the management board of the entity in terms of the allocation of resources to a given segment.

In view of the foregoing it should be concluded that the company operates on the market of industrial automation components and it is its main operating segment.

in PLN '000				
Segments' revenues and results	Revenues		Result in the segment	
	from 1.01.2018 to 31.12.2018	from 1.01.2017 to 31.12.2017	from 1.01.2018 to 31.12.2018	from 1.01.2017 to 31.12.2017
Industrial automation components	122,197	112,583	27,586	23,433
Other segments	4,624	2,950	2,139	1,473
Total from continuing operations	126,821	115,533	29,725	24,906
Unallocated items				
Selling costs			1,127	905
Overheads			16,773	14,873
Profit (loss) on sales			11,825	9,128
Other operating income			900	452
Other operating expenses			1,634	1,246
Profit (loss) on operating activities			11,091	8,334
Financial revenues			360	265
Financial costs			116	879
Gross profit (loss) on continuing operations			11,335	7,720
Taxes			2,312	1,668
Other reductions in profit			0	0
Net profit (loss) on continuing business operations			9,023	6,052
Net result on discontinued operations			0	0
Net result on the activity sold			0	0
Net profit			9,023	6,052

In order to monitor the results achieved in the operating segment and allocate the resources to the reporting segments, the company allocates all assets, except for the investments in subsidiaries and current and deferred income tax assets.

The company has no possibility of separating accounts payable pertaining to individual operating segments.

Assets and liabilities of the segments	in PLN '000	
	from 1.01.2018 to 31.12.2018	from 1.01.2017 to 31.12.2017
Industrial automation components	96,190	88,250
Other segments	4,665	3,746
Total assets of the segments	100,855	91,996

Other information on the segments	in PLN '000			
	Amortisation and depreciation		Increase in fixed assets	
	from 1.01.2018 to 31.12.2018	from 1.01.2017 to 31.12.2017	from 1.01.2018 to 31.12.2018	from 1.01.2017 to 31.12.2017
Industrial automation components	5,461	5,221	8,538	4,961
Other segments	314	346	104	34
Total continuing operations	5,775	5,567	8,642	4,995

The revenues by regions are presented below in Note no. 2 on sales.

2. Revenue from sales

NOTE NO 2

Revenues from sales – by item	in PLN '000	
	from 1.01.2018 to 31.12.2018	from 1.01.2017 to 31.12.2017
Revenues from sales of products	110,697	98,134
Revenues from sales of services	944	912
Total revenues from sales of products and services	111,641	99,046
- of which from related parties	1,537	1,632
Revenues from sales of goods	12,129	11,869
Revenues from sales of materials	3,051	4,618
Total revenues from sales of goods and materials	15,180	16,487
- of which from related parties	361	232
Total revenues from sales	126,821	115,533
- of which from related parties	1,898	1,864

in PLN '000		
Revenues from sales – by region	from 1.01.2018 to 31.12.2018	from 1.01.2017 to 31.12.2017
Poland		
Revenues from sales of products	27,146	24,253
Revenues from sales of services	681	659
Revenues from sales of goods	8,936	8,260
Revenues from sales of materials	3,051	2,804
Total revenues from domestic sales	39,814	35,976
- of which from related parties	0	0
Export		
Revenues from sales of products	83,551	73,881
Revenues from sales of services	263	253
Revenues from sales of goods	3,193	3,609
Revenues from sales of materials	0	1,814
Total revenues from export sales	87,007	79,557
- of which from related parties	1,898	1,864
Total revenues from sales	126,821	115,533
- of which from related parties	1,898	1,864

In 2018, the company generated revenues from sales in the amount of PLN 126.821 thousand, which constitutes an increase of 9.8% in comparison to 2017. The primary source of revenues are products and services – they account for 88.0% of the total revenues. The increase in this group amounted to 12.7%. The goods and materials constitute 12.0% of the revenues, and their sale in 2018 was 7.9% lower than in 2017. The goods complement the commercial offer of the company.

in PLN '000			
Sales revenues, including:	Year		Change
	2018	2017	
Products and services	111,641	99,046	+12.7%
Goods and materials	15,180	16,487	-7.9%
Total	126,821	115,533	+9.8%

Sales structure of the company

in PLN '000				
Description	2018	Share in %	2017	Share in %
Poland	39,814	31.39%	35,976	31.14%
Sales on foreign markets,	87,007	68.61%	79,557	68.86%
Europe, of which:	76,722	60.50%	68,530	59.32%
Germany	49,889	39.34%	42,523	36.81%
France	1,877	1.48%	2,267	1.96%
Russia	2,153	1.70%	1,837	1.59%
Italy	3,130	2.47%	5,218	4.52%
Asia	7,241	5.71%	8,036	6.96%
North America	1,125	0.89%	1,147	0.99%
South America	1,086	0.86%	1,094	0.94%
Australia and other	833	0.66%	750	0.65%
Total	126,821	100.00%	115,533	100.00%

In 2018, export sales amounted to PLN 87,007 thousand, which means an increase of 9.4% in relation to 2017. Sales per country were 10.7% higher than in the previous year. Since 2016, Germany is the largest trade market of the company. Sales to Germany increased by PLN 7,666 thousand (by 17%) reaching over 39% share in the total sales structure. Sales to Russia also increased by 17%. Whereas, sales to Italy and the Asian market decreased.

3. Costs of operating activities

NOTE NO 3

	in PLN '000	
Selling cost – by item	from 1.01.2018 to 31.12.2018	from 1.01.2017 to 31.12.2017
Cost of products sold	86,111	78,630
Cost of services sold	0	25
Total cost of products and services sold	86,111	78,655
- of which from related parties	<i>1,118</i>	<i>1,137</i>
Acquisition cost of goods sold	7,872	8,352
Acquisition cost of materials sold	3,113	3,620
Total acquisition costs of goods and materials	10,985	11,972
- of which from related parties	<i>323</i>	<i>167</i>
Total selling cost	97,096	90,627
- of which from related parties	<i>1,441</i>	<i>1,304</i>

	in PLN '000	
Costs by type	from 1.01.2018 to 31.12.2018	from 1.01.2017 to 31.12.2017
Amortisation and depreciation	5,775	5,567
Consumption of materials and energy	50,288	43,660
Outsourcing	18,786	14,790
Taxes and fees	1,522	1,530
Wages and salaries	23,813	22,213
Social insurance and other benefits	5,375	5,115
Other costs by nature	1,835	1,674
Costs of goods and materials sold	10,985	11,972
Total costs by nature	118,379	106,521
Change in product inventory, prepayments and accruals	2,086	-1,803
Costs of products manufactured by the entity for its own purposes	1,297	1,919
Selling costs	1,127	905
Overheads	16,773	14,873
Costs of products, goods and materials sold	97,096	90,627

in PLN '000		
Depreciation of fixed assets and amortisation of intangible assets, write-offs recognised in the profit and loss account	from 1.01.2018 to 31.12.2018	from 1.01.2017 to 31.12.2017
Items recognised in own cost of goods and products sold:		
Depreciation of fixed assets	4,079	3,943
Permanent impairment of property, plant and equipment	0	0
Amortisation of intangible assets	59	375
Items recognised in overheads:		
Depreciation of fixed assets	426	356
Amortisation of intangible assets	1,211	893
Total depreciation and amortisation	5,775	5,567

in PLN '000		
Costs of employee benefits	from 1.01.2018 to 31.12.2018	from 1.01.2017 to 31.12.2017
Wages and salaries	23,813	22,213
Social security costs	4,261	4,121
Other benefits	1,114	994
Total employee benefit costs	29,188	27,328

4. Other operating activities

NOTE NO 4

in PLN '000		
Other operating income	from 1.01.2018 to 31.12.2018	from 1.01.2017 to 31.12.2017
Reduction of impairment losses on receivables	219	9
Reduction of impairment losses on inventories	439	35
Reduction of impairment losses on research and development	0	200
Release of provisions for holiday leaves	78	0
Profit from sales of tangible fixed assets	90	129
Contractual penalties and damages received	47	2
Other	27	77
Total other operating income	900	452

in PLN '000		
Other operating expenses	from 1.01.2018 to 31.12.2018	from 1.01.2017 to 31.12.2017
Receivables write-off	116	188
Research and development write-off	515	200
Fixed asset and inventory write-off	725	286
Creation of a provision for unused annual leave	0	109
Creation of provisions for one-time retirement benefits	0	102
Due VAT	112	47
Donations made	53	111
Inventory scrapped	56	168
Other	57	35
Total other operating expenses	1,634	1,246

5. Financing activities

NOTE NO 5

in PLN '000		
Financial revenues	from 1.01.2018 to 31.12.2018	from 1.01.2017 to 31.12.2017
Dividends	87	73
of which from related parties	87	73
Interest on loans granted	0	0
Other interest	18	16
Positive surplus over negative exchange differences	206	0
Reversal of loan write-offs	46	173
Other	3	3
Total financial revenues	360	265

in PLN '000		
Financial costs	from 1.01.2018 to 31.12.2018	from 1.01.2017 to 31.12.2017
Interest on bank credits and loans	65	101
Interest on other accounts payable	1	4
Excess of foreign exchange losses over foreign exchange gains	0	744
Write-off on accounts receivable on account of interest and loans	16	4
Financial costs arising from financial lease agreements	19	18
Other	15	8
Total financial costs	116	879

6. Income tax

NOTE NO. 6

in PLN '000		
Income tax	from 1.01.2018 to 31.12.2018	from 1.01.2017 to 31.12.2017
Current corporate income tax	2,313	1,518
Lump-sum corporate income tax	0	0
Deferred corporate income tax	(1)	150
Tax burden recognised in the profit and loss account	2,312	1,668

in PLN '000		
Determination for tax	from 1.01.2018 to 31.12.2018	from 1.01.2017 to 31.12.2017
Gross profit from continuing operations before tax	11,335	7,720
Gross profit from discontinued operations before tax	0	0
Gross profit before tax	11,335	7,720
Costs not being tax deductible expenses	(2,547)	(5,846)
Non-taxable revenues	3,434	6,554
Deductions from income	0	21
Total tax base	12,222	8,407
Tax at the rate of 19%	2,322	1,597

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Exemptions, tax deductions	(9)	(79)
Income tax recognised in the profit and loss account	2,313	1,518

in PLN '000		
Reconciliation of effective tax rate	from 1.01.2018 to 31.12.2018	from 1.01.2017 to 31.12.2017
Gross profit from continuing operations before tax	11,335	7,720
Tax according to the tax rate of 19% applicable in Poland	2,313	1,518
Unrecognised tax losses brought forward	0	0
Non tax-deductible expenses – permanent differences	408	152
Paid tax on dividends	(9)	(79)
Tax according to the effective tax rate	2,312	1,668
Net result	9,023	6,052
Effective tax rate	20.4%	21.6%

The applied income tax rate compliant with the current legislation concerning the corporate income tax amounted to 19% in 2018 and 2017. The effective tax rate for 2018 amounted to 20.4% and 20.6% for 2017.

in PLN '000				
Deferred income tax provision before setoff	<i>Balance sheet</i>		<i>Profit and loss account</i>	
	31.12.2018	31.12.2017	from 1.01.2018 to 31.12.2018	from 1.01.2017 to 31.12.2017
<i>Deferred tax provision</i>				
Measurement of fixed assets	2,922	2,798	124	69
Measurement of intangible assets	322	403	(81)	138
Other	0	0	0	0
Gross deferred tax provision	3,244	3,201	43	207

in PLN '000				
Deferred income tax assets before setoff	<i>Balance sheet</i>		<i>Profit and loss account</i>	
	31.12.2018	31.12.2017	from 1.01.2018 to 31.12.2018	from 1.01.2017 to 31.12.2017
<i>Deferred tax assets</i>				
Write-off on long-term financial assets	198	198	0	0
Inventory write-off	267	249	18	41
Accounts receivable	41	59	(18)	33
Provision for employee benefits	378	379	(1)	40
Leases	234	136	98	(62)
Unpaid wages and salaries	121	48	83	(19)
Provision for annual leave and other leaves	123	195	(72)	67
Other provisions	157	203	(45)	43
Other	0	0	0	0
Gross income tax assets	1,529	1,467	63	143
Revaluation reserve			19	86
Income tax charge			(1)	150

7. Discontinued operations

Discontinued operations

In the reporting periods ended on 31 December 2018 and 31 December 2017 the company did not discontinue any of its operations.

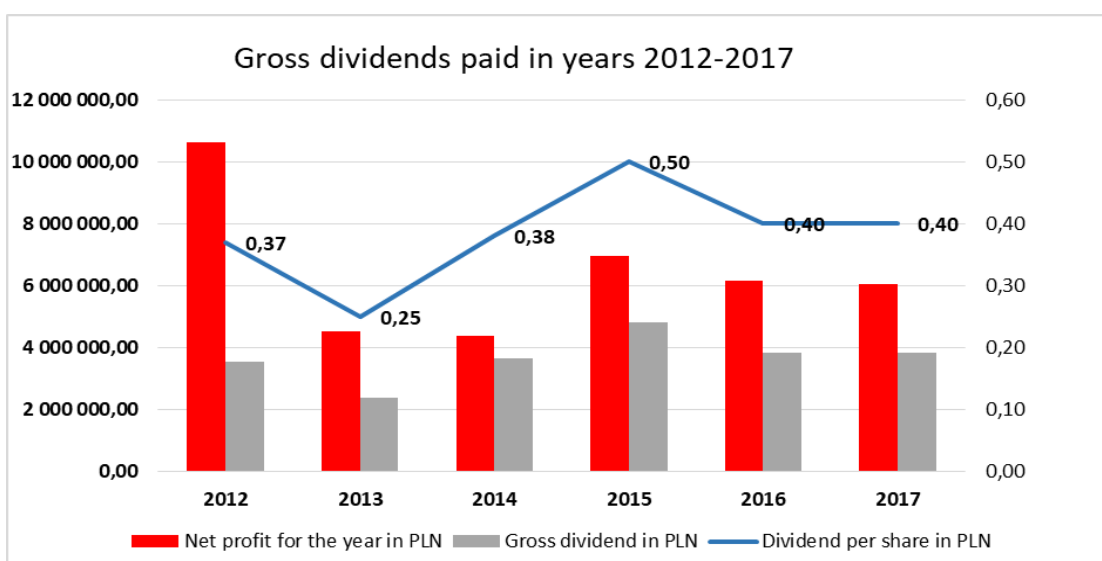
Tangible fixed assets held for sale

As at 31 December 2018 and 31 December 2017, there were no tangible fixed assets held for sale.

8. Dividends

		in PLN '000	
Declared and paid in the financial year	31.12.2018	31.12.2017	
Dividend on ordinary shares:			
- for 2017	3,844	0	
- for 2016	0	3,844	
Dividend paid per 1 share (in PLN)	31.12.2018	31.12.2017	
For 2017 paid per 1 share in PLN	0.40	0.00	
For 2016 paid per 1 share in PLN	0.00	0.40	

Since 2011, Relpol has regularly paid dividends. Between 30% and 84% of net profits have been allocated to dividends.



9. Profit and equity per share

The profit per ordinary share has been determined as the quotient of the net profit for the given financial period and the weighted average number of shares held by the shareholders in the given period.

The diluted profit per share has been determined as the quotient of the net profit and the weighted average diluted number of shares.

NOTE NO. 9

Profit per share	31.12.2018	31.12.2017
Number of shares traded in pcs	9,609,193	9,609,193
Number of shares applied in the determination of diluted equity and profit per share in pcs	9,609,193	9,609,193
Equity in PLN '000	77,509	72,418
Equity per share PLN/pcs	8.07	7.54
Diluted equity per share PLN/pcs	8.07	7.54
Net profit (loss) (annualised) in PLN '000	9,023	6,052
Profit (loss) per ordinary share PLN/pcs	0.94	0.63
Diluted profit (-loss) per ordinary share PLN/pcs	0.94	0.63

10. Tangible fixed assets

NOTE NO. 10

in PLN `000

Balance as at 31.12.2018	Land	Buildings and structures	Machinery and equipment,	Means of transport	Other fixed assets	Construction in progress and advance payments	Total
Net value as at 01.01.2018	0	4,687	21,602	612	2,253	1,142	30,296
Increase from:	0	13	4,087	378	343	2,006	6,827
- purchase of fixed assets (including leasing)	0	0	0	0	0	2,006	2,006
- acceptance of fixed assets under construction	0	13	4,087	378	343	0	4,821
Decreases arising from:	0	(19)	(767)	(462)	(148)	(765)	(2,161)
- sales	0	0	0	0	0	0	0
- liquidation	0	(19)	(767)	(462)	(148)	(33)	(1,429)
- transfer to fixed assets	0	0	0	0	0	732	732
Depreciation of liquidated and sold fixed assets	0	16	752	462	104	0	1,334
Depreciation charges for the period	0	(400)	(3,045)	(279)	(781)	0	(4,505)
Impairment write-off	0	0	0	0	0	0	0
Net value as at 31.12.2018	0	4,297	22,629	711	1,771	2,383	31,791
Balance as at 01.01.2018							
Gross value	0	14,043	71,979	2,786	11,619	1,142	101,569
Depreciation	0	(9,356)	(49,269)	(2,174)	(9,322)	0	(70,121)
Write-offs	0	0	(1,108)	0	(44)	0	(1,152)
Net value	0	4,687	21,602	612	2,253	1,142	30,296
Balance as at 31.12.2018							
Gross value	0	14,037	75,299	2,702	11,814	2,383	106,235
Depreciation	0	(9,740)	(51,562)	(1,991)	(9,999)	0	(73,292)
Write-offs	0	0	(1,108)	0	(44)	0	(1,152)
Net value	0	4,297	22,629	711	1,771	2,383	31,791

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in PLN `000

Balance as at 31.12.2017	Land	Buildings and structures	Machinery and equipment,	Means of transport	Other fixed assets	Construction in progress and advance payments	Total
Net value as at 01.01.2017	0	5,093	21,955	568	2,368	711	30,695
Increase from:	0	0	2,529	311	630	737	4,207
- purchase of fixed assets (including leasing)	0	0	0	0	0	0	0
- acceptance of fixed assets under construction	0	0	2,529	311	630	737	4,207
Decreases arising from:	0	0	(7,485)	(524)	(1,253)	(306)	(9,568)
- sales	0	0	0	0	0	0	0
- liquidation	0	0	(7,485)	(524)	(1,253)	(80)	(9,342)
- transfer to fixed assets	0	0	0	0	0	(226)	(226)
Depreciation of liquidated and sold fixed assets	0	0	7,484	524	1,253	0	9,261
Depreciation charges for the period	0	(406)	(2,881)	(267)	(745)	0	(4,299)
Impairment write-off	0	0	0	0	0	0	0
Net value as at 31.12.2017	0	4,687	21,602	612	2,253	1,142	30,296
Balance as at 01.01.2017							
Gross value	0	14,043	76,936	3,000	12,240	711	106,930
Depreciation	0	(8,950)	(53,873)	(2,432)	(9,828)	0	(75,083)
Write-offs	0	0	(1,108)	0	(44)	0	(1,152)
Net value	0	5,093	21,955	568	2,368	711	30,695
Balance as at 31.12.2017							
Gross value	0	14,043	71,979	2,786	11,619	1,142	101,569
Depreciation	0	(9,356)	(49,269)	(2,174)	(9,322)	0	(70,121)
Write-offs	0	0	(1,108)	0	(44)	0	(1,152)
Net value	0	4,687	21,602	612	2,253	1,142	30,296

As at 31 December 2018, the parent company – pursuant to the concluded finance lease agreements – held and used production machinery and equipment with the total value of net PLN 1,692 thousand, as well as means of transport with the value of net PLN 430 thousand.

As at 31 December 2017, those values were as follows: net PLN 959 thousand in the case of production machinery and equipment and PLN 240 thousand in the case of means of transport.

The current value and the amount of minimum future lease instalments has been presented in Note no. 22.

Right of perpetual usufruct of land

As at 31 December 2017, the company used a total of 19,977 m² of land pursuant to the right of perpetual usufruct.

Relpol was granted the right of perpetual usufruct of the land free of charge, pursuant to the applicable provisions of the law. The land in question consists of the industrial grounds related to the primary business activity carried out by the company.

The accounts payable unrecognised in the statement of financial position of the company, arising from the right of perpetual usufruct of land, were estimated based on the annual fee rates resulting from the most recent administrative decisions and on the remaining period of usufruct of land covered by that right.

in PLN '000		
Future fees arising from the right of perpetual usufruct of land	31.12.2018	31.12.2017
up to 1 year	6	6
1–5 years	24	24
over 5 years	426	432
Total amount of minimum future fees arising from the right of perpetual usufruct of land	456	462

in PLN '000		
	31.12.2018	31.12.2017
The amount of fees arising from the right of perpetual usufruct of land recognised in the profit and loss account	6	6

As at 31 December 2018, the company had a bank loan at Raiffeisen Bank Polska S.A., which is secured by fixed assets acquired as part of ongoing investments.

The value of the pledge on the Raiffeisen Bank machines is PLN 3,303,000. These values are entered into pledge agreements as their initial (replacement) value as at the date of signing the contract.

in PLN '000		
	31.12.2018	31.12.2017
The amount of costs of external financing capitalised in the given period	0	0
The capitalisation rate applied during the determination of the amount of costs of external financing which may be capitalised	-	-

in PLN '000	
In 2018, the company incurred expenditure on construction in progress:	
Construction in progress as at 31.12.2017	1,142
1. Investment expenditures	2,006
2. Fixed assets put into service in 2018	732
3. Sales in 2018	33
Construction in progress as at 31.12.2018	2,383
Construction in progress as at 31.12.2018 r.	
1. Modernisation of the factory hall	12
2. Production machinery and equipment	1,858
3. Means of transport	488
4. Equipment	25
Total	2,383

11. Investment property

As at 31 December 2018 and 31 December 2017, the company did not hold any investment property.

12. Intangible assets

NOTE NO. 12

in PLN '000					
Balance as at 31 December 2018	Completed development works	Ongoing development works	Acquired concessions, patents, licences and similar rights	Other intangible assets with advance payments	Total
Net value as at 01.01.2018	6,563	1,189	268	0	8,020
Increase from:	1,131	447	237	0	1,815
- purchase and production of intangible assets	0	447	237	0	684
- acceptance from development works in progress	1,131	0	0	0	1,131
Decreases arising from::	0	(1,131)	0	0	(1,131)
- other	0	(1,131)	0	0	(1,131)
Amortisation charge for the period	(1,104)	0	(166)	0	(1,270)
Impairment write-off	(515)	0	0	0	(515)
Net value as at 31.12.2018	6,075	505	339	0	6,919
Balance as at 01 January 2018					
Gross value	22,185	1,564	4,065	1,250	29,064
Amortisation	(14,582)	0	(3,797)	(1,250)	(19,629)
Write-offs	(1,040)	(375)	0	0	(1,415)
Net value	6,563	1,189	268	0	8,020

Balance as at 31 December 2018					
Gross value	23,316	880	4,302	1,250	29,748
Amortisation	(15,686)	0	(3,963)	(1,250)	(20,899)
Write-offs	(1,555)	(375)	0	0	(1,930)
Net value	6,075	505	339	0	6,919

in PLN '000					
Balance as at 31 December 2017	Completed development works	Ongoing development works	Acquired concessions, patents, licences and similar rights	Other intangible assets with advance payments	Total
Net value as at 01.01.2017	7,601	660	361	0	8,622
Increase from:	122	651	15	0	788
- purchase and production of intangible assets	0	651	15	0	666
- acceptance from development works in progress	122	0	0	0	122
Decreases arising from:	0	(122)	0	0	(122)
- other	0	(122)	0	0	(122)
Amortisation charge for the period	(1,160)	0	(108)	0	(1,268)
Impairment write-off	0	0	0	0	0
Net value as at 31.12.2017	6,563	1,189	268	0	8,020

Balance as at 01 January 2017					
Gross value	22,063	1,035	4,050	1,250	28,398
Amortisation	(13,422)	0	(3,689)	(1,250)	(18,361)
Write-offs	(1,040)	(375)	0	0	(1,415)
Net value	7,601	660	361	0	8,622

Balance as at 31 December 2017					
Gross value	22,185	1,564	4,065	1,250	29,064
Amortisation	(14,582)	0	(3,797)	(1,250)	(19,629)
Write-offs	(1,040)	(375)	0	0	(1,415)
Net value	6,563	1,189	268	0	8,020

The intangible assets include: costs of development works, computer software licenses, licenses to use the SAP programme, licenses to use the payroll programme and the purchase of knowledge bases on customers and the market. In 2018, the expenditure incurred by the group on development works amounted to PLN 444 thousand.

The largest intangible assets as at 31 December 2018 are: completed development works with the value of PLN 6,075 thousand. Ongoing development works as at 31 December 2018 have the value of PLN 505 thousand.

In 2017, the company created an allowance for the ongoing research and development works in the amount of PLN 515 thousand. The Management Board of the parent company does not expect those works to produce the desired results.

All expenditures on the research and development works are recognised in the ongoing development works.

The remaining period of amortisation of intangible assets

in PLN '000

Period	31.12.2018	31.12.2017
1–12 months	1,386	1,189
13–36 months	2,400	2,091
37–60 months	1,641	1,664
61–120 months	1,198	1,706
over 120 months	88	181
Value	6,713	6,831

Description of collaterals established on intangible assets

The intangible assets do not serve as collaterals for the accounts payable.

Intangible assets held for sale`

As at the balance sheet date, there are no intangible assets held for sale at the company.

Goodwill

In the period covered by the financial statements, the company did not recognise the goodwill.

13. Financial investment

Business combinations

In the reporting periods ended on 31 December 2018 and 31 December 2017, there were no combinations with other business entities.

Participation in joint ventures

In the reporting periods ended on 31 December 2018 and 31 December 2017, there were no joint ventures with other business entities.

NOTE NO. 13

	in PLN '000	
Financial assets	31.12.2018	31.12.2017
Stocks – carrying value	0	0
Value at acquisition price	0	0
Write-off	0	0
Shares – carrying value	385	385
Value at acquisition price	1,425	1,425
Write-off	(1,040)	(1,040)
Other (security deposits, loans)	0	0
Total financial assets	385	385
<i>of which in subsidiaries</i>	385	385

	in PLN '000	
Changes in long-term financial assets	31.12.2018	31.12.2017
Opening balance	385	385
Increases arising from	0	0
Loans granted	0	0
Decreases arising from	0	(419)
- liquidation	0	419
- other (use of write-off)	385	385

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in PLN '000									
Name of the company	registered office	type of business activity	nature of the relationship	consolidation method	date of taking control	value of stocks/shares at acquisition price	valuation adjustments	carrying value of shares	% share in equity
Relpol-Altera Sp. z o.o.	Kiev, Ukraine	Trade and production	subsidiary	excluded	847	-542	305	51	51
DP Relpol - Altera	Chernihiv, Ukraine	Production	subsidiary	full	446	-446	0	100	100
Relpol M j.v.	Minsk, Belarus	Trade	subsidiary	excluded	71	0	71	80	80
Relpol Eltim ZAO	Saint Petersburg, Russia	Trade	subsidiary	full	9	0	9	60	60
Relpol Elektronik	Miostowice Dolne, Poland	Production	subsidiary	full	52	-52	0	100	100
Total					1,425	-1,040	385		

The shares measured at acquisition price, taking into account the impairment, are presented in the financial statements.

in PLN `000									
Name of the company	currency	equity	share capital	net profit/loss	accounts payable	accounts receivable	total assets of the entity	revenues from sales	dividends received or due
Relpol-Altera Sp. z o.o.	UAH	105	343	0	105	0	155	66	0
DP Relpol – Altera Sp. z o.o.	UAH	557	446	-450	442	253	999	4,679	0
Relpol M j.v.	BYR	206	2	37	76	53	308	678	0
Relpol Eltim ZAO	RUB	3,297	9	694	632	1,606	3,928	11,468	0
Relpol Elektronik Sp. z o.o.	PLN	221	50	91	573	375	794	3,720	0

The company has no shares or other short-term financial assets held for sale.

The parent company granted the following loans to the subsidiaries:

							in PLN '000
Name of the subsidiary	Amount of the loan granted in foreign currency	Amount of the loan granted in PLN	Interest rate	Date of granting the loan	Date of repayment of the loan under the agreement	Interest charged on the loans granted in PLN	Balance of loans in PLN
Loans granted							
Relpol Altera	0 USD	0	5,50%	12.12.2005	31.12.2016	68	68
Total amount of loans granted							68
write-off							68
Net loan value							<u>0</u>

Relpol S.A. does not have loans granted by subsidiaries.

14. Inventory

NOTE NO. 14

			in PLN '000
Inventory	31.12.2018	31.12.2017	
Materials	10,69	10,364	
Semi-finished products and work in progress	6,552	5,768	
Finished products:	10,754	9,168	
at manufacturing cost	10,754	9,168	
at achievable net value	10,628	9,022	
Goods	4,002	3,594	
Write-offs	(1,542)	(1,386)	
Total inventory	30,535	27,508	

			in PLN '000
Change in the balance of inventory write-offs in the financial period	31.12.2018	31.12.2017	
Opening balance	1,386	1,173	
reversal of write-off	(732)	(43)	
use of write-off	(192)	(33)	
creation of write-off	1,080	289	
Closing balance	1,542	1,386	

The value of inventory recognised in the costs of the current period in 2018 amounted to PLN 97.096 thousand and in 2017 - PLN 90.627 thousand.

The company regularly verifies the inventory and its write-offs from the perspective of the loss of their usability for production and sale. The basis for the reversal and utilisation of inventory write-offs in 2018 was sales, scrapping and using the same in production.

At the end of 2018 and 2017, the company did not hold any inventory serving as collateral for the liabilities.

15. Trade accounts receivable

NOTE NO. 15

in PLN '000		
Trade accounts receivable	31.12.2018	31.12.2017
Trade accounts receivable from related parties	237	225
- up to 12 months	237	225
- over 12 months	0	0
Trade accounts receivable from other entities	28,900	23,458
- up to 12 months	28,900	23,458
- over 12 months	0	0
Total (gross) accounts receivable	29,137	23,683
Receivables write-off	(227)	(321)
Net accounts receivable	28,910	23,362

in PLN '000		
Trade accounts receivable with maturity from the balance sheet date:	31.12.2018	31.12.2017
up to 1 month	9,508	7,825
1–3 months	13,390	12,989
3–6 months	444	322
6 months–1 year	0	0
over 1 year	46	0
overdue account receivable	5,749	2,547
Total (gross) accounts receivable	29,137	23,683
Receivables write-off	(227)	(321)
Total (net) trade accounts receivable	28,910	23,362

in PLN '000		
Overdue trade accounts receivable broken down into accounts receivable not paid in the period of:	31.12.2018	31.12.2017
up to 1 month	5,271	1,944
1–3 months	246	300
3–6 months	33	3
6 months–1 year	0	158
over 1 year	199	142
Total (gross) overdue accounts receivable	5,749	2,547
receivables write-off	(227)	(321)

in PLN '000				
Type of accounts receivable	Accounts receivable overdue up to 180 days	Accounts receivable overdue over 180 days	Write-offs	Accounts receivable overdue, not subject to write-off
Trade accounts receivable	5,550	199	227	5,522
Accounts receivable awarded by a court	0	0	0	0
Accounts receivable claimed in court	0	0	0	0
Total	5,550	199	227	5,522

Trade accounts receivable do not bear interest and usually have a 60 to 90-day payment deadline. However, for certain counterparties, the accounts receivable payment period is determined based on individual contracts.

The company has a policy of making sales only to verified clients. The company mitigates the credit risk related to the trade accounts receivable by monitoring and evaluating its customers' financial condition, setting credit limits and insuring the accounts receivable covered by the trade credit.

In the opinion of the Management Board, thanks to the aforementioned solution there is no additional credit risk which would exceed the level determined by the provision for bad debts.

The entity strives to diversify the recipients of its products and goods. In addition to several larger trade partners, Relpol has a considerable group of smaller customers across Poland and Europe. Outside the EU, the group's products reach customers in Asia, North America, South America and Africa.

Despite this dispersion, the company has two large customers who, as at 31 December 2018, represent 41.6% of total trade accounts receivable (35.0% as at 31 December 2017). Despite the concentration of risk on that account, in the light of the analysis of back data resulting from many years of cooperation and due to the applied safeguards (insurance of the accounts receivable), in the opinion of the company's Management Board this risk is not significant.

in PLN '000				
Customer concentration	31.12.2018		31.12.2017	
	Value receivables	Value of secured receivables	Value receivables	Value of secured receivables
customer A	7,383	4,000	4,941	4,000
customer B	4,731	4,731	3,359	3,359
other	17,023	14,350	15,383	13,217
Total	29,137	23,081	23,683	20,576

The trade accounts receivable and other accounts receivable are shown in the balance sheet at nominal value adjusted by impairment write-offs. The Management Board of Relpol S.A. is of the opinion that the net carrying value of the accounts receivable approximates their fair value.

in PLN '000		
Change in impairment losses on trade receivables	31.12.2018	31.12.2017
Status at the end of the previous period:	321	0
- creation of write-off - the implementation of IFRS 9	8	0
Opening balance	329	142
reversal of write-off	(249)	(14)
use of write-off	0	0
creation of write-off	147	193
Closing balance	227	321

The accounts receivable are subject to revaluation by way of creation of write-offs, taking into account the level of risk and the likelihood of payment of the accounts receivable based on the analysis of back data regarding the collectability of receivables or based on the receivables ageing structures. The Management Board of the parent company did not identify any risks related to the payment of accounts receivable not subject to write-offs due to the fact that as of the date of publication hereof, the vast majority of overdue accounts receivable had been paid within 1–6 months.

16. Other short and long-term accounts receivable

NOTE NO. 16

in PLN '000

Long-term accounts receivable	31.12.2018	31.12.2017
Accounts receivable from related parties	0	0
Accounts receivable from other entities	63	87
Write-off	0	0
Net long-term accounts receivable	63	87

in PLN '000

Change in the balance of long-term accounts receivable	31.12.2018	31.12.2017
Opening balance	87	161
increases	0	0
decreases	(24)	(74)
write-off	0	0
Closing balance	63	87

in PLN '000

Change in the balance of write-offs on long-term accounts receivable	31.12.2018	31.12.2017
Opening balance	0	0
increases	0	0
decreases	0	0
Closing balance	0	0

in PLN '000

Long-term accounts receivable	31.12.2018			31.12.2017		
	Value	Write-off	Carrying value	Value	Write-off	Carrying value
Accounts receivable falling due within 2 years after the balance sheet date	63	0	63	87	0	87
Accounts receivable falling due from 2 to 5 years after the balance sheet date	0	0	0	0	0	0
Accounts receivable falling due over 5 years after the balance sheet date	0	0	0	0	0	0
Total long-term accounts receivable	63	0	63	87	0	87

in PLN '000		
Other short-term accounts receivable	31.12.2018	31.12.2017
Budget accounts receivable	1,479	1,555
Short-term accounts receivable from sales of shares	0	8
Accounts receivable arising from advance payments and security deposits	69	69
Advances on supplies	562	211
Other	0	0
Total gross other accounts receivable	2,110	1,843
Write-off	0	8
Total net other accounts receivable	2,110	1,835
<i>of which from related parties</i>	<i>0</i>	<i>0</i>

in PLN '000		
Change in write-offs on other accounts receivable	31.12.2018	31.12.2017
Opening balance	8	8
reversal of write-off	8	0
use of write-off	0	0
creation of write-off	0	0
Closing balance	0	8

17. Cash

NOTE NO. 17

in PLN '000		
Cash and cash equivalents	31.12.2018	31.12.2017
Cash in hand	23	50
Cash at bank	143	434
Short-term deposits	0	0
Total cash	166	484

Cash at bank bears interest according to variable interest rates, the amount of which depends on the interest rate on one-day bank deposits. Short-term deposits are made for various periods, from one day to three months, depending on the current demand of the companies for cash and are subject to interest rates agreed with the bank. The fair value of cash and cash equivalents as at 31 December 2018 amounts to PLN 166 thousand (as at 31 December 2017 – PLN 484 thousand). The carrying value of those assets approximates their fair value.

in PLN '000		
Concentration of cash	31.12.2018	31.12.2017
Bank A	17	166
Bank B	40	121
Bank C	0	20
Bank D	70	45
Bank E	16	82
Cash in hand	23	50
Total cash	166	484

The table below illustrates the changes in the accounts payable of the company arising from the financing activities, including both the monetary and non-monetary changes.

in PLN '000				
Reconciliation of accounts payable arising from the financing activities	Financial liabilities to related entities	Other financial liabilities measured at amortised cost	Hedging derivatives arising from financing activities	Total accounts payable arising from financing activities
Amount outstanding as at 1.01.2018	364	9 828	0	10,192
Net cash flows:	(67)	2 147	0	2,080
- from financing activities	0	144	0	144
- from operating activities	(67)	2 003	0	1,936
Non-monetary changes:	5	77	0	82
- foreign exchange gain/loss	5	77	0	82
Amount outstanding as at 31.12.2018	302	12 052	0	12,354

18. Prepayments and accruals

NOTE NO. 18

in PLN '000		
Short-term prepayments	31.12.2018	31.12.2017
Prepayments:		
- property insurance	158	163
- subscriptions	18	12
- fairs	0	15
- other	193	214
Total short-term prepayments	369	404

in PLN '000		
Deferred revenue	31.12.2018	31.12.2017
Deferred revenue:		
- long-term	0	0
- short-term	95	85
Total deferred revenue	95	85

19. Shareholders' equity

NOTE NO. 19

Share capital

in PLN '000								
Series	type of share	type of preference	type of restriction of rights carried by shares	number of shares	issue value at nominal value	manner of financing the share capital	date of registration	right to dividend (from [date])
A	bearer	ordinary	unrestricted	360,300	1,802	paid up	29.03.1991	01.04.1991
B	bearer	ordinary	unrestricted	240,200	1,201	paid up	20.01.1995	01.10.1995
C	bearer	ordinary	unrestricted	254,605	1,273	paid up	27.11.1995	01.10.1995
D	bearer	ordinary	unrestricted	18,458	92	paid up	20.07.2006	01.01.2006
E	bearer	ordinary	unrestricted	8,735,630	43,678	paid up	28.02.2008	01.01.2008
Total				9,609,193	48,046			

The nominal value of all issued shares amounts to PLN 5. The shares have been taken up in exchange for cash contributions. All shares, regardless of the series, have the same preferences attached to them in relation to dividends and return on equity.

Shareholders	as at:	as at:	as at:	as at:	as at:	as at:
	18.04.2019 number	18.04.2019 %	31.12.2018 number	31.12.2018 %	31.12.2017 number	31.12.2017 %
Ambroziak Adam	3 171 000	33,00%	3 171 000	33,00%	3 171 000	33,00%
Osiński Piotr	613 943	6,39%	613 943	6,39%	608 943	6,34%
Altus TFI S.A.	bd	bd	bd	bd	2 027 358	21,10%
Rockbridge TFI S.A.	2 663 403	27,72%	2 663 403	27,72%	959 772	9,99%
Raiffeisen TFI S.A.	-	-	569 467	5,93%	569 467	5,93%
TFI BGŻ BNP Paribas S.A.	541 115	5,63%	bd	bd	bd	bd
Other	2 591 380	26,97%	2 591 380	26,97%	2 272 653	23,64%
Total	9 609 193	100,00%	9 609 193	100,00%	9 609 193	100,00%

Due to the merger on 29/03/2019, the Riviera Towarzystwo Funduszy Inwestycyjnych S.A. (formerly Raiffeisen Towarzystwo Funduszy Inwestycyjnych S.A.) and Towarzystwo Funduszy Inwestycyjnych BGŻ BNP Paribas SA, there was a change in the shareholder with more than 5% of votes at the General Meeting of Relpol SA.

Among the shareholders, there are no holders of securities which would grant any special control rights in relation to the issuer. All shares issued by Relpol are ordinary bearer shares. Each share carries one vote at the General Meeting of Shareholders.

According to the Statutes of Relpol S.A., there are no restrictions regarding the transfer of securities. There are also no restrictions as to the exercise of the right to vote carried by the issued shares.

in PLN '000		
Supplementary capital	31.12.2018	31.12.2017
1/3 of the share capital	20,164	17,899
Surplus from sales of shares above nominal value	83	83
Total supplementary capital	20,247	17,982

	in PLN '000	
Revaluation reserve	31.12.2018	31.12.2017
Arising from statutory revaluation of fixed assets	1,104	1,162
Valuation of actuarial gains/losses	(1,117)	(1,017)
Deferred income tax	212	193
Other	(6)	0
Total revaluation reserve	193	338

20. Provisions

NOTE NO. 20

	in PLN '000	
Provision for employee benefits	31.12.2018	31.12.2017
<i>Provision for one-time retirement benefits</i>		
Opening balance	1,995	1,782
Establishment of provisions	115	103
Actuarial gain/loss	100	454
Costs of benefits paid	(221)	(344)
Closing balance of provision for one-time retirement benefits	1,989	1,995
including short-term	407	407

Actuarial assumptions	31.12.2018	31.12.2017
Discount rate in %	3.00	3.00
Expected wages and salaries increase rate in %	1.00	1.00

The significant actuarial assumptions used during the calculation of the defined benefit obligation include the discount rate and the forecasted increase in wages and salaries. The sensitivity analyses presented below have been prepared based on likely changes in relevant assumptions occurring at the end of the current reporting period, with the other assumptions remaining unchanged:

- in the event of the increase (decrease) in the discount rate by 0.25 percentage points, the defined benefit obligation will decrease by PLN 22 thousand (increase by PLN 22 thousand),
- in the event of the increase (decrease) in wages and salaries by 0.25 percentage points, the defined benefit obligation will increase by PLN 23 thousand (decrease by PLN 22 thousand).

The detailed accounting policies pertaining to employee benefits have been described in the point entitled “Valuation principles”. Based on the valuation carried out while making actuarial assumptions, the company creates provisions for one-time retirement benefits.

	in PLN '000	
Change in the balance of other provisions by titles	31.12.2018	31.12.2017
<i>Deferred income tax reserve*</i>		
Closing balance of the reserve	1,715	1,736
including short-term	0	0

* details have been presented in Note no. 6

Other provisions

Opening balance	912	886
Establishment of provision	2,965	1,478
Costs of benefits paid	(495)	(542)
Reversal of provision	(2,001)	(910)
Closing balance of the reserve	1,381	912
including short-term	1,381	912

Balance of asset write-offs of the company in 2018

in PLN '000

Content	Balance as at 01.01.2018	Turnover in 2018			Balance as at 31.12.2018
		Reversed	Used	Created	
I. Write-off on fixed assets and intangible assets	2,567	0	0	515	3,082
II. Write-off on long-term accounts receivable	0	0	0	0	0
III. Write-off on long-term assets – shares in related parties	1,040	0	0	0	1,040
IV. Inventory write-off	1,386	732	192	1,080	1,542
V. Write-off on trade accounts receivable	313	249	0	163	227
VI. Write-off on other accounts receivable	8	8	0	0	0
VII. Write-off on accounts receivable claimed in court	0	0	0	0	0
VIII. Write-off on short-term financial assets	97	49	0	19	67
Total	5,411	1,038	192	1,777	5,958

Reserve status in 2018

in PLN '000

Content	Balance as at 01.01.2018	Turnover in 2018			Balance as at 31.12.2018
		Reversed	Used	Created	
I. Provision for pensions and similar benefits	1,995	0	221	215	1,989
II. Other provisions (including for future accounts payable), of which:	912	2,001	495	2,965	1,381
- for annual leave	620	1,006	0	928	542
- other (wages and salaries, audit)	292	995	495	2,037	839
Total	2,907	2,001	716	3,180	3,370

Balance of asset write-offs of the company in 2017

Content	Balance as at 01.01.2017	Turnover in 2017			Balance as at 31.12.2017
		Reversed	Used	Created	in PLN '000
I. Write-off on fixed assets and intangible assets	2,567	200	0	200	2,567
II. Write-off on long-term accounts receivable	0	0	0	0	0
III. Write-off on long-term assets – shares in related parties	1,459	419	0	0	1,040
IV. Inventory write-off	1,173	43	33	289	1,386
V. Write-off on trade accounts receivable	142	14	0	193	321
VI. Write-off on other accounts receivable	0	0	0	0	0
VII. Write-off on accounts receivable claimed in court	0	0	0	0	0
VIII. Write-off on short-term financial assets	267	30	144	4	97
Total	5,608	706	177	686	5,411

Reserve status in 2017

Content	Balance as at 01.01.2017	Turnover in 2017			Balance as at 31.12.2017
		Reversed	Used	Created	in PLN '000
I. Provision for pensions and similar benefits	1,782	0	344	557	1,995
II. Other provisions (including for future accounts payable), of which:	886	910	542	1,478	912
- for annual leave	511	806	0	915	620
- other (wages and salaries, audit)	375	104	542	563	292
Total	2,668	910	886	2,035	2,907

Information on the deferred income tax assets

	in PLN '000	
	31.12.2018	31.12.2017
Deferred income tax asset	1,538	1,465
Deferred income tax provision	3,253	3,201
Deferred income tax as per account balance	1,715	1,736

The deferred income tax asset and provision are presented in the statement of financial position as per account balance.

21. Credits and loans

NOTE NO. 21

				in PLN '000	
Interest-bearing bank credits and loans	currency	effective rate %	repayment date	31.12.2018	31.12.2017
Long-term					
Raiffeisen Bank Polska - investment	PLN	WIBOR 1M+1.10%	28.06.2019	0	282
Total long-term bank credits and loans				0	282
Short-term					
Raiffeisen Bank Polska - renewable (limit for use in currencies): PLN, EUR, USD)	PLN	WIBOR 1M+0.8%	29.03.2019	1,100	1,153
Raiffeisen Bank Polska - renewable (limit for use in currencies): PLN, EUR, USD)	EUR	EURIBOR 1M+1.25%	29.03.2019	29	0
Raiffeisen Bank Polska - renewable (limit for use in currencies): PLN, EUR, USD)	USD	LIBOR 1M+1.25%	29.03.2019	413	177
Raiffeisen Bank Polska - investment	PLN	WIBOR 1M+1.10%	28.06.2019	282	566
mBank - investment	PLN	WIBOR 1M+1.35%	30.03.2018	0	307
BGŻBNP - renewable (limit for use in currencies): PLN, EUR, USD)	PLN	WIBOR 3M+0.6%	21.03.2019	144	313
BGŻBNP renewable (limit for use in currencies): PLN, EUR, USD)	EUR	EURIBOR 3M+0.9%	21.03.2019	281	0
BGŻBNP - renewable (limit for use in currencies): PLN, EUR, USD)	USD	LIBOR 3M+1.1%	21.03.2019	743	0
Total short-term bank credits and loans				2,992	2,516
Total short- and long-term bank credits and loans				2,992	2,798

						in PLN '000	
Bank credit and loan limits granted under agreements	currency	31.12.2018		31.12.2017			
		limit	utilisation	limit	utilisation		
Raiffeisen Bank Polska - renewable (limit for use in currencies): PLN, EUR, USD)	PLN	2,500	1,542	2,500	1,330		
Raiffeisen Bank Polska - investment	PLN	3,000	282	3,000	848		
mBank - investment	PLN	6,804	0	6,804	307		
BGŻBNP - renewable (limit for use in currencies): PLN, EUR, USD)	PLN	2,500	1,168	2,500	313		
Total		14,804	2,992	14,804	2,798		

In the last quarter of 2018, two banks financing Relpol SA - BNP Paribas SA and Raiffeisen Bank Polska SA merged. In order to disperse financial risk and independence of current liquidity protection from a single entity, as well as to cover current needs to finance growing production and sales, in March 2019, Relpol SA. signed with BNP Paribas SA (formerly: Raiffeisen Bank Polska SA) an annex to the agreement increasing the overdraft liability limit from PLN 2.5 million to PLN 4 million and concluded a contract for a working capital loan at mBank SA, with a limit of PLN 4 million.

in PLN '000		
The current value of the minimum fees from loans and credits	31.12.2018	31.12.2017
due within 1 year	2,992	2,516
due in 1–5 years	0	282
due in over 5 years	0	0
The current value of the minimum fees from loans and credits	2,992	2,798

22. Finance lease

NOTE NO. 22

A portion of the fixed assets from the production machinery and equipment group was acquired under finance lease with purchase option. Initially, the fixed assets were purchased using own current funds, resold to lease companies and subsequently bought back in the form of a lease.

in PLN '000					
Lease liabilities					
Name of the lessor/ subject matter of the agreement	date of conclusion of the agreement	initial value of the fixed asset	term of the agreement	currency of the agreement	lease liability as at 31.12.2018
GETIN Leasing / means of transport	2015	112	5 years	PLN	3
PKO Leasing / production machinery	2014	70	5 years	PLN	9
PKO Leasing / production machinery	2014	1,051	5 years	EUR	251
Santander Leasing SA / production machinery	2014	45	5 years	EUR	4
BANK BGŻ BNP PARIBAS S.A./ computer hardware	2018	195	3 years	EUR	145
Millennium Leasing sp. z o.o./ means of transport	2017	259	3 years	PLN	112
Millennium Leasing sp. z o.o./ means of transport	2018	53	3 years	EUR	40
mLEASING / means of transport	2018	712	3 years	PLN	597
Volkswagen Leasing/ means of transport	2018	102	3 years	PLN	72
Total		2,599			1,233
of which:					
- short-term account payable					614
- long-term account payable					619

After the expiration of lease agreements upon the lapse of their terms, the group shall be entitled to purchase the leased asset at the price equal to its residual value.

The group uses the fixed assets purchased in the form of the finance lease with the value of PLN 2,599 thousand, acquired between 2014 and 2018. The agreements were concluded for the period of 36–60 months. B/E declarations serve as the collateral for the liabilities.

in PLN '000		
Current value of the minimum payments arising from the finance lease	31.12.2018	31.12.2017
due within 1 year	614	347
due in 1–5 years	619	371
due in over 5 years	0	0
Current value of the minimum payments arising from the finance lease	1,233	718

	in PLN '000	
Value of the future minimum payments arising from the finance lease	31.12.2018	31.12.2017
due within 1 year	639	357
due in 1–5 years	634	375
due in over 5 years	0	0
Value of the future minimum payments arising from the finance lease	1,273	732
Future encumbrance	(40)	(14)
Value of the current payments arising from the finance lease	1,233	718

23. Trade accounts payable

NOTE NO. 23

	in PLN '000	
Trade accounts payable	31.12.2018	31.12.2017
Due to related parties	302	364
- up to 12 months	302	364
- over 12 months	0	0
Due to other entities	9,060	7,030
- up to 12 months	9,060	7,030
- over 12 months	0	0
Total trade accounts payable	9,362	7,394

Trade accounts payable do not bear interest and are usually settled within 40 days.

24. Other long- and short-term accounts payable

NOTE NO. 24

	in PLN '000	
Other accounts payable	31.12.2018	31.12.2017
Long-term	0	29
Short-term	4 972	4 296
Accounts payable arising from the purchase of machinery and equipment	1 600	700
Accounts payable arising from taxes, customs duties, social insurance and other obligations:	1 790	1 862
- personal income tax	340	389
- value added tax	19	1
- social insurance tax	1 399	1 445
- other	32	27
Amounts due to employees in respect of wages and salaries	1 372	1 542
Amounts due to the Company Social Benefits Fund	19	2
Other amounts due to employees	65	66
Other accounts payable	126	124

25. Contingent liabilities

Court proceedings

As at 31 December 2018, the total amount of receivables reported by the company as part of the pending court and enforcement proceedings was PLN 77 thousand including reported claims of the company in bankruptcy proceedings for the amount of PLN 42 thousand. There are no proceedings pending against the company.

Sureties

As at 31 December 2018 and 31 December 2017, there were no sureties.

26. Financial instruments

Fair value of assets and liabilities

The fair value of assets and liabilities does not significantly differ from their balance sheet value due to the fact that these are mainly trade receivables and liabilities.

The Company classifies fair value measurements using the fair value hierarchy, which takes into account the significance of the input data to the measurement. The fair value hierarchy consists of the following levels:

- Level 1 - quoted (unadjusted) prices from active markets for identical assets or liabilities,
- Level 2 - measurement techniques for which the lowest level of input data that is significant for the measurement to fair value as a whole is directly or indirectly observable,
- Level 3 - measurement techniques for which the lowest level of input data that is significant for the measurement to fair value as a whole is unobservable.

As at 31/12/2018 and 31/12/2017, the Company did not have any financial instruments measured at fair value.

Methods of determining the fair value of financial instruments.

Level 1

As at 31/12/2018 and 31/12/2017, the Company did not have any financial instruments measured to fair value and classified as Level 1.

Level 2

As at 31/12/2018 and 31/12/2017, the Company did not have any financial instruments measured to fair value and classified as Level 2.

Level 3

As at 31/12/2018 and 31/12/2017, the Company did not have any financial instruments measured to fair value and classified as Level 3.

As at each balance sheet date, in the case of assets and liabilities occurring as at individual balance sheet dates in the financial statements, the Company assesses whether there have been any transfers between hierarchy levels by reassessing the classification to particular levels, based on the significance of input data from the lowest level, which is significant for the measurement to fair value treated as a whole.

Both in the reporting period and in the comparative period, the Company did not make any transfers between particular levels of the fair value hierarchy of financial instruments, nor

did it change the classification of instruments as a result of a change in the purpose or use of financial instruments.

In 2018 and 2017, the Company did not apply hedge accounting.

Classification of financial instruments according to IFRS 9 as at 31/12/2018							
	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Financial assets measured at amortised cost	Financial liabilities measured at amortised cost	Hedging instruments	Financial assets and liabilities excluded from the scope of IFRS 9	Total
1 Fixed financial assets:	0	0	63	0	0	385	448
Long-term receivables	0	0	63	0	0	0	63
Stocks and shares in subsidiaries	0	0	0	0	0	385	385
2 Current financial assets:	0	0	29,076	0	0	0	29,076
Trade receivables	0	0	28,910	0	0	0	28,910
Loans granted	0	0	166	0	0	0	166
Cash and cash equivalents	0	0	0	0	0	619	619
3 Long-term financial liabilities:	0	0	0	0	0	0	0
Other liabilities	0	0	0	0	0	0	0
Finance lease liabilities	0	0	0	0	0	619	619
4 Short-term liabilities:	0	0	0	17,326	0	614	17,940
Credits and loans	0	0	0	2,992	0	0	2,992
Trade liabilities	0	0	0	9,362	0	0	9,362
Finance lease liabilities	0	0	0	0	0	614	614
Total	0	0	29,139	12,354	0	1,618	43,111

Classification of financial instruments according to IFRS 9 as at 01/01/2018							
	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Financial assets measured at amortised cost	Financial liabilities measured at amortised cost	Hedging instruments	Financial assets and liabilities excluded from the scope of IFRS 9	Total
1 Fixed financial assets:	0	0	87	0	0	385	472
Long-term receivables	0	0	87	0	0	0	87
Stocks and shares in subsidiaries	0	0	0	0	0	385	385
2 Current financial assets:	0	0	23,846	0	0	0	23,846
Trade receivables	0	0	23,362	0	0	0	23,362
Loans granted	0	0	484	0	0	0	484
Cash and cash equivalents	0	0	0	311	0	371	682
3 Long-term financial liabilities:	0	0	0	29	0	0	29
Other liabilities	0	0	0	282	0	0	282
Finance lease liabilities	0	0	0	0	0	371	371
4 Short-term liabilities:	0	0	0	9,910	0	347	10,257
Credits and loans	0	0	0	2,516	0	0	2,516
Trade liabilities	0	0	0	7,394	0	0	7,394
Finance lease liabilities	0	0	0	0	0	347	347
Total	0	0	23,933	10,221	0	1,103	35,257

As at 31/12/2018 and 31/12/2017, according to the Company's assessment, fair values for financial instruments classified in accordance with IFRS 9 do not differ significantly from their balance sheet values, mainly due to variable interest rates, while for other items due to their short-term nature.

Items of revenues, expenses, profits and losses (including interest revenues and expenses) as at 31/12/2018							
	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Financial assets measured at amortised cost	Financial liabilities measured at amortised cost	Hedging instruments	Financial liability excluded from the scope of IFRS 9 (leasing)	Total
Interest revenues/ (expenses)	0	0	18	(66)	0	(19)	(67)
Foreign exchange gains/ (losses)	0	0	257	(39)	0	(12)	206
(Created) / impairment losses released	0	0	131	0	0	0	131
Profits/(losses) on the measurement and exercise of derivatives	0	0	0	0	0	0	0
Total net profit/ (loss)	0	0	406	(105)	0	(31)	270

Items of revenues, expenses, profits and losses (including interest revenues and expenses) as at 31/12/2018							
	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Financial assets measured at amortised cost	Financial liabilities measured at amortised cost	Hedging instruments	Financial liability excluded from the scope of IFRS 9 (leasing)	Total
Interest revenues/ (expenses)	0	0	16	(105)	0	(18)	(107)
Foreign exchange gains/ (losses)	0	0	(427)	(353)	0	36	(744)
(Created) / impairment losses released	0	0	10	0	0	0	10
Profits/(losses) on the measurement and exercise of derivatives	0	0	0	0	0	0	0
Total net profit/ (loss)	0	0	(401)	(458)	0	18	(841)

27. Description of factors and events, in particular of atypical nature, having a significant effect on the financial results achieved by the company

There were no other significant events which have not been described in the financial statements, the notes or the report on the operations and which could have had an effect on the achieved financial results.

28. Information on the entity authorised to audit the financial statements

On 15 December 2017, the Supervisory Board of the company adopted a resolution on the selection of the expert auditor to review the half-yearly and audit the annual separate and consolidated financial statements of the company for 2018 and 2019. The Supervisory Board chose UHY ECA Audyt Spółka z ograniczoną odpowiedzialnością Sp. K in Krakow, entered into the list of entities authorised to audit financial statements under no. 3115.

The entity to audit the financial statements was selected according to the applicable provisions and professional standards.

The agreement for the review of the half-yearly separate and consolidated financial statements and for the audit of the annual separate and consolidated financial statements for 2018 and 2019 was concluded. The consideration for the service in the amount of net PLN 93,000 (PLN 46,500 for each audited reporting year), as well as the reimbursement for the costs of transport, deliveries, accommodations and daily allowances were agreed. Relpol has not used the auditing services of UHY ECA Audyt Spółka z ograniczoną odpowiedzialnością Sp. K in the previous years.

29. Related parties

List of related parties on 31/12/2018

Name of the entity	registered office	type of business activity	nature of the relationship	Share of Relpol S.A. in votes and equity	date of taking control/ significant impact
Relpol -Altera Sp. z o.o.	Kiev, Ukraine	Trade	subsidiary	51.0%	13.05.2004
DP Relpol -Altera Sp. z o.o.	Chernihiv, Ukraine	Production	subsidiary	100.0%	6.09.2007
Relpol -M j.v	Minsk, Belarus	Trade	subsidiary	80.0%	26.02.1997
Relpol -Eltim ZAO	Saint Petersburg, Russia	Trade	subsidiary	60.0%	9.07.1998
Relpol Elektronik Sp. z o.o.	Miostowice, Poland	Production	subsidiary	100.0%	27.06.2007

Transactions with related parties in 2018 and 2017

Name of the entity	in PLN '000													
	Sales to related parties		Purchases from related parties		Dividends		Trade accounts receivable		Other accounts receivable		Trade accounts payable		Other accounts payable	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Relpol-Altera DP Relpol	0	0	0	0	0	0	0	0	68	100	0	0	0	0
Altera	67	107	5,751	3,032	0	0	0	0	46	0	17	254	0	0
Relpol-M j.v	433	378	0	0	0	0	60	63	0	0	0	0	0	0
Relpol-Eltim Relpol Elektronik	1,458	1,482	0	0	87	73	60	158	0	0	0	0	0	0
	0	0	3,720	2,897	0	0	285	0	0	0	0	110	0	0
Total	1,958	1,967	9,471	5,929	87	73	405	221	114	100	17	364	0	0

The amounts of outstanding payments are not secured and will be settled in cash. No guarantees were granted or received. In the accounting period, the group did not recognise any costs arising from doubtful and at-risk accounts receivable, resulting from the transactions conducted with related parties.

30. Events after the balance sheet date

After the balance sheet date, there were no other events which would be significant and not described in the financial statements.

31. Remunerations, rewards and based on incentive and bonus programmes, paid, due or potentially due to the members of the governing bodies of the issuer

Data for 2018	Short-term employee benefits	Post-employment benefits	Termination benefits	Other long-term benefits	in PLN
					Potentially due benefits in subsequent periods
Members of the Management Board:	768,596	50,000	-	-	330,000*
Sławomir Bialik	419,632	-	-	-	174,000
Krzysztof Pałgan	313,850	-	-	-	156,000
Rafał Gulka – former President of the Management Board	35,114	50,000	-	-	-
Members of the Supervisory Board:	144,000	-	-	-	-
Adam Ambroziak	26,300	-	-	-	-
Piotr Osiński	24,000	-	-	-	-
Agnieszka Trompka	24,000	-	-	-	-
Zbigniew Derdziuk	45,700	-	-	-	-
Dariusz Daniluk	24,000	-	-	-	-
Total remuneration of the company's governing bodies	912,596	50,000	-	-	330,000

* The amount of the provision created for annual bonuses for the Management Board.

Data for 2017	Short-term employee benefits	Post-employment benefits	Termination benefits	Other long-term benefits	Potentially due benefits in subsequent periods
Members of the Management Board:	786,484	-	-	-	250,000**
Rafał Gulka – President of the Management Board	464,398	-	-	-	-
Sławomir Bialik – Vice President of the Management Board from 01.06.2017	184,800	-	-	-	-
Mariusz Matejczyk – Member of the Management Board from 01.06.2017 to 31.10.2017	137,286	-	-	-	-
Members of the Supervisory Board:	233,999	-	-	-	-
Adam Ambroziak*	138,000	-	-	-	-
Rafał Mania to 12.10.2017	18,727	-	-	-	-
Piotr Osiński	24,000	-	-	-	-
Agnieszka Trompka	24,000	-	-	-	-
Zbigniew Derdziuk	24,000	-	-	-	-
Dariusz Daniluk from 12.10.2017	5,272	-	-	-	-
Total remuneration of the company's governing bodies	1,020,483	-	-	-	250,000

* Including the remuneration for the performance of duties of a member of the Management Board from 1 January 2017 to 31 May 2017.

** In 2017, a provision was created for bonuses for the Management Board without division into individual members of the Management Board.

There are no share-based incentive programmes at the company. There are also no accounts payable resulting from pensions and similar benefits, due to former managerial and supervisory staff.

32. Loans granted to the governing bodies of the company

As at 31 December 2018, no loans were granted to the members of the Management Board, the Supervisory Board or their relatives.

33. Average employment

In 2018, the average number of employees of Relpol S.A. increased by 9 persons, from 464 employees in 2017 to 473 employees in 2018, which resulted from the flexible adjustments to the number of employees depending on the production needs. Furthermore, a number of trained employees worked at the company as part of the staff outsourcing services. On average, there were 55 such employees in 2018 and 43 in 2017.

34. Closing rates of monetary items expressed in foreign currencies

As at the balance sheet date, the items expressed in foreign currencies were translated using the exchange rates provided below.

Currency	Currency code	Exchange rate used for valuation of assets and liabilities as at 31.12.2018	Exchange rate used for valuation of assets and liabilities as at 31.12.2017
United States dollar	USD 1	3.7597	3.4813
Euro	EUR 1	4.3000	4.1709
Pound sterling	GBP 1	4.7895	4.7001
Russian rouble	RUB 1	0.0541	0.0604

35. Financial position of subsidiaries

The financial situation of the subsidiaries and the prospects for further operations are stable.

Very good results in 2018 were achieved by Relpol Eltim with its registered office in St. Petersburg. After several years of decline in sales revenues due to reduced demand and a difficult economic situation in Russia, the situation improved in 2018. The Company generated PLN 11,468 thousand of sales revenues, thus earning a net profit of PLN 694 thousand. Compared to 2017, this means an increase in the revenues in the Polish currency by 21% and in the net profit by 294%. The growth rate of these items in roubles is even higher. The Company regularly pays out a dividend.

Relpol Elektronik, which carries out manufacturing activities as commissioned by Relpol S.A., generated PLN 3,720 thousand of sales revenues in 2018, thus earning a net profit of PLN 91 thousand.

In 2018, DP Relpol Altera in Ukraine generated revenues in the amount of PLN 4,679 thousand, thus recording a net loss of PLN 450 thousand. The political and economic situation in Ukraine does not pose a threat to the operations of that company and the Capital Group.

There are no disruptions in the production process or trade with the companies in Ukraine and in Russia. The Management Board of the parent company monitors the situation, estimates the possible risk and believes that currently there are no reasons to be alarmed.

A stable situation can be observed also in a small Belarusian company Relpol M. In 2018, it generated sales revenues in the amount of approximately PLN 678 thousand, thus earning a net profit of PLN 37 thousand.

Relpol Altera in Ukraine carries out limited economic activities. The principal source of income is the lease of a production facility. In 2018, its sales revenues amounted to PLN 66 thousand, thus earning a net profit of PLN 0.1 thousand.

36. Difference in the net result for 2018 between the annual financial statements and the financial statements for Q4 of 2018

The company has chosen not to publish the financial statements for the fourth quarter of 2018. The profit for 2018 is in line with expectations.

37. Identification of factors which, in the issuer's opinion, will affect its results in the perspective of at least the next quarter

The financial results achieved by the company in the perspective of at least the next quarter will be mostly affected by the macroeconomic factors, beyond the companies' control, and the internal factors.

The external factors include:

- exchange rates and their fluctuations,
- domestic and foreign economic situation,
- prices of raw materials (copper, silver, gold, crude oil),
- expenditure on domestic and foreign investments,
- development of renewable energy sources,
- development of the photovoltaic industry,
- demand for the systems of radiological protection.

The internal factors, within the company's control, include primarily:

- achievement of planned sales targets,
- performance of the concluded commercial contracts,
- division of workload on production lines,
- adjustment of costs to the current economic situation on the market,
- increase in the market share based on the currently offered products,
- acquisition of new customers in the existing and new markets,
- rationalisation of the commercial product portfolio,
- acquisition of new customers for CZIP Pro,
- acquisition of new customers for the solar relay for solar inverters,
- improvement of profitability of the products,
- installation of radiation protection systems, according to the schedule of awarded contracts,
- finalisation of changes in the structure of the capital group.

V. APPLIED PRINCIPLES OF THE ACCOUNTING POLICY

1. Professional judgement

In the process of applying the accounting principles (policy) with respect to the issues presented below, the most important aspects have been the accounting estimates and the professional judgement of the management. Despite the fact that the assumptions and estimates are based on the best knowledge of the company's management concerning the current operations and future events, they may differ from the actual results. During the preparation of the financial statements, the company makes certain estimates and assumptions which directly influence both the consolidated financial statements and the notes contained therein. The estimates and assumptions made by the Company for the purposes of recognition of the values of assets and liabilities, as well as revenues and costs, are based on the back data and other factors which are available and deemed appropriate under specific circumstances.

The assumptions regarding the future and the available data are used to estimate the carrying value of assets and liabilities which cannot be determined using other sources. While making the estimates, the Company takes into account the causes and sources of uncertainty which are predicted at the end of the reporting period. The actual results may differ from the estimates.

The estimates and assumptions made by the Company are subject to regular review. The adjustments of estimates are recognised in the period in which the estimates were changed, if the adjustments pertain only to that given period. If the adjustments influence both the period in which the change was made and the future periods, they are recognised in the period in which the change was made and in the future periods.

The key assumptions concerning the future and other key sources of uncertainty present at the balance sheet date, which pose a significant risk of causing a material adjustment within the next financial year to the carrying amounts of assets and liabilities estimated by the Company are discussed below:

Useful life of fixed assets and intangible assets

Each year, the Management Board of the Company verifies the residual value, the depreciation method and the useful lives of depreciable fixed assets, taking into account the following indications:

- the expected physical wear and tear, based on the previous average useful lives, reflecting the rate of physical wear and tear, the intensity of exploitation etc.,
- obsolescence for technological or market-related reasons,
- restrictions, legal or otherwise, regarding the use of the asset,
- expected use of the asset, evaluated based on the expected production capacity or volume,
- other circumstances which influence the useful life of this type of assets.

The Management Board of the parent company assessed that the useful lives of assets assumed by the group for the purposes of depreciation reflect the expected period of future economic benefits from these assets.

In the case of a change in the useful life by 0 +/- 10 years for the depreciable assets from the buildings and structures group, the impact on the financial result as at 31 December 2018 would amount to: a decrease in depreciation by PLN 95 thousand or increase in depreciation costs by PLN 186 thousand, respectively (the figures for 31 December 2017: a decrease in depreciation costs by PLN 94 thousand or increase by PLN 184 thousand).

Classification of lease agreements under which the group is as the lessee

The group acts as a party to lease agreements. Each of the concluded lease agreements is analysed in terms of the risks and benefits resulting from the right to use the assets acquired pursuant to the agreement and depending on its evaluation according to the requirements of the IFRS, it is classified as an operating or financial lease agreement. The subsidiaries were not parties to lease agreements.

As at 31 December 2018, the value of concluded lease agreements amounted to PLN 2,599 thousand and as at 31 December 2017 – PLN 4,003 thousand.

Deferred income tax assets and liabilities

The deferred income tax assets and liabilities of the group are measured using the tax rates which, according to the available information, will be applied at the moment of utilisation of the assets or liabilities, based on the tax regulations legally or actually in force as at the end of the reporting period. The value of deferred income tax assets as at 31 December 2018 amounted to PLN 1,538 thousand (as at 31 December 2017 – PLN 1,465 thousand); the deferred income tax provision as at 31 December 2018 amounted to PLN 3,253 thousand and as at 31 December 2017 – PLN 3,201 thousand. The deferred income tax asset and liability are recognised in the statement of financial position as per account balance.

Provision for pensions and disability benefits

The provision for one-time retirement benefits and disability benefits is created separately for each employee by an independent actuary. The value of the provision for employee benefits is determined based on internal regulations. The valuation of the provisions for employee benefits is carried out using the actuarial techniques and assumptions; as at 31 December 2018, their value amounted to PLN 1,989 thousand and as at 31 December 2017 – PLN 1,995 thousand.

The significant actuarial assumptions made during the calculation of the defined benefit obligation include the 3.00% discount rate and the forecasted 1.00% increase in wages and salaries. The sensitivity analyses presented below have been prepared based on likely changes in relevant assumptions occurring at the end of the current reporting period, with the other assumptions remaining unchanged:

- in the event of the increase (decrease) in the discount rate by 0.25 percentage points, the defined benefit obligation will decrease by PLN 22 thousand (increase by PLN 22 thousand),
- in the event of the increase (decrease) in wages and salaries by 0.25 percentage points, the defined benefit obligation will increase by PLN 23 thousand (decrease by PLN 22 thousand).

2. Valuation principles

Fixed assets

Intangible assets

The intangible assets consist of the costs of development works, licences and computer software. The costs of development works include both the expenditure incurred on new development projects which meet the criteria for being considered an asset, and the completed development works. The development works are recognised as intangible assets when the project is likely to be successful and they are recorded according to the actual technical cost of production. Other costs of development works and costs of research which do not qualify for being capitalised in intangible assets are recognised as costs for the given period upon being incurred. The costs of development works previously recognised in the profit and loss account cannot be recognised as assets in a later period.

All capitalised expenditures are subsequently amortised throughout the period of the expected generation of revenues, beginning from the implementation of the given project.

In the majority of cases, the costs of completed development works are amortised over the period of 5 years.

The valuation of computer software which is likely to generate economic benefits outweighing the costs over a period longer than one year is carried out at acquisition price and the amortisation period of the software whose value does not have significant impact on the financial statements is 2 years.

The license for the SAP R-3 system installation package and the license for the payroll and HR programme are amortised over the period of 5–10 years.

Other intangible assets are also amortised over the period of 5–10 years.

The intangible assets are recognised at net value less the accumulated amortisation and impairment write-offs.

The amortisation write-offs are made based on the amortisation plan; the intangible assets are amortised on a straight-line basis. No later than at the end of the reporting year, the applied amortisation rates are verified and should the adjustment of the rates be deemed necessary, such adjustments are made in the subsequent year. If as a result of the verification of intangible assets carried out for each balance sheet date the impairment is found, the amortisation write-offs are charged to the loss.

If the grounds for amortisation write-offs are found to have ceased, they are reversed and the profit increases.

Tangible fixed assets

The tangible fixed assets consist of fixed assets which are intended to be used by the companies during the carrying out of their statutory activity and are expected to be used over a period exceeding one year. The initial value of fixed assets includes their acquisition price increased by any costs directly associated with the purchase and adaptation of the asset in order to make it fit for use. The costs incurred after the fixed assets are put into service, such as the costs of maintenance and repairs, are charged to the profit and loss account upon being incurred. In the cases where the incurred expenditure causes the value in use of a fixed asset

after the improvement to exceed its value in use upon being put into service, such expenditures are capitalised in the value of a respective fixed asset. So far, the company has not capitalised the estimated costs of dismantling and removing a fixed asset due to their insignificance.

Fixed assets are depreciated over their economic useful life specified in advance. Upon the liquidation or sale of fixed assets, their initial value and the accumulated depreciation are derecognised and the result of liquidation or sale is charged to the profit and loss account.

Tangible fixed assets are recognised at acquisition price or cost of production less the accumulated depreciation and impairment write-offs.

Tangible fixed assets are depreciated on a straight-line basis.

The respective depreciation periods of fixed assets are as follows:

Buildings	40 years
Structures	10–25 years
Machines and devices from groups 3–6 and 8	2–20 years
Means of transport	2–10 years

Fixed assets whose value does not have a significant influence on the financial statements and whose useful life exceeds 1 year are written off as cost as a single entry in the month following the month in which they are put into service.

For the balance sheet purposes, the depreciation write-offs are made by way of a systematic planned distribution of the initial value of fixed assets throughout their useful life. Relpol has implemented a procedure for carrying out the annual verification of depreciation rates in the context of the economic useful life.

While determining the further useful life of fixed assets, the following factors are taken into consideration:

- the number of shifts during which the fixed asset is used,
- technical and economic development rate,
- expenditure incurred on the renovation and modernisation of the equipment,
- capital expenditure plans.

The residual value is not taken into consideration during the determination of depreciation rates, since after the verification it was found to be negligible (close to zero).

Value of construction in progress

The commenced investments concern the fixed assets under construction or in the process of assembly and are recognised by either acquisition price or costs of production. The commenced investments are not subject to depreciation until the construction is complete and the fixed asset is put into service.

If the impairment of fixed assets, intangible assets or construction in progress is found, the write-offs of those assets are made.

Costs of external financing

The costs of external financing which can be directly attributed to the acquisition, construction or production of the adapted asset constitute a part of the acquisition price or the

cost of production of such asset. The other costs of external financing are recognised as a cost of the current period.

Long-term investments

The real properties are valued at acquisition price. The initial value of real property is decreased to its net value by accumulated depreciation write-offs and impairment write-offs.

Long-term interests in subordinate entities are recognised at acquisition price, taking into account their impairment.

Long-term prepayments and accruals

Long-term prepayments and accruals consist of the prepayments and accruals whose settlement period for cost instalments exceeds 12 months.

Current assets

Inventory

The inventory of tangible current assets includes: materials, work in progress, finished products and goods.

1. The inventory of materials is valued at weighted average acquisition price and in the case of import, statutory charges are added to the purchase price. The acquisition price is composed of the purchase price and the costs of purchase, added directly to the purchase price upon the purchase of materials. The weighted average acquisition price changes during subsequent purchases and is calculated as a weighted average of the existing inventory and new purchases.
2. Goods are also valued at weighted average moving acquisition price. The principles of price determination are identical to the principles applied in relation to the material inventory.
3. Work in progress is valued at the actual technical cost of production, taking into account the degree of processing of the work in progress.
4. Finished products are valued at technical cost of production, taking into account the fixed elements of the indirect production costs, and reflect the average level of utilisation of the production capacity. As at the balance sheet date, finished products are valued at actual technical cost of production no higher than their net selling prices.

Short-term accounts receivable

The short-term accounts receivable are all trade accounts receivable, irrespective of the contractual maturity date or other characteristics, due within 12 months after the balance sheet date. The accounts receivable with the maturity exceeding 12 months after the balance sheet date are included in the fixed assets.

The accounts receivable are recognised at net value, i.e. decreased by impairment write-offs.

The accounts receivable are measured at amount due including the default interest, if the discount value is not significant.

The accounts receivable are subject to revaluation by way of creation of write-offs, taking into account the level of risk and the likelihood of payment of the accounts receivable based on the analysis of back data regarding the collectability of receivables or based on the receivables ageing structures.

The receivables write-off is charged to the revenues or costs.

The transactions expressed in a foreign currency are recognised in Polish zloty as at the day of their completion at the average rate determined for the given currency by the National Bank of Poland on the last business day prior to the date of the economic transaction, unless a different exchange rate was determined in another document binding upon the entity.

The realised foreign exchange gains and losses occurring before the posting date and the transaction settlement date are charged to revenues or costs of the given period, respectively.

Cash

Cash includes cash on hand, cash at bank and other monetary assets with the date of redemption not exceeding 3 months. Cash is measured at nominal value. Cash at bank is disclosed with interest.

That interest is charged to the financial revenues.

Short-term prepayments and accruals

The prepayments and accruals include prepayments whose settlement period for cost instalments does not exceed 12 months.

Prepayments include:

- contribution to the Company Social Benefits Fund not transferred to a bank account.
- costs of subscription pertaining to the next accounting year,
- costs of insurance and other costs pertaining to the next accounting year.

Shareholders' equity

The capitals are recognised in the books, broken down into types according to the Statutes and the entry in the National Court Register:

- share capital is recognised in the amount provided in the Statutes of the Company and the entry in the National Court Register at nominal value,
- supplementary capital is created according to the Statutes, pursuant to the resolution of the General Meeting of Shareholders,
- revaluation reserve is the difference between the net value of fixed assets before and after revaluation carried out pursuant to relevant provisions of the law and the revaluation surplus,
- own shares acquired for the purpose of redemption,
- differences arising from statutory revaluation upon the consumption or liquidation of a fixed assets are transferred to the supplementary capital.

Long-term accounts payable

Long-term accounts payable include accounts payable, except for trade accounts payable, which fall due later than one year after the balance sheet date.

Such accounts payable are recognised at amortised cost. If the discount value is not significant, the accounts payable are recognised at amount due as at the balance sheet date.

Short-term accounts payable

Short-term accounts payable, both domestic and foreign, are recognised as at the balance sheet date at amount due if the discount value is not significant.

The transactions expressed in a foreign currency are recognised in Polish zloty as at the day of their completion at the average rate determined for the given currency by the National Bank of Poland on the last business day prior to the date of the economic transaction, unless a different exchange rate was determined in another document binding upon the entity.

The realised foreign exchange gains and losses occurring before the posting date and the transaction settlement date are charged to revenues or costs of the given period, respectively.

Provisions for liabilities

Provisions for liabilities are measured at reasonable value which has been estimated in a reliable manner. Provisions are created if, as a result of past events, a current, estimable account payable arises which, in the future, is likely to cause an outflow of resources embodying economic benefits. The amount of the created provisions is verified as at the balance sheet date in order to adjust it to the estimates in line with the information available on that day.

The balance of provisions as at the balance sheet date includes:

- provisions for probable liabilities,
- provisions for one-time retirement benefits,
- provisions for unused annual leave,

Credits and loans

The financial liabilities arising from bank credits and loans are measured upon their first recognition in the books, at fair value, and subsequently measured at amortised cost.

Leases

Fixed assets used pursuant to finance lease agreements which generally transfer to the company all benefits and risks related to holding assets, are recognised in the balance sheet at fair value of the leased asset or at amounts equal to the current value of minimum leasing fees, if it is lower than the fair value, and less the depreciation charges. The assumed utilisation periods result from the determined useful lives. Leasing fees are split between financial costs and the reduction of the outstanding balance of the account payable. The financial costs are recorded directly in the profit and loss account.

Employee benefit schemes

The employees are entitled to a one-time retirement benefit and a disability benefit. One-time retirement benefits and disability benefits are paid upon retiring or qualifying for disability pension according to the remuneration policy, whereas the amount of the benefit in both cases depends on the average remuneration for the period worked at the company, on the lowest national remuneration for the period worked outside the company, and on the length of service. The provision for long-term one-time retirement benefits is measured at current value of the future liability using the actuarial methods.

The change in the provisions for employee benefits is charged to revenues and costs for the period, except for the actuarial gains and losses, which are charged to other comprehensive income.

Furthermore, the group creates a provision for unused annual leave, which are considered a short-term, accumulated paid absence and will be paid as foreseen.

Income tax

The calculation of the income tax is based on the profit for the given period and takes into account the deferred tax. The deferred tax is determined using the liability method. According to that method, the expected tax results of temporary differences are determined based on the tax rates in force in the given year and recognised as deferred tax provisions or assets representing future decreases in income tax. Temporary differences are defined as the differences between the tax and balance-sheet measurement of assets and liabilities. The deferred income tax asset and provision are presented in the statement of financial position as per account balance. The deferred portion disclosed in the profit and loss account constitutes the difference between the balance of provisions and deferred income tax assets as at the end and the beginning of the period.

The deferred income tax provisions and assets pertaining to the events settled against equity or other comprehensive income are charged to equity or other comprehensive income.

The deferred tax assets are created after determining that a taxable income is likely to be generated in the future in the amount allowing the realization of deferred income tax assets.

The deferred income tax reserve is created if there are positive temporary differences which will cause the increase in the income tax calculation base in the future.

Financial instruments

From 1 January 2018, the Company classifies instruments according to the adopted business model into the following measurement categories:

- Measured at amortised cost. These are debt instruments held to collect contractual cash flows that include only principal and interest repayments (they meet the SPPI test). This category includes financial assets that meet the SPPI test in the form of loans granted, trade receivables, cash, trade liabilities, bank credits and lease liabilities.
- Measured at fair value through profit or loss. This category includes all instruments that do not meet the measurement criteria at amortised cost or at fair value through other comprehensive income. This category includes in particular financial instruments that do not meet the SPPI test. Gains or losses arising from the measurement of such assets are recognised in profit or loss in the period in which they arise.
- Measured at fair value through other comprehensive income. In such a situation, changes in fair value are not subject to reclassification to profit or loss and will not be recognised in profit or loss when such investments are no longer recognised in the books.

Impairment of financial assets

In accordance with IAS 9, the Company at each balance sheet date assessed whether there was any objective evidence of impairment of a financial asset or a group of financial assets.

IFRS 9 introduces a new approach to estimating impairment of financial assets measured at amortised cost based on the calculation of expected credit losses resulting in the recognition of an impairment loss on assets from the moment of their initial recognition. In the case of financial instruments measured at amortised cost and at fair value through the profit or loss account, allowances for expected credit losses are recognised in the profit or loss account.

For financial instruments measured at fair value through other comprehensive income:

- changes in fair value are recognised in other comprehensive income;
- impairment losses and foreign exchange profits and losses are recognised in the profit and loss account.

Liabilities

In accordance with IFRS 9, the Company classifies financial liabilities according to the following categories:

measured at amortised cost,

- measured at fair value through profit or loss.

The Company classifies all financial liabilities as measured at amortised cost after initial recognition, except for:

- financial liabilities measured at fair value through profit or loss;
- financial liabilities arising from the transfer of a financial asset that does not qualify for derecognition;
- financial guarantee agreements;
- commitments to grant loans with interest rates below the market rate;
- contingent consideration recognised by the acquirer as part of a business combination.

The Company classifies trade liabilities, finance lease liabilities as well as credits and loans as financial liabilities measured at amortised cost.

Financial liabilities are measured at the moment of their initial recognition at fair value through profit or loss when this leads to more relevant information being obtained through:

- eliminating or significantly reducing inconsistencies in measurement or recognition - referred to as an “accounting mismatch”;
- evaluating the manner of management of a group of financial liabilities or financial assets and financial liabilities based on fair value, in accordance with a documented risk management or investment strategy.

The Company presents profit or loss on a financial liability, which is designated as measured at fair value through profit or loss, in the following manner:

1. the amount of change in the fair value of a financial liability attributable to changes in credit risk associated with that liability is presented in other comprehensive income; and
2. the remaining amount of change in the fair value of the liability is presented in profit or loss.

If the treatment of the effects of changes in credit risk associated with that liability, described in paragraph 1, would result in the creation of or increase in an accounting mismatch in the entity’s profit or loss, the entity presents all profits or losses arising from that liability (including the effects of changes in credit risk associated with that liability) in profit or loss.

Other non-financial liabilities include in particular VAT liabilities towards the tax office and liabilities on account of received advance payments, which will be settled through the supply of goods, services or fixed assets. Other non-financial liabilities are recognised in the amount due.

Measurement to fair value

Fair value is understood as the price that would be obtained from the sale of an asset or paid to transfer a liability in a transaction conducted under normal conditions of disposal of an asset between market participants at the measurement date in current market conditions. Fair value measurement is based on the assumption that a transaction of sale of an asset or transfer of a liability takes place:

- on the principal market for the asset or liability, or
- in the absence of the principal market, on the most favourable market for the asset or liability.

Both the principal and the most favourable markets must be available to the Company.

The fair value of an asset or liability is measured based on the assumption that market participants in setting the price of the asset or liability act in their best economic interest.

The fair value measurement of a non-financial asset takes into account the market participant’s ability to generate economic benefits by the maximum and best use of the asset or by its disposal to another market participant that would ensure the maximum and best use of the asset.

The Company applies measurement techniques that are appropriate to the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable input data and minimising the use of unobservable input data.

All assets and liabilities that are measured to fair value or their fair value is disclosed in the financial statements are classified in the fair value hierarchy as described below based on the lowest level of input data that is significant for the measurement to fair value as a whole:

- Level 1– quoted (unadjusted) prices from active markets for identical assets or liabilities,
- Level 2 - measurement techniques for which the lowest level of input data that is significant for the measurement to fair value as a whole is directly or indirectly observable,
- Level 3 - measurement techniques for which the lowest level of input data that is significant for the measurement to fair value as a whole is unobservable.

As at each balance sheet date, in the case of assets and liabilities occurring as at individual balance sheet dates in the financial statements, the Company assesses whether there have been any transfers between hierarchy levels by reassessing the classification to particular levels, based on the significance of input data from the lowest level, which is significant for the measurement to fair value treated as a whole.

Transactions in foreign currencies

The transactions expressed in a foreign currency are recognised in Polish zloty as at the day of their completion at the average rate determined for the given currency by the National Bank of Poland on the last business day prior to the date of the economic transaction, unless a different exchange rate was determined in another document binding upon the entity.

At the end of each reporting period:

- the monetary items expressed in a foreign currency are translated using the closing rate applicable at the balance sheet date (i.e. the average rate determined by the National Bank of Poland for the given currency; if the rate was not determined for the given day, the most recent rate is used),
- the non-monetary items measured at historical cost or cost of production expressed in a foreign currency are translated using the historical exchange rate (i.e. the average rate of the National Bank of Poland for the given currency), applicable on the day of transaction, and
- the non-monetary items measured at fair value expressed in a foreign currency are translated using the exchange rate (i.e. the average rate of the National Bank of Poland determined for the given currency) applicable on the day of determination of the fair value.

All foreign exchange rate gains and losses arising from the change in the exchange rates after the transaction date, depending on the nature of the transaction, are charged to operating activities or financing activities, respectively.

Revenues from sales of goods and services

The revenues from sales of goods and services, after the deduction of the value added tax, rebates and discounts, are recognised when:

- the reliable amount of revenue is known,
- it is probable that the company will achieve economic benefits arising from the transaction,
- the entity transferred to the purchaser considerable risk and benefits resulting from the ownership of the goods,
- the entity ceases to be permanently involved in the management of the goods,
- the costs incurred can be measured in a reliable way,

Revenues from interest

The revenues arising from interest are recognised upon their charging, taking into account the effective rate of return on assets.

Dividends

The revenues arising from dividends are recognised when the company is granted the right to such dividends.

Operating expenses

Operating expenses are recognised in the period they pertain to.

Financial costs

Financial costs are charged to the profit and loss account as they arise.

Net profit per share

The profit per ordinary share has been determined as the quotient of the net profit for the given financial period and the weighted average number of shares held by the shareholders in the given period.

The diluted profit per share has been determined as the quotient of the net profit and the weighted average diluted number of shares.

3. New accounting standards and changes in the accounting policy

Application of new standards, amendments to the existing standards, applied for the first time in the financial statements of the Company and the Group for 2018

These financial statements have been drawn up pursuant to the International Financial Reporting Standards and the related interpretations, published in the form of regulations of the European Union.

IFRS 9 “Financial instruments”

The Company applied IFRS 9 retrospectively, but made use of the possibility of not restating the data for the comparative periods. As a result, the presented comparative data are still based on the accounting principles previously applied by the Company and described in the financial statements for the year ended 31/12/2017.

The Company decided to implement IFRS 9 on 01/01/2018 without adjusting the comparative data, which means that the data for 2017 and 2018 will not be comparable, while the adjustments related to the adaptation to IFRS were introduced as at 01/01/2018 with reference to equity. The table below sets forth the impact of the changes introduced as at 01/01/2018 on the separate financial statements, these changes are insignificant.

			in PLN '000
STATEMENT OF FINANCIAL POSITION	As of 31.12.2017	Changes	As of 01.01.2018
ASSETS			
(Short-term) current assets:	53,593	(8)	53,585
Trade accounts receivable	23,362	(8)	23,354
<u>TOTAL ASSETS</u>	<u>92,381</u>	<u>(8)</u>	<u>92,373</u>
EQUITY AND LIABILITIES			
Equity	72,418	(7)	72,411
Retained earnings:	24,372	(7)	24,365
- Revaluation reserve	338	(7)	331
Long-term accounts payable:	4,006	(1)	4,005
Deferred income tax reserve	1,736	(1)	1,735
<u>TOTAL EQUITY AND LIABILITIES</u>	<u>92,381</u>	<u>(8)</u>	<u>92,373</u>

Comparison of financial assets and liabilities according to IAS 39 and IFRS 9 as of 01.01.2018

Balance sheet item on 01/01/2018	in PLN '000					Impact of the amendment
	IAS 39	IFRS 9			Total	
	Amortised cost	Amortised cost	Fair value recognised through profit or loss			
			Result	Other comprehensive income		
Trade accounts receivable	23,362	23,354	0	0	23,354	(8)
- gross value	23,683	23,683	0	0	23,683	0
- write-off	(321)	(329)	0	0	(329)	(8)
Cash	484	484	0	0	484	0
Financial assets	23,846	23,838	0	0	23,838	(8)

Balance sheet item on 01/01/2018	IAS 39	IFRS 9		Total	Impact of the amendment
	Amortised cost	Amortised cost			
					Increase (decrease)
Bank credits	2,798	2,798		2,798	0
Trade accounts payable	7,394	7,394		7,394	0
Financial liabilities	10,192	10,192		10,192	0

Impact of the implementation of IFRS 9 on equity

Adjustment of write-offs for the assets measured at amortised cost:	Retained earnings	Total shareholders' equity
Accounts receivable	(8)	(8)
Deferred tax adjustments	1	1
Total	(7)	(7)

IFRS 15 “Revenue from Contracts with Customers”

The International Financial Reporting Standard 15 *Revenue from Contracts with Customers* (“IFRS 15”), issued in May 2014 and subsequently amended in April 2016, established a so-called five-step model for recognising revenues arising from the contracts with customers. According to IFRS 15, the revenues are recognised at the value of consideration which the entity expects to be entitled to in return for satisfying a performance obligation to the customer. The new standard replaced all the existing requirements pertaining to the recognition of revenues according to IFRS. The Company applied IFRS 15 on its effective date, adopting a modified retrospective approach, i.e. with the total effect of first application of IFRS 15 occurring on the day of its first application (which may result in the adjustment of equity as at 1 January 2018). The Company conducted a detailed analysis of the impact of IFRS 15 on the applied principles. This assessment is based on currently available information and interpretations concerning IFRS 15. The areas of the analysis of the impact of IFRS 15 included the following issues:

Deliveries of products and goods with the transport service and insurance for deliveries

The Company makes a number of deliveries pursuant to the agreements based on the commercial terms of delivery (Incoterms). Under the selected agreements, the Company – as the seller – is also responsible for ensuring the transport of the product and/or insurance. Pursuant to IAS 18 “Revenue” (“IAS 18”), the revenues from sales are recognised upon the transfer of risks and benefits related to the good being sold to the customer.

In terms of the revenue recognition, IFRS 15 mentions the moment of the passing of control of the good, which is a term broader than the transfer of risks and benefits. IFRS 15 also requires the identification of separate performance obligations and the proper allocation of the transaction price to each of the identified obligations. In the event that the seller of the good also offers the transport service and/or insurance, the entity shall assess whether such services constitute a separate performance obligation.

When the control of the transferred good is passed to the customer after the provision of the transport service and the expiry of the insurance period, the delivery of the good, the transport and the insurance constitute a single performance obligation. Alternatively, when the control of the inventory is passed to the customer prior to the provision of the transport service and/or insurance service, the delivery of the good, the transport and the insurance constitute separate performance obligations. The delivery of a good is a performance obligation satisfied at a point in time and the transport and insurance service is a performance obligation satisfied over time.

The impact of the allocation of a portion of the revenue to the sale of the good and the transport and insurance service results in the changes in the following areas:

– the moment of revenue recognition – the recognition of the revenue in relation to the delivered good at a point in time when the control of the good is passed to the customer and the recognition of the portion of the revenue attributable to the transport and/or insurance service over time.

The Company estimated the impact of IFRS 15 on the agreements for the delivery of a good with the transport and insurance service. The Company determined that the impact of IFRS 15 upon revenue recognition is insignificant. Therefore, the Company did not recognise the adjustment to equity as at 1 January 2018.

Services provided to the suppliers

IFRS 15 requires the identification of separate performance obligations and the determination whether individual transactions with a given counterparty are separate in nature. Furthermore, under IAS 18 the Company assesses whether the services provided to the suppliers constitute a “identifiable benefit” for the supplier and whether the consideration received on that account is related to the goods sold (i.e. whether it impacts the own cost of sales or constitutes an item of revenues).

In the Company’s opinion, IFRS 15 did not cause any changes in this area in relation to the practice followed by the Company under IAS 18.

Variable consideration

According to IFRS 15, if the contractual consideration includes a variable amount, the entity estimates the amount of consideration to which it will be entitled in return for the transfer of promised goods or provision of services to the customer and includes the amount of the variable consideration in the transaction price (revenue) only to the extent in which it is highly probable that a reversal of the significant portion of the previously recognised accumulated revenues will not occur when the uncertainty associated with the variable consideration is resolved.

Certain agreements concluded by the Company with the customers provide for trade discounts or volume rebates. Currently, the Company recognises the revenues from sales of goods at fair value of the payment received or due, net of any reimbursements and discounts. If the revenue cannot be reliably measured, the Company defers the recognition of the revenue until such uncertainty is resolved.

Due to the fact that IFRS 15 requires that the transaction price include the variable elements of the consideration as at the date of conclusion of the agreement, it is necessary to estimate the amount of due variable consideration and allocate it to all performances to which the variable element of consideration applies. These types of variable elements of consideration will require a revaluation at the end of each reporting period. In relation to certain contracts, the implementation of IFRS 15 will result in the changes in, for instance, the moment of recognition of trade discounts and volume rebates. The increase or decrease in revenues on this account will occur earlier than provided for in IAS 18, which allowed the recognition of the contingent elements after the event required for their granting occurs.

Additionally, according to IFRS 15, the variable elements of consideration include contractual penalties. The Company has analysed the types of contractual penalties provided for in the existing agreements. The contractual penalties, which – prior to the implementation of IFRS 15 – were subject to other standards, such as IAS 37, will remain within the scope of other standards. Therefore, a portion of contractual penalties will be presented in the profit and loss account and the statement of other comprehensive income – as an increase or decrease in revenues arising from the agreements with the customers.

As a result of that change, in order to estimate the amount of consideration to which the Company will be entitled, the most likely amount method was applied to the agreements with one value threshold and the expected amount or most likely amount method was applied to the agreements with more than one value threshold, on which the customer is granted a rebate, depending on which of those methods will determine the amount of consideration in a more reliable way.

The Company estimated the impact of IFRS 15 on the estimation of revenues arising from the variable consideration. The Company determined that the impact of IFRS 15 upon revenue recognition is insignificant. Therefore, the Company does not recognise the adjustment to the Company equity as at 1 January 2018.

Non-monetary exchange

The Company does not enter into transactions consisting in non-monetary exchange.

The Company does not identify the impact of IFRS 15 in this aspect.

Transactions with a right of return

IFRS 15 regulates the granting of a right of return of the good to the customer. It provides that the revenue should be recognised in the amount of consideration to which it expects to be entitled. Therefore, the entity does not recognise revenues from the sales of goods which are expected to be returned. Pursuant to IFRS 15 – due to the fact that the customer is entitled to return the good under the agreement – the consideration received from the customer is variable in nature.

The Company decided to apply the expected amount method to the revenues from the delivery of goods which are expected to be returned.

The Company analysed the revenue agreements which provide for the sale with a right of return. As a result of the analysis, the Company did not identify the impact of IFRS 15 on equity as at 1 January 2018.

Principal versus agent's consideration

IFRS 15 introduces a new model for determining whether the seller acts as a principal or as an agent. In accordance with the provisions of IFRS 15, while determining whether the seller acts as a principal, it should be considered if they have the control of the good (the provided service) prior to passing the control of the good (service) to the customer. Pursuant to IFRS 15, the Company will take into consideration the following criteria while assessing the agency model:

- primary responsibility of the seller for fulfilling the commitment to deliver a good or a service,
- inventory risk,
- discretion in establishing the prices of specific goods or services.

The Company analysed the contractual clauses in sales agreements in terms of the identification of the agency model and, as a result, did not identify the impact of IFRS 15 in this area, taking into consideration the nature and characteristics of the agreements in force.

Customer loyalty programmes

The Company does not offer any customer loyalty programmes

The Company does not identify the impact of IFRS 15 in this aspect.

Significant financing component

According to IFRS 15, the Company assessed whether a given agreement contains a significant financing component. The Company decided to apply a practical solution, according to which it does not adjust the promised amount of consideration by the impact of the significant financing component if upon the conclusion of the agreement it expects that the period between the transfer of the promised good or service to the customer and the payment for the good or service by the customer will not exceed one year.

As a result, the Company will not separate the significant financing component for short-term prepayments.

IFRS 16 “Leases”

In January 2016, the International Accounting Standards Board issued the International Financial Reporting Standard 16 “Leases” (“IFRS 16” or “Standard”) which replaced IAS 17 “Leases”, IFRIC 4 “Determining Whether an Arrangement Contains a Lease”, SIC 15 “Operating Leases – Incentives” and SIC 27 “Evaluating the Substance of Transactions in the Legal Form of a Lease”. IFRS 16 specifies the recognition rules pertaining to leases in terms of measurement, presentation and disclosure of information.

IFRS 16 introduces a uniform accounting model for the lessee and requires that the lessee recognise assets and liabilities resulting from each lease exceeding 12 months, unless the value of the underlying asset is low. On the day of commencement, the lessee recognises the asset on account of the right of usufruct of the underlying asset and the lease liability which reflects their obligation to pay leasing fees.

The lessee separately recognises the depreciation of the asset on account of the right of usufruct and the interest on the lease liability. The lessee revaluates the lease liability after specific events (e.g. a change in the leasing period or a change in future leasing fees resulting from a change in the index or rate used to determine the said fees). Generally, the lessee recognises the revaluation of the lease liability as an adjustment of the value of the assets on account of the right of usufruct.

IFRS 16 requires both the lessee and the lessor to make broader disclosures than stipulated in IAS 17.

The lessee is entitled to choose either the full or the modified retrospective approach and the transitional provisions contain certain practical solutions.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

The Company broke down the current operating lease agreements into groups and identified the categories of agreements previously unrecognised as leases, which may meet the definition of a lease according to IFRS 16.

In particular:

- The Company is a party to cooperation agreements under which it orders the manufacture of products then sold by the Company, providing the cooperating party with full specification and technical requirements concerning these products. The concluded agreements may be terminated with 3 months' notice or at the end of a given calendar year. Cooperating parties are not obliged to produce the ordered batches on specific machines, the agreements do not contain any restrictions regarding the acquisition of other customers by the cooperating parties. The services provided by cooperating parties are available on the market. In connection with the above mentioned features of the concluded agreements, the Company:
 - Considers that these agreements do not meet the definition of a lease because they do not concern the transfer of rights to use full or part of the physical production capacity;
 - Even in the event of orders placed by the Company to cooperating parties, which would result in filling their full production capacity, the Company does not believe that there is sufficient certainty that the cooperation agreement will last longer than 12 months, which would result in the agreement being classified as a short-term agreement.

Taking into account these issues - the Company classifies cooperation agreements as service agreements.

- The Company owns property under perpetual usufruct of land, which in accordance with the new standard will be presented as assets under rights of use, and future fee payments will be discounted and disclosed as a liability.
The Company assessed the value of potential liabilities and assets by virtue of the rights to use this property on the basis of the following assumptions:
 - The leasing period will be the period remaining in perpetual usufruct from the date of these financial statements;
 - The lease interest rate of 6.71% was determined as the marginal borrowing rate of the Company. The marginal borrowing rate for the Company was determined on the basis of the margin on current loan agreements included in the financial statements of the Parent Company, which was extrapolated for the lease period in order to determine the correct value of the liquidity margin.
 - Perpetual usufruct payments will remain at the 2018 level (in accordance with paragraph 27.b of the Standard, which indicates that variable lease payments are treated on initial recognition).
 - In accordance with paragraph C8.b.2 of the Standard, the Company assumed that the value of the assets on account of the right of use at the time of first application of the Standard would be recognised as an amount equal to the liabilities.

As a result of the assumptions and calculations made, the Company determined the value of leasing liabilities and assets on account of the right of use at: PLN 87,377.

In implementing IFRS 16, the Company will apply a simplified approach (without restatement of comparative data) with effect on the opening balance sheet, i.e. 1 January 2019.

The Company plans to use both possible simplifications in accordance with paragraph C10.c of IFRS 16 and apply the Standard only to agreements longer than 12 months in which the value of the leased asset exceeds USD 5,000.

For lease agreements etc. concluded for an unspecified period of time with a notice period shorter than 12 months, the Company does not consider them as lease agreements

Apart from the agreements mentioned above, the Company estimates that the impact of the Standard on the financial position of the Company will be insignificant.

Other amendments

a) Interpretation IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

The Interpretation explains that the date of a transaction for the purpose of determining the exchange rate to be used on initial recognition of the related asset, expense or income (or part thereof) is the date on which an entity initially recognises a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, a date of transaction is established by an entity for each payment or receipt in advance.

The Interpretation has no material effect on the Company's financial statements.

b) Amendments to IAS 40 *Transfers of Investment Property*

The amendments specify when an entity transfers property, including property under construction, to or from investment property. The amendments clarify that a change in the manner of use occurs when particular property meets or ceases to meet the definition of investment property and there is evidence of a change in the manner of use. A mere

change in the intentions of the management with regard to the manner of use does not constitute evidence of a change in the manner of use.

The amendment does not concern the Company.

c) *Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions*

The International Accounting Standards Board (IASB) has published amendments to IFRS 2 *Share-based Payment Transactions* to clarify the following areas: including vesting and non-vesting conditions in the measurement of cash-settled share-based payment transactions; recognising share-based payment transactions with net settlement of withholding tax liabilities; and recognising modifications to share-based payment transactions that change their classification from cash-settled to equity-settled.

The amendment does not concern the Company.

d) *Amendments to IFRS 4 Application of IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*

The amendments allow entities that conduct insurance operations to postpone the effective date of IFRS 9 until 1 January 2021. The effect of such postponement is that interested entities may continue to prepare financial statements in accordance with the applicable standard, i.e. IAS 39.

The amendment does not concern the Company.

e) *Amendments to IAS 28 Investments in Associates and Joint Ventures as part of Amendments resulting from the review of IFRS 2014-2016*

The amendments specify that an entity which is a venture capital organisation, mutual fund, trust fund or a similar entity, including an investment-related insurance fund, may elect to measure its investment in an associate or joint venture at fair value through profit or loss in accordance with IFRS 9. An entity makes such election separately for each associate or joint venture on initial recognition of that associate or joint venture. If an entity that is not an investment entity itself holds an interest in an associate or joint venture that is an investment entity, such entity may elect, using the equity method, to maintain the fair value measurement used by the associate or joint venture that is an investment entity in respect of that associate's or joint venture's interests in subsidiaries. This election is made separately for each associate or joint venture on: a) the initial recognition of that associate or joint venture that is an investment entity; b) the date on which the associate or joint venture becomes an investment entity; c) the date on which the associate or joint venture that is an investment entity becomes a parent.

The amendment does not concern the Company.

f) *Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards as part of the Amendments resulting from the review of IFRS 2014-2016*

The short-term exemptions from applying other IFRSs included in paragraphs E3–E7 of IFRS 1 were deleted.

The amendment has no material effect on the Company's financial statements.

The Company has not elected to early adopt any of the standards, interpretations or amendments that have been published but are not yet effective in accordance with the European Union regulations.

New standards and interpretations which have been published but are not yet effective.

The following standards and interpretations have been published by the International Accounting Standards Board, but are not yet effective:

- IFRS 14 *Regulatory Deferral Accounts* (published on 30 January 2014) - pursuant to the European Commission's decision, the process leading to the approval of a preliminary version of the standard will not be initiated until the issue of its final version - not endorsed by the EU by the date of authorisation of these financial statements for issue – effective for annual periods beginning on or after 1 January 2016;
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (published on 11 September 2014) - work leading to endorsement of the amendments was deferred by the EU for an indefinite period – effective date was deferred by the IASB for an indefinite period;
- IFRS 16 *Leases* (published on 13 January 2016) – effective for annual periods beginning on or after 1 January 2019;
- IFRS 17 *Insurance Contracts* (published on 18 May 2017) - not endorsed by the EU as at the date of authorisation of these financial statements for issue – effective for annual periods beginning on or after 1 January 2021;
- IFRIC 23 *Uncertainty over Income Tax Treatments* (published on 7 June 2017) – effective for annual periods beginning on or after 1 January 2019;
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation* (published on 12 October 2017) – effective for annual periods beginning on or after 1 January 2019;
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures* (published on 12 October 2017) – not endorsed by the EU as at the date of authorisation of these financial statements for issue – effective for annual periods beginning on or after 1 January 2019;
- *Amendments resulting from the review of IFRS 2015–2017* (published on 12 December 2017) – not endorsed by the EU by the date of authorisation of these financial statements for issue – effective for annual periods beginning on or after 1 January 2019;
- Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement* (published on 7 February 2018) – not endorsed by the EU as at the date of authorisation of these financial statements – effective for annual periods beginning on or after 1 January 2019;
- *Amendments to References to the Conceptual Framework in International Financial Reporting Standards* (published on 29 March 2018) – not endorsed by the EU as at the date of authorisation of these financial statements for issue – effective for annual periods beginning on or after 1 January 2020;
- Amendment to IFRS 3 *Business Combinations* (published on 22 October 2018) – not endorsed by the EU as at the date of authorisation of these financial statements for issue – effective for annual periods beginning on or after 1 January 2020;
- Amendments to IAS 1 and IAS 8: *Definition of materiality* (published on 31 October 2018) – not endorsed by the EU as at the date of authorisation of these financial statements for issue – effective for annual periods beginning on or after 1 January 2020.

The effective dates are set in the text of the standards announced by the International Accounting Standards Board. The effective dates of the standards in the European Union may differ from those specified in the text of the standards and are announced on approval of a standard by the European Union.

The Company does not intend to early adopt any of the standards, interpretations or amendments that have been published but are not yet effective in accordance with the European Union regulations.

Except for the amendments described below, the standards, interpretations and amendments to the standards would have had no material effect on the financial statements, had they been applied by the Company as at the balance sheet date.

Signatures of Members of the Management Board:

.....
Krzysztof Pałgan
Vice President of
the Management Board

.....
Sławomir Bialik
President of
the Management Board

Signature of the person entrusted with the keeping of accounting ledgers:

.....
Tomasz Zając
Chief accountant