

*Dear Sir or Madam,
Dear Shareholders,*

on behalf of the Management Board of Relpol S.A., it is my pleasure to present you with the annual reports of the Company and Relpol Capital Group for 2018.

Last year was a period of intensive work for the Capital Group, due to the exceptionally demanding market, organisational changes and actions undertaken in several areas of activity, i.e. production, trade, marketing and social activities.

We began 2018 with high expectations of stakeholders, i.e. investors, customers and employees, towards the new Management Board. In the opinion of the Management Board, these expectations have been met. The financial results attained by the company and the Capital Group in 2018 were very good. The Capital Group generated sales revenue which are at a record-high looking at the history of its activity. Approximately 70% of the revenue came from export markets and 30% from the domestic market. We are all the more pleased with the fact that it was our 60th anniversary of conducting business in the area of development and production of electromagnetic relays. We have received many awards and distinctions for our activity and products. In our activity we were guided by a strategy of sustainable and organic development. A strategy based on the development of key competences and strengths. A strategy leading to an increase in sales revenue, improvement of the company's results and sensitivity to the social surroundings and environment.

Both the Company, which has a dominant influence on the results of the Capital Group, and the entire Capital Group have shown high dynamics of sales revenue, in particular net profit. Consolidated sales revenue amounted to PLN 135,759,000 and were 10% higher than the revenue in 2017. The net profit of the Capital Group amounted to PLN 2,610,000 and was higher by 63% than the profit in the previous year.

The favourable situation on foreign markets, marketing activities undertaken, optimisation of processes and operating costs influencing the Group's result had the most significant impact on the achieved results. Particularly noteworthy is the increase in sales to the German market, the integration with key customers. The increase of sales of products on the Russian market should also be noted. Sales on the domestic market increased by approximately 10%, which was caused both by the continuation of automation of production processes and the level of investments in the energy and electro-technical sector in Poland.

In 2018, in the area of production, activities focused on timely and quantitative implementation of sales plans, product quality and meeting customers' expectations of shorter delivery times. Works and investments related to changes in technological processes and increasing production capacity were carried out.

In the area of marketing and sales, organisational changes have been made to improve the effectiveness of operations and customer service. The analysis and revision of the trade policy was carried out, making the trade offer more attractive and influencing the sales effectiveness.

To sum up the market prospects in a few sentences, one could say that these will remain positive for the next few years for the industrial automation industry, in which the Relpol Capital Group operates. Factors such as the increase in personnel costs, electricity costs and the need to compete in many industries should lead to automation of production. Care for the environment will also lead to the development of renewable energy industries such as photovoltaics and electromobility. This in turn will entail the need to reconstruct and expand the energy networks. We must not forget about the dynamically developing area of building automation, rail transport and household appliances. In these key and dynamically developing branches of industry, the products developed, manufactured and marketed by the Relpol Group are and will be used.

From the perspective of the assessment of the situation after the first quarter of 2019 and the analysts' forecasts, in 2019 we can expect the volatility on the commercial markets where the Capital Group operates. However, this will not change the direction of development. We believe that the industry branches where Relpol products are used will continue to be absorbent. Therefore, we will continue to intensify investment activities aimed at production automation, improving product quality, increasing production capacity and expanding our portfolio.

Last but not least, I would like to thank our customers, suppliers, shareholders and the Supervisory Board for their trust and fruitful cooperation. I would also like to thank all employees of the Capital Group of Relpol S.A. for their involvement and dedication. We owe our success to you.

Yours faithfully,

Sławomir Bialik
President of the Management Board,