

**Interim condensed  
financial statements  
of the Relpol S.A.  
for the first half of 2018**

Prepared in accordance with IAS/IFRS



## Table of contents

I. BASIC INFORMATION ON THE COMPANY.....	3
1. General Information .....	3
2. Brief description of the company's activities.....	4
3. Company's management .....	4
4. Share capital .....	5
5. Statements of the Management Board.....	5
II. INTERIM CONDENSED FINANCIAL STATEMENTS .....	7
1. Selected financial data.....	7
2. A condensed profit and loss account.....	8
3. Condensed statements of comprehensive income .....	9
4. A condensed statement of financial position.....	10
5. Condensed statement of cash flows.....	11
6. Condensed statement of changes in equity.....	12
III. INFORMATION ON THE ADOPTED ACCOUNTING PRINCIPLES.....	14
1. Significant accounting principles .....	14
2. New accounting standards and changes in the accounting policy.....	15
3. Changes in the manner of presentation of the items of the financial statements .....	15
IV. NOTES AND OTHER EXPLANATORY NOTES.....	18
1. Business segments .....	18
3. Revenues from sales .....	20
4. Costs of products, goods and materials sold and costs by type.....	20
5. Other operating activities .....	21
6. Financing activities.....	22
7. Net result .....	22
8. Cash and cash flows .....	22
10. Income tax .....	23
11. Write-offs and provisions .....	24
13. Credits and loans .....	26
14. Finance lease .....	28
15. Tangible fixed assets .....	28
16. Financial risk factors .....	29
17. Related party transaction .....	30
18. Dividend.....	32
20. The management board's position on feasibility of the previously published forecasts for the year.....	32
21. Description of factors and events, and in particular of an unusual nature, having a significant impact on the achieved financial results of the Company .....	33
22. Explanations regarding seasonal or cyclic nature of the Company's business .....	33
23. Sold or discontinued operations .....	33
24. Profit and equity per share.....	33
25. Information on contingent receivables or liabilities.....	34
26. Events after the balance sheet data.....	34

## I. BASIC INFORMATION ON THE COMPANY

### 1. General Information

**Company name:** „RELPOL” Spółka Akcyjna

**Registered office of the Company:** ul. 11 Listopada 37, 68-200 Żary, Poland

Registering authority: District Court in Zielona Góra, 8th Commercial Division of the National Court Register.

**KRS Number:** 0000088688

The **Company's duration** is unlimited.

**Core business activity:** Manufacture of electricity distribution and control apparatus (PKD 27.12.Z).

**Period covered by these statements:** from 01/01/2018 to 30/06/2018

**Comparable data** for the period from 01/01/2017 to 31/03/2017 and from 01/01/2017 to 30/06/2017

The presented financial data as at 30 June 2018 and 30 June 2017 were reviewed by the auditor and as at 31 December 2017 they were audited.

#### **Format of the financial statements**

The present consolidated 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.

#### **Approval of the financial statements**

The financial statements for 2017 were approved by the Ordinary General Meeting of Shareholders on 12/06/2018.

The consolidated financial statements for the 1st half of 2018 have been approved by the Management Board and will be published on 23/08/2018.

#### **Significance**

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

#### **Financial year**

The company's financial year is the calendar year.

#### **Reporting period**

The reporting periods are quarterly (at the end of each calendar quarter), half-year (at the end of a six-month period of the calendar year) and annual periods (at the end of each calendar year).

#### **Place of keeping the accounting ledgers**

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

#### **Functional and presentation currency**

The functional currency is the Polish zloty.

The presentation currency of the financial statements is the Polish zloty. All values provided in the statements, unless provided otherwise, are indicated in PLN thousand.

### **Contents of the financial statements**

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

- a condensed statement of financial position,
- a condensed profit and loss account,
- a condensed statement of comprehensive income,
- a condensed statement of cash flows,
- a condensed statement of changes in equity,
- notes on the adopted accounting policy and other explanatory

## **2. Brief description of the company's activities**

The first plant manufacturing relays was established in Żary 60 years ago, in 1958. Initially, the plant operated as a branch of Refa Świebodzice, and later as a branch of Lumel Zielona Góra. In 1982, the enterprise of Zakład Przekąźników was established as a stand-alone entity. At the end of 1990, the company's employees became interested in privatising the company and boldly chose an innovative form of employee leasing. The Ministry of Industry gave its consent to this and in March 1991 Relpol S.A. was established and its first shareholders were employees. Throughout this period, the core activity of the company was focused on the production and development of various types of electromagnetic relays. Currently, in addition to relays, the company manufactures plug-in sockets for relays and various other automation components. And with the acquisition of the company "Polon" in Zielona Góra, Relpol became a manufacturer of stationary radiation monitors and CZIPs, i.e. a system of digital protection, automation, measurement, control, registration and communication for professional power engineering and renewable energy sources such as wind farms, hydroelectric power plants and photovoltaic farms. Therefore, the company has extensive experience in the industry, is a leader among manufacturers of electromagnetic relays in Poland and a significant and recognisable manufacturer in Europe.

In the presented financial statements, Relpol S.A. will also be referred to as the Company, the parent company or the issuer.

## **3. Company's management**

### **Management Board**

1. Sławomir Bialik - President of the Management Board
2. Krzysztof Pałgan - Vice-President of the Management Board

On 6 February 2018, the Supervisory Board appointed Sławomir Bialik President of the Company's Management Board (previously he was Vice-President of the Management Board) and Krzysztof Pałgan Vice-President of the Company's Management Board.

Until 6 February 2018, the duties of the President of the Company's Management Board were performed by Adam Ambroziak – temporarily assigned Member of the Supervisory Board.

## **Supervisory Board**

1. Zbigniew Derdziuk – Chairman of the Supervisory Board
2. Piotr Osiński - Vice-Chairman of the Supervisory Board
3. Adam Ambroziak
4. Agnieszka Trompka
5. Dariusz Daniluk

On 12 June 2018, the General Meeting of the Company appointed Mr. Dariusz Daniluk to the Supervisory Board. Mr. Dariusz Daniluk has been a member of the Supervisory Board since 12 October 2017, when the Supervisory Board, pursuant to the provisions of § 24(4) of the Company's Articles of Association, appointed him to be one of its members by way of co-optation. Mr. Dariusz Daniluk was able to perform his duties until a member of the Supervisory Board was elected by the General Meeting.

## **4. Share capital**

The share capital of the company amounts to PLN 48,045,965 and consists of 9,609,193 bearer shares with a nominal value of PLN 5 each. All issued shares are publicly traded and listed on the Warsaw Stock Exchange.

The share capital is divided into:

- 360,300 A series bearer shares
- 240,200 B series bearer shares
- 254,605 C series bearer shares
- 18,458 D series bearer shares
- 8,735,630 E series bearer shares

The number of shares and the number of votes at the General Meeting of Shareholders is the same. All shares confer the same rights to dividend.

## **5. Statements of the Management Board**

### **Statement on compliance with IFRS**

The present interim condensed financial statements have been prepared in accordance with the requirements of the International Financial Reporting Standards approved by the European Union (EU IFRS), IAS 34 Interim Financial Reporting, and have been approved by the Management Board of Relpol S.A.

The Management Board of the parent company used its best knowledge to apply the standards and interpretations as well as the methods and principles of valuation regarding individual items of the interim condensed consolidated financial statements of the Relpol S.A. in accordance with EU IFRS as at 30/06/2018. The presented summaries and explanations have been determined with due diligence.

### **Statement on the going concern assumption**

These financial statements have been drawn up with the assumption that the company will continue its operations as a going concern in the foreseeable future and there are no circumstances indicating a threat to the continuation of its operations.

### **Statement on the selection of the entity to audit the financial statements**

On 15 December 2017, the Supervisory Board of the Company adopted a resolution on the selection of the auditor to review the half-yearly and audit the annual separate and consolidated financial statements of the company and the capital group for 2018 and 2019. At the request of the Audit Committee, the Supervisory Board selected UHY ECA Audyt Spółka z ograniczoną odpowiedzialnością Sp. k. with its registered office in Kraków, 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 parent company has never used the services of UHY ECA Audyt Spółka z ograniczoną odpowiedzialnością Sp. k.

### **Statement on the correctness of drawing up the financial statements**

To the best knowledge of the Management Board of the parent company, the interim consolidated financial statements for the 1st half of 2018 and the interim condensed separate financial statements of Relpol S.A. for the 1st half of 2018 being its part, as well as the comparative data in these statements, have been prepared in accordance with the applicable accounting principles. The statements have been prepared in accordance with International Accounting Standard IAS 34 “Interim Financial Reporting”. The Company applies the provisions of the Accounting Act and the executive regulations issued on its basis, to the extent not regulated by IAS/IFRS. The statements reflect the property and financial position, as well as the financial result achieved by the Company and the Capital Group in the specified reporting periods in a true, accurate and clear way.

The Management Board's report contains a true picture of the development and achievements of the Company and the Capital Group, their economic and financial standing, including a description of key risk factors and threats

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

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

## II. INTERIM CONDENSED FINANCIAL STATEMENTS

### 1. Selected financial data

SELECTED FINANCIAL DATA	in PLN thousand	in PLN thousand	in PLN thousand	in EUR thousand	in EUR thousand	in EUR thousand
	For the 1st half period from 01/01/2018 to 30/06/2018	For the 1st half period from 01/01/2017 to 30/06/2017	For the previous year period from 01/01/2017 to 31/12/2017	For the 1st half period from 01/01/2018 to 30/06/2018	For the 1st half period from 1/01/2017 to 30/06/2017	For the previous year period from 1/01/2017 to 31/12/2017
<b>PROFIT AND LOSS ACCOUNT</b>						
Net revenues from sales of products, goods and materials	63,102	58,717	115,533	14,884	13,824	27,218
Profit (loss) on operating activities	5,313	4,198	8,334	1,253	988	1,963
Gross profit (loss)	5,900	3,800	7,720	1,392	895	1,819
Net profit (loss)	4,573	3,108	6,052	1,079	732	1,426
<b>STATEMENT OF CASH FLOWS</b>						
Net cash flow from operating activities	5,080	-583	4,676	1,198	-137	1,102
Net cash flow from investing activity	-2,889	-1,774	-3,284	-681	-418	-774
Net cash flow from financing activity	-2,080	-135	-4,693	-491	-32	-1,106
Total net cash flows	111	-2,492	-3,301	26	-587	-778
<b>STATEMENT OF FINANCIAL POSITION</b>						
	As at 30/06/2018	As at 30/06/2017	As at 31/12/2017	As at 30/06/2018	As at 30/06/2017	As at 31/12/2017
Total assets	97,108	93,529	92,381	22,264	22,129	22,149
Long-term accounts payable	3,789	4,080	4,006	869	965	960
Short-term accounts payable	20,180	19,607	15,957	4,627	4,639	3,826
Equity attributable to the shareholders of the company	73,139	69,842	72,418	16,769	3,968	17,363
Share capital	48,046	48,046	48,046	11,016	11,368	11,519
<b>OTHER</b>						
Number of shares	9,609,193	9,609,193	9,609,193	9,609,193	9,609,193	9,609,193
Annualised net profit (loss) per 1 ordinary share for the shareholders of the company (in PLN/EUR)	0.78	0.54	0.63	0.18	0.13	0.15
Profit (loss) per one ordinary share for the shareholders of the company (in PLN/EUR)	0.48	0.32	0.63	0.11	0.08	0.15
Book value per share attributable to the shareholders of the company (in PLN/EUR)	7.61	7.27	7.54	1.74	1.72	1.80
Dividend declared or paid per share (in PLN/EUR)	0.40	0.40	0.40	0.09	0.09	0.09

In the periods presented, there are no factors diluting the shares.

### Manner of conversion of the amounts included in the table “Selected financial data” into Euro

In order to convert the above amounts we applied an average exchange rate of the National Bank of Poland for Euro applicable for individual balance sheet dates and time frames:

Euro exchange rate in PLN	01/01/2018 30/06/2018	30/06/2018	01/01/2017 30/06/2017	30/06/2017	01/01/2017 31/12/2017	31/12/2017
Euro exchange rate averaged over the period	4.2395	---	4.2474	---	4.2447	---
Euro exchange rate as at the balance-sheet date	---	4.3616	---	4.2265	---	4.1709

## 2. A condensed profit and loss account

in PLN thousand

<b>CONDENSED PROFIT AND LOSS ACCOUNT</b>	<i>from 01/01/2018 to 30/06/2018</i>	<i>from 01/01/2017 to 30/06/2017</i>
Net revenues from sales of products, goods and materials	63,102	58,717
Costs of products, goods and materials sold	48,414	45,785
<b>Gross profit (loss) on sales</b>	<b>14,688</b>	<b>12,932</b>
Selling costs	571	444
Overheads	7,958	7,570
<b>Profit (loss) on sales</b>	<b>6,159</b>	<b>4,918</b>
Other operating income	256	136
Other operating expenses	1,102	856
<b>Profit (loss) on operating activities</b>	<b>5,313</b>	<b>4,198</b>
Financial revenues	645	167
Financial costs	58	565
<b>Gross profit (loss)</b>	<b>5,900</b>	<b>3,800</b>
Taxes	1,327	692
Other reductions in profit	0	0
<b><u>Net profit (loss) on continuing operations</u></b>	<b><u>4,573</u></b>	<b><u>3,108</u></b>
Net profit (loss) on discontinued operations	0	0
<b><u>Net profit</u></b>	<b><u>4,573</u></b>	<b><u>3,108</u></b>
Net profit, including 1 share (PLN / share):		
- ordinary	0.48	0.32
- diluted	0.48	0.32



### 3. Condensed statements of comprehensive income

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME	<i>from 01/01/2018 to 30/06/2018</i>	<i>from 01/01/2017 to 30/06/2017</i>
<b>Net profit (loss) on continuing operations</b>	<b>4,573</b>	<b>3,108</b>
of which net profit/loss on discontinued operations	0	0
<b>Components of other comprehensive income,</b>	<b>-7</b>	<b>0</b>
<b>a) which will not be subsequently reclassified into profit or loss</b>	<b>-7</b>	<b>0</b>
Measurement of investment property at fair value	0	0
Actuarial gains and losses	0	0
Adjustment for the application of IFRS 9 as at 01/01/2018	-8	0
Deferred tax	1	0
<b>b) which will be subsequently reclassified into profit or loss         under specific conditions</b>	<b>0</b>	<b>0</b>
Valuation of hedging instruments	0	0
Deferred tax	0	0
<b><u>Total comprehensive income</u></b>	<b><u>4,566</u></b>	<b><u>3,108</u></b>

#### 4. A condensed statement of financial position

in PLN thousand

A CONDENSED STATEMENT OF FINANCIAL POSITION	30/06/2018	31/12/2017	30/06/2017
<b>ASSETS</b>			
<b>(Long-term) fixed assets</b>	<b>38 637</b>	<b>38,788</b>	<b>38,859</b>
1. Tangible fixed assets	30,607	30,296	29,985
2. Investment property	0	0	0
3. Intangible assets	7,566	8,020	8,362
4. Financial assets	385	385	385
5. Long-term accounts receivable	79	87	127
6. Deferred tax assets	0	0	0
<b>(Short-term) current assets</b>	<b>58,471</b>	<b>53,593</b>	<b>54,670</b>
1. Inventory	27,316	27,508	26,019
2. Trade receivables	27,796	23,362	25,570
3. Other accounts receivable	2,040	1,835	1,355
4. Short-term investments	0	0	0
5. Cash and cash equivalents	598	484	1,305
6. Prepayments and accruals	721	404	421
<b>Long-term assets classified as held for sale</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Current assets in total</b>	<b>58,471</b>	<b>53,593</b>	<b>54,670</b>
<b>TOTAL ASSETS</b>	<b>97,108</b>	<b>92,381</b>	<b>93,529</b>
<b>LIABILITIES</b>			
<b>Equity</b>	<b>73,139</b>	<b>72,418</b>	<b>69,842</b>
Initial capital	48,046	48,46	48,046
Retained profit:	25,093	24,372	21,796
-Supplementary capital	20,189	17,982	17,982
-Revaluation reserve	331	338	706
- Profit/ loss brought forward	0	0	0
- Result of the current year	4,573	6,052	3,108
<b>Long-term liabilities</b>	<b>3,789</b>	<b>4,006</b>	<b>4,080</b>
Interest-bearing bank loans and non-bank loans	0	282	564
Leasing liabilities	559	371	481
Other liabilities	16	29	0
Deferred revenue	0	0	0
Reserves for deferred income tax	1,626	1,736	1,705
Reserves for other liabilities and other charges	1,588	1,588	1,330
<b>Short-term liabilities</b>	<b>20,180</b>	<b>15,957</b>	<b>19,607</b>
Trade and similar liabilities	8,490	7,394	7,222
Leasing liabilities	493	347	394
Other liabilities	8,162	4,296	7,530
Short-term part of interest-bearing long-term bank loans and non-bank loans	943	2,516	2,730
Deferred revenue	95	85	0
Reserves for other liabilities and other charges	1,997	1,319	1,731
<b>TOTAL LIABILITIES</b>	<b>97,108</b>	<b>92,381</b>	<b>93,529</b>

## 5. Condensed statement of cash flows

CONDENSED STATEMENT OF CASH FLOWS	<i>from 01/01/2018 to 30/06/2018</i>	<i>from 01/01/2017 to 30/06/2017</i>
<b>A. Cash flows from operating activities (indirect method)</b>	<b>5,080</b>	<b>-583</b>
<b>I. Gross profit (loss)</b>	<b>5,900</b>	<b>3,800</b>
<b>II. Total adjustments</b>	<b>-820</b>	<b>-4,383</b>
1. Share in net loss (profit) of undertakings measured under the equity method	0	0
2. Amortisation and depreciation	2,840	2,860
3. Foreign exchange gains (losses)	-3	72
4. Interest and profit sharing (dividend)	-50	-381
5. Profit (loss) on investment activities	193	56
6. Change in provisions	678	393
7. Change in stock	192	194
8. Change in receivables	-4,639	-7,252
9. Change in short-term liabilities excluding loans and credits	910	197
10. Change in prepayments and accruals	-317	-70
11. Income tax paid/refunded	-624	-452
12. Other adjustments	0	0
<b>B. Cash flows from investment activities</b>	<b>-2,889</b>	<b>-1,774</b>
<b>I. Inflows</b>	<b>111</b>	<b>508</b>
1. Sale of intangible assets and tangible fixed assets	24	69
2. Disposal of investments in real property and in intangible assets	0	0
3. From financial assets including:	87	439
- sale of financial assets	0	0
- dividend and profit sharing	87	439
- interest	0	0
- other inflows from financial assets - repaid loans	0	0
4. Other inflows from investment activities, including:	0	0
<b>II. Outflows</b>	<b>-3,000</b>	<b>-2,282</b>
1. Purchase of intangible assets and tangible fixed assets	-3,000	-2,282
2. Investments in real property and intangible assets	0	0
3. For financial assets including:	0	0
4. Other outflows from investment activities - investment advances	0	0
<b>C. Cash flows from financial activities</b>	<b>-2,080</b>	<b>-135</b>
<b>I. Inflows</b>	<b>201</b>	<b>1,116</b>
1. Net inflows from issuance of shares and other capital instruments and from capital contributions	0	0
2. Credits and loans	201	1,116
3. Other inflows from financial activities	0	0
<b>II. Outflows</b>	<b>-2,281</b>	<b>-1,251</b>
1. Repayment of credits and loans	-2,056	-1,025
2. Payment of liabilities arising from financial leases	-188	-168
3. Interest	-37	-58
4. Other outflows from financial activities (factoring)	0	0
<b>D. Total net cash flows</b>	<b>111</b>	<b>-2,492</b>
<b>E. Balance sheet change in cash</b>	<b>114</b>	<b>-2,564</b>
- change in cash due to exchange differences	-3	72
<b>F. Cash opening balance</b>	<b>484</b>	<b>3,869</b>
- foreign exchange gains and losses	21	-105
<b>G. Closing balance of cash</b>	<b>598</b>	<b>1,305</b>
- foreign exchange gains and losses	18	-33

## 6. Condensed statement of changes in equity

CONDENSED STATEMENT OF CHANGES IN EQUITY	Initial capital	Retained profit			Equity total	
		Supplementary capital	Revaluation reserve	Profit/loss from previous years		
<b><i>As at 01 January 2018</i></b>	<b>48,046</b>	<b>17,982</b>	<b>338</b>	<b>6,052</b>	<b>0</b>	<b>72,418</b>
Coverage of loss	0	0	0	0	0	0
Dividend payment	0	0	0	-3,845	0	-3,845
Adjustment of a fundamental error	0	0	0	0	0	0
Revaluation reserve differences	0	0	0	0	0	0
Valuation of shares	0	0	0	0	0	0
Profit brought forward	0	2,207	0	-2,207	0	0
Total comprehensive income, including:	0	0	-7	0	4,573	4,566
- result of the period	0	0	0	0	4,573	4,573
- adjustment for the application of IFRS 9 as at 01/01/2018	0	0	-7	0	0	-7
<b><i>Balance as at 30 June 2018</i></b>	<b>48,046</b>	<b>20,189</b>	<b>331</b>	<b>0</b>	<b>4,573</b>	<b>73,139</b>

<b><i>Balance as at 1 January 2017</i></b>	<b>48,046</b>	<b>15,659</b>	<b>706</b>	<b>6,166</b>	<b>0</b>	<b>70,577</b>
Coverage of loss	0	0	0	0	0	0
Dividend payment	0	0	0	-3,843	0	-3,843
Adjustment of a fundamental error	0	0	0	0	0	0
Revaluation reserve differences	0	0	0	0	0	0
Valuation of shares	0	0	0	0	0	0
Profit/loss brought forward	0	2,323	0	-2,323	0	0
Total comprehensive income, including:	0	0	-368	0	6,052	5,684
- result of the period	0	0	0	0	6,052	6,052
<b><i>Balance as at 31 December 2017</i></b>	<b>48,046</b>	<b>17,982</b>	<b>338</b>	<b>0</b>	<b>6,052</b>	<b>72,418</b>

<b><i>Balance as at 1 January 2017</i></b>	<b>48,046</b>	<b>15,659</b>	<b>706</b>	<b>6,166</b>	<b>0</b>	<b>70,577</b>
Coverage of loss	0	0	0	0	0	0
Dividend payment	0	0	0	-3,843	0	-3,843
Adjustment of a fundamental error	0	0	0	0	0	0
Revaluation reserve differences	0	0	0	0	0	0
Valuation of shares	0	0	0	0	0	0
Profit brought forward	0	2,323	0	-2,323	0	0
Total comprehensive income, including:	0	0	0	0	3,108	3,108
- result of the period	0	0	0	0	3,108	3,108
<b><i>As at 30 June 2017</i></b>	<b>48,046</b>	<b>17,982</b>	<b>706</b>	<b>0</b>	<b>3,108</b>	<b>69,842</b>

## **7. Explanatory note to the statements**

Pursuant to § 62(3) of the Regulation of the Minister of Finance of 20 April 2018 on Current and Periodical Information Provided by Issuers of Securities and on Conditions for the Recognition of Information Required in Accordance with the Law of non-Member States as Equivalent (Journal of Laws of 2018, item 757), information and data which are essential for a proper assessment of the property, financial situation and financial result of the Relpol S.A, were included in the explanatory notes to the Interim condensed consolidated financial statements of Relpol S.A.

### **III. INFORMATION ON THE ADOPTED ACCOUNTING PRINCIPLES**

#### ***1. Significant accounting principles***

In these semi-annual condensed financial statements, the Company applies the same standards as those described in the Financial Statements for 2017 published on the Company's website [http://www.relpol.pl/pl/Relacje-Inwestorskie/Raporty/Raporty-okresowe/\(param\\_0\)/option\\_17](http://www.relpol.pl/pl/Relacje-Inwestorskie/Raporty/Raporty-okresowe/(param_0)/option_17)

#### **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.

#### ***Classification of lease agreements in which the group is a lessee***

The company 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.

#### ***Deferred income tax assets and liabilities***

The deferred income tax assets and liabilities of the company 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.

#### ***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.

## ***2. New accounting standards and changes in the accounting policy***

The Company intends to adopt the amendments to IFRS, published but not applicable until the date of publication of these interim condensed financial statements, in accordance with their effective date. An estimation of the impact of the amendments and new IFRS on the future separate financial statements of the company was presented in the Financial Statements for 2017.

## ***3. Changes in the manner of presentation of the items of the financial statements***

The present interim condensed financial statements have been prepared in accordance with the requirements of International Accounting Standard 34 “Interim Financial Reporting”, approved by the European Union.

The scope of information included in the interim condensed financial statements is more limited than that in the full financial statements, therefore it is recommended to read them in conjunction with the annual consolidated financial statements of the Relpol Capital Group for the financial year 2017, which are available on the company's website [www.relpol.pl](http://www.relpol.pl). Relpol has applied the same accounting principles as for the Consolidated annual statements of the Relpol Capital Group for 2017.

The company intends to adopt the amendments to IFRS, published but not applicable until the date of publication of these interim condensed financial statements, in accordance with their effective date.

The company has disclosed detailed information concerning the impact of applying the new and amended IAS/IFRS standards in the separate financial statements for the financial year ended 31/12/2017.

The company has 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 as at 1 January 2018 on the financial statements. These changes are not material.

in PLN thousand

STATEMENT OF FINANCIAL POSITION	As at 31/12/2017	Changes	As at 01/01/2018
<b>ASSETS</b>			
<b>Current (short-term) assets, including:</b>	<b>53,593</b>	<b>-8</b>	<b>53,585</b>
Trade receivables	23,362	-8	23,354
<b>TOTAL ASSETS</b>	<b>92,381</b>	<b>-8</b>	<b>92,373</b>
<b>LIABILITIES</b>			
<b>Equity</b>	<b>72,418</b>	<b>-7</b>	<b>72,411</b>
Retained profit, including:	24,372	-7	24,365
-Revaluation reserve	338	-7	331
<b>Long-term liabilities, including:</b>	<b>4,006</b>	<b>-1</b>	<b>4,005</b>
Deferred income tax reserve	1,736	-1	1,735
<b>TOTAL LIABILITIES</b>	<b>92,381</b>	<b>-8</b>	<b>92,373</b>



**Comparison of financial assets and liabilities according to IAS 39 and IFRS 9 as at 1 January 2018**

Balance sheet item as of 01/01/2018	IAS 39	IFRS 9			Impact of the change	
	Amortised cost	Amortised cost	Fair value recognised through profit or loss		Total	Increase (decrease)
			Result	Other comprehen sive income		
Trade receivables	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
<b>Financial assets</b>	<b>23,846</b>	<b>28,838</b>	<b>0</b>	<b>0</b>	<b>28,838</b>	<b>-8</b>

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

**Impact of the implementation of IFRS 9 on equity**

Adjustment of write-offs for the assets measured at amortised cost:	Retained earnings	Total equity
Trade receivables	-8	-8
Deferred tax adjustments	1	1
<b>Total</b>	<b>-7</b>	<b>-7</b>

## IV. NOTES AND OTHER EXPLANATORY NOTES

### 1. Business segments

An operating segment is a component of the entity:

- a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity)
- b) whose operating results are regularly reviewed by the chief body responsible for making operational decisions in the entity and which uses those results to decide on the allocation of resources to the segment and to assess the segment's operating results, and
- c) for which separate financial information is available.

In accordance with the requirements of IFRS 8, operating segments should be identified based on internal reports regarding those elements which are regularly verified by decision makers who make decisions about resources to be allocated to the segment and assess its financial results.

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

Information on major customers:

The company generated revenues with two key clients in the segment of sales of industrial automation components, for the amount of PLN 13,309 thousands PLN with one and 7.813 thousands PLN with the second one, which represents 21.09% and 12.38% share in the total value of sales revenues for all segments.

Segments' revenues and results	Revenues		Result in the segment	
	from 01/01/2018 to 30/06/2018	from 01/01/2017 to 30/06/2017	from 01/01/2018 to 30/06/2018	from 01/01/2017 to 30/06/2017
Industrial automation components	60,754	57,482	13,582	12,313
Other segments	2,348	1,235	1,106	619
<b>Total from continuing operations</b>	<b>63,102</b>	<b>58,717</b>	<b>14,688</b>	<b>12,932</b>
<b>Unallocated items</b>				
	Selling costs		571	444
	Overheads		7,958	7,570
	<b>Profit (loss) on sales</b>		<b>6,159</b>	<b>4,918</b>
	Other operating income		256	136
	Other operating expenses		1,102	856
	<b>Profit (loss) on operating activities</b>		<b>5,313</b>	<b>4,198</b>
	Financial revenues		645	167
	Financial costs		58	565

<b>Gross profit (loss) on continuing operations</b>	<b>5,900</b>	<b>3,800</b>
Taxes	1,327	692
Other reductions in profit	0	0
<b>Net profit (loss) on continuing operations</b>	<b>4,573</b>	<b>3,108</b>
Net result on discontinued operations	0	0
Net result on the activity sold	0	0
<b>Net result</b>	<b>4,573</b>	<b>3,108</b>

For the purpose of monitoring the results obtained in the operating segment and for the purpose of allocation of resources to the reporting segments, the company allocated all assets, except for the investments in associated entities and assets on account of current and deferred income tax.

The company has no possibility of separating accounts payable pertaining to individual operating segments. There were no inter-segment sales.

<b>Assets and liabilities of the segments</b>	<b>30/06/2018</b>	<b>31/12/2017</b>	<b>30/06/2017</b>
Industrial automation components	91,891	88,250	88,894
Other segments	4,832	3,746	4,250
<b>Total assets of the segments</b>	<b>96,723</b>	<b>91,996</b>	<b>93,144</b>

<b>Other information on the segments</b>	<b>Amortisation and depreciation</b>			<b>Increase in fixed assets</b>		
	<b>from 01/01/2018 to 30/06/2018</b>	<b>from 01/01/2017 to 31/12/2017</b>	<b>from 01/01/2017 to 30/06/2017</b>	<b>from 01/01/2018 to 30/06/2018</b>	<b>from 01/01/2017 to 31/12/2017</b>	<b>from 01/01/2017 to 30/06/2017</b>
Industrial automation components	2,672	5,221	2,682	2,537	4,151	1,279
Other segments	168	346	178	102	34	5
<b>Total from continuing operations</b>	<b>2,840</b>	<b>5,567</b>	<b>2,860</b>	<b>2,639</b>	<b>4,185</b>	<b>1,284</b>

The revenues by regions are presented in semi-annual report of the Management Board on the operations of the Capital Group in the first half of 2018.

## **2. Explanations regarding the seasonal or cyclical nature of the Company.**

While analysing the level of sales in individual quarters and the orders placed by the customers, it may be concluded that there is no visible seasonality of the business activity. There are periods in which turnover is lower than in other months, i.e. during summer months or in the period around Christmas or New Year's Day, but these are not very significant differences to be described as the seasonal nature of the business.

### 3. Revenues from sales

In the first half of 2018, Relpol generated sales revenues in the amount of PLN 63,102 thousand, which constitutes an increase by 7.5% in comparison to the first half of 2017 (PLN 58,717 thousand) and by 11.6% in comparison to the first half of 2016. The high level of revenues made it possible to generate a high net profit. In the first half of 2018, the net profit was 47% higher than the net profit for the first half of 2017. More information in the semi-annual report of the Management Board on the operations of the Capital Group.

in PLN thousand			
Revenues from sales	from 01/01/2018 to 30/06/2018	from 01/01/2017 to 30/06/2017	Changes in %
Revenues from sales of products	54,888	50,073	109.62%
Revenues from sales of services	431	482	89.42%
<b>Total revenues from sales of products and services</b>	<b>55,319</b>	<b>50,555</b>	<b>109.42%</b>
- including from related parties	755	935	80.75%
Revenues from sales of goods	6,195	5,755	107.65%
Revenues from sales of materials	1,588	2,407	65.97%
<b>Total revenues from sales of goods and materials</b>	<b>7,783</b>	<b>8,162</b>	<b>95.36%</b>
- including from related parties	168	118	142.37%
<b>Total revenues from sales</b>	<b>63,102</b>	<b>58,717</b>	<b>107.47%</b>
- including from related parties	923	1,053	87.65%

The sale of products is the main source of revenues for the company. Commercial goods complement the company's sales offer. In the first half of 2018, the company achieved an increase in revenues both on products and on goods. Other sources of revenues from sales include materials and services.

Exports account for 69% of sales. However, the European market, including Poland, accounts for 92% of total sales.

### 4. Costs of products, goods and materials sold and costs by type

in PLN thousand		
Costs of sales of products, services, goods and materials - by category	from 01/01/2018 to 30/06/2018	from 01/01/2017 to 30/06/2017
Cost of products sold	42,794	39,884
Cost of services sold	0	24
<b>Total cost of products and services sold</b>	<b>42,794</b>	<b>39,908</b>
- including from related parties	561	616
Acquisition cost of goods sold	4,118	4,147
Acquisition cost of materials sold	1,502	1,730
<b>Total acquisition costs of goods and materials</b>	<b>5,620</b>	<b>5,877</b>
- including from related parties	127	81
<b>Total selling cost</b>	<b>48,414</b>	<b>45,785</b>
- including from related parties	688	697

	in PLN thousand	
<b>Costs by type</b>	<b>from 01/01/2018 to 30/06/2018</b>	<b>from 01/01/2017 to 30/06/2017</b>
Amortisation and depreciation	2,840	2,860
Consumption of materials and energy	24,519	22,076
Outsourcing	8,907	7,221
Taxes and fees	953	711
Wages and salaries	11,668	10,864
Social insurance and other benefits	2,977	2,827
Other costs by nature	683	849
Costs of goods and materials sold	5,620	5,877
<b>Total costs by nature</b>	<b>58,167</b>	<b>53,285</b>
Change in inventories, products and accruals	-25	-755
Costs of products manufactured for own needs	1,249	241
Selling costs	571	444
Overheads	7,958	7,570
<b>Costs of products, services, goods and materials sold</b>	<b>48,414</b>	<b>45,785</b>

### 5. Other operating activities

	in PLN '000	
<b>Other operating income</b>	<b>from 01/01/2018 to 30/06/2018</b>	<b>from 01/01/2017 to 30/06/2017</b>
Decrease of impairment losses on receivables	46	5
Decrease of inventory write-offs	161	20
Profit on sales of tangible fixed assets	20	80
Other	29	31
<b>Total other operating income</b>	<b>256</b>	<b>136</b>

	in PLN '000	
<b>Other operating expenses</b>	<b>from 01/01/2018 to 30/06/2018</b>	<b>from 01/01/2017 to 30/06/2017</b>
Receivables write-off	115	18
Inventory write-offs	201	166
Research and development write-off	215	0
Creation of provisions (unused holiday leaves)	448	466
Donations	23	72
Inventory scrapped	23	94
Other	77	40
<b>Total other operating expenses</b>	<b>1,102</b>	<b>856</b>

## 6. Financing activities

in PLN '000		
<b>Financial revenues</b>	<b>from 01/01/2018 to 30/06/2018</b>	<b>from 01/01/2017 to 30/06/2017</b>
Dividends received	87	0
- from related entities	87	0
Interest	5	150
Excess of foreign exchange gains over foreign exchange losses	549	0
Other	4	17
<b>Total financial revenues</b>	<b>645</b>	<b>167</b>

in PLN '000		
<b>Financial costs</b>	<b>from 01/01/2018 to 30/06/2018</b>	<b>from 01/01/2017 to 30/06/2017</b>
Interest on bank credits and loans	30	48
Excess of foreign exchange losses over foreign exchange gains	0	495
Impairment of loans granted	12	0
Financial costs arising from financial lease agreements	7	10
Other	9	12
<b>Total financial costs</b>	<b>58</b>	<b>565</b>

## 7. Net result

In the first half of 2018, the company generated a net profit of PLN 4,573 thousand which constitutes an increase by PLN 1,465 thousand, i.e. by 47.1% compared to the first half of 2017 (PLN 3,108 thousand). The net profit for the first half of 2018 is also by 12% higher than the result achieved for the first half of 2016. The factors affecting the net result are described above, discussing the result on sales and other operations.

in PLN '000		
	<b>Gross profit</b>	<b>Net profit</b>
First half of 2016	5,049	4,077
First half of 2017	3,800	3,108
<b>First half of 2018</b>	<b>5,900</b>	<b>4,573</b>

## 8. Cash and cash flows

in PLN '000		
<b>Structure of the cash flow statement</b>	<b>from 01/01/2018 to 30/06/2018</b>	<b>from 01/01/2017 to 30/06/2017</b>
A. Net cash flows from operating activities	5,080	-583
B. Net cash flows from investment activities	-2,889	-1,774
C. Net cash flows from financial activities	-2,080	-135
D. Total net cash flows (A+B+C)	111	-2,492
<b>Closing balance of cash</b>	<b>598</b>	<b>1,305</b>

In the first half of 2018, there were positive cash flows from operating activities and negative cash flows from investing and financing activities. It results from the investment projects carried out and expenditures for the purchase of tangible fixed assets, and in the case of financial activities - from the repayment of bank loan instalments.

Gross profit and amortisation are the biggest items of positive operating cash flows. Negative cash flows were related to changes in receivables and income tax paid. Compared to the situation as of 30 June 2017, the level of cash decreased by PLN 707 thousand.

### 9. Information on financial instruments

The fair value of the financial instruments held by the Company as at 30 June 2018, 31 December 2017 and 30 June 2017 did not differ materially from the value presented in the financial statements for the respective years, due to the fact that:

- in relation to short-term instruments, the possible discount effect is not significant,
- those instruments relate to the transactions concluded at arm's length.

As at 30 June 2018, 31 December 2017 and 30 June 2017, the Company did not hold any derivatives.

### 10. Income tax

The main components of tax burden in the profit and loss account are as follows:

Income tax	in PLN '000	
	from 01/01/2018 to 30/06/2018	from 01/01/2017 to 30/06/2017
Current corporate income tax	1,436	659
Lump-sum corporate income tax	0	0
Deferred corporate income tax	-109	33
<b><u>Tax burden recognised in the profit and loss account</u></b>	<b>1,327</b>	<b>692</b>

## 11. Write-offs and provisions

### Balance of asset write-offs of the Capital Group as at 30/06/2018

in PLN '000

Content	As at 01/01/2018	Turnover in I-VI 2018			As at 30/06/2018
		Reversed	Used	Created	
I. Write-off on fixed assets and intangible assets	2,567	0	0	0	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	1,040	0	0	0	1,040
IV. Inventory write-off	1,386	165	0	201	1,422
V. Write-off on trade receivables	321	45	0	119	395
VI. Write-off on other accounts receivable	8	0	0	0	8
VII. Write-off on accounts receivable claimed at court	0	0	0	0	0
VIII. Write-off on short-term financial assets	97	4	0	12	105
<b>Total</b>	<b>5,419</b>	<b>214</b>	<b>0</b>	<b>332</b>	<b>5,537</b>

### Balance of provisions of the Capital Group as at 30/06/2018

in PLN '000

Content	As at 01/01/2018	Turnover in I-VI 2018			As at 30/06/2018
		Reversed	Used	Created	
I. Provision for pensions and similar benefits	1,995	0	0	0	1,995
II. Other provisions (including for future accounts payable), including:	912	253	236	1,167	1,590
- for annual leave	620	131	0	578	1,067
- other	292	122	236	589	523
<b>Total</b>	<b>2,907</b>	<b>253</b>	<b>236</b>	<b>1,167</b>	<b>3,585</b>



**Balance of asset write-offs of the Capital Group as at 30/06/2017**

in PLN '000

Content	As at 01/01/2017	Turnover in I-VI 2017			As at 30/06/2017
		Reversed	Used	Created	
I. Write-off on fixed assets and intangible assets	2,567	0	0	0	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	0	0	0	1,459
IV. Inventory write-off	1,173	20	33	166	1,286
V. Write-off on trade receivables	142	6	0	20	156
VI. Write-off on other accounts receivable	0	0	0	0	0
VII. Write-off on accounts receivable claimed at court	0	0	0	0	0
VIII. Write-off on short-term financial assets	267	22	143	2	104
<b>Total</b>	<b>5,608</b>	<b>48</b>	<b>176</b>	<b>188</b>	<b>5,572</b>

**Balance of provisions of the Capital Group as at 30/06/2017**

in PLN '000

Content	As at 01/01/2017	Turnover in I-VI 2017			As at 30/06/2017
		Reversed	Used	Created	
I. Provision for pensions and similar benefits	1,782	0	0	0	1,782
II. Other provisions (including for future accounts payable), including:	886	129	271	794	1,280
- for annual leave	511	25	0	491	977
- other	375	104	271	303	303
<b>Total</b>	<b>2,668</b>	<b>129</b>	<b>271</b>	<b>794</b>	<b>3,062</b>

**12. Information on assets and provisions for deferred income tax**

in PLN '000

	30/06/2018	31/12/2017	30/06/2017
Deferred income tax asset	1,655	1,465	1,369
Deferred income tax provision	3,281	3,201	3,074
<b>Excess of provision over asset</b>	<b>-1,626</b>	<b>-1,736</b>	<b>-1,705</b>

In the consolidated statement of financial position the asset and provision for deferred income tax is presented per account balance.

### 13. Credits and loans

in PLN '000

Interest-bearing bank credits and loans	currency	effective rate %	repayment date	30/06/2018	31/12/2017	30.06.2017
<b>Long-term</b>						
Raiffeisen Bank Polska – investment loan	PLN	3M WIBOR + 1.10%	28/06/2019	0	282	564
<b>Total long-term bank credits and loans</b>				<b>0</b>	<b>282</b>	<b>564</b>
<b>Short-term</b>						
Raiffeisen Bank Polska - revolving (limit to be used in foreign currencies: PLN, EUR, USD)	PLN	1M WIBOR+0.8%	14/09/2018	0	1,153	480
Raiffeisen Bank Polska - revolving (limit to be used in foreign currencies: PLN, EUR, USD)	EUR	1M WIBOR + 1.25%	14/09/2018	157	0	159
Raiffeisen Bank Polska - revolving (limit to be used in foreign currencies: PLN, EUR, USD)	USD	1M LIBOR+1.25%	14/09/2018	222	177	477
Raiffeisen Bank Polska – investment loan	PLN	3M WIBOR+2.25%	09/09/2016	564	0	0
Raiffeisen Bank Polska – investment loan	PLN	1M WIBOR + 1.10%	28/06/2019	0	566	565
mBank – investment loan	PLN	1M WIBOR+1.35%	30/03/2018	0	307	1,049
BGŻBNP - revolving (limit to be used in foreign currencies: PLN, EUR, USD)	PLN	3M WIBOR + 0.6%	21/03/2019	0	313	0
<b>Total short-term bank credits and loans</b>				<b>943</b>	<b>2,516</b>	<b>2,730</b>
<b>Total short- and long-term bank credits and loans</b>				<b>943</b>	<b>2,798</b>	<b>3,294</b>

in PLN '000

Bank credit and loan limits granted under agreements	currency	30/06/2018		31/12/2017		30/06/2017	
		limit	utilisation	limit	utilisation	limit	utilisation
Raiffeisen Bank Polska - revolving credit facility (limit to be used in foreign currencies: PLN, EUR, USD)	PLN	2,500	379	2,500	1,330	2,500	1,116
Raiffeisen Bank Polska – investment loan	PLN	0	0	0	0	0	0
Raiffeisen Bank Polska – investment loan	PLN	3,000	564	3,000	848	3,000	1,129
mBank – investment loan	PLN	6,804	0	6,804	307	6,804	1,049
BGŻ BNP - revolving (limit to be used in foreign currencies: PLN, EUR, USD)	PLN	2,500	0	2,500	313	2,500	0
<b>Total</b>		<b>14,804</b>	<b>943</b>	<b>14,804</b>	<b>2,798</b>	<b>14,804</b>	<b>3,294</b>

**14. Finance 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 30/06/2018
GETIN Leasing / means of transport	2011-2014	112	4 years	PLN	17
PKO Leasing / production machinery	2013-2014	1,121	5 years	PLN/EUR	374
BZ WBK FINANSE & LEASING SA/ production machine	2014-2019	45	5 years	EUR	9
BANK BGŻ BNP PARIBAS S.A./ computer hardware	2015-2018	194	3 years	EUR	177
Millennium Leasing sp. z o.o. / means of transport	2017-2020	312	3 years	PLN/EUR	198
mLEASING / means of transport	2018	223	3 years	PLN	190
Volkswagen Leasing / means of transport	2018	102	3 years	PLN	87
<b>Total</b>		<b>2,109</b>			<b>1,052</b>
- including: - short-term liabilities					493
- long-term liabilities					559

Current value of the minimum payments arising from the finance lease	30/06/2018	31/12/2017	30/06/2017
due within 1 year	493	347	394
due in 1–5 years	559	371	481
due in over 5 years	0	0	0
<b>Current value of the minimum payments arising from the finance lease</b>	<b>1,052</b>	<b>718</b>	<b>875</b>

Value of the future minimum payments arising from the finance lease	30/06/2018	31/12/2017	30/06/2017
due within 1 year	510	357	406
due in 1–5 years	569	375	487
due in over 5 years	0	0	0
<b>Value of the future minimum payments arising from the finance lease</b>	<b>1,079</b>	<b>732</b>	<b>893</b>
Future financial burden	-27	-14	-18
<b>Value of the current payments arising from the finance lease</b>	<b>1,052</b>	<b>718</b>	<b>875</b>

**15. Tangible fixed assets**

in PLN '000

Tangible fixed assets	30/06/2018	31/12/2017	30/06/2017
acquisition	3 000	1 525	1 284
sales	24	9	160
- including from related parties	0	0	104

## **16. Financial risk factors**

In the course of its business activities the company analyses, monitors and assesses the risk factors which may affect the current and future financial situation. As a result of the performed monitoring there are action taken to minimise the effect of individual risk factors on the activity of the Company and Capital Group.

The risk factors are listed in the semi-annual report on operations and their description and impact on the operations of the Capital Group was presented in the annual statements of the Company and the Capital Group for 2017. The statements were published on 25/04/2018 and are available on the company's website [http://www.repol.pl/pl/Relacje-Inwestorskie/Raporty/Raporty-okresowe/\(param 0\)/option 17](http://www.repol.pl/pl/Relacje-Inwestorskie/Raporty/Raporty-okresowe/(param 0)/option 17)

### 17. Related party transaction

in PLN '000

Name of the entity	Sales to related parties		Purchases from related parties		Dividends		Trade receivables		Other receivables		Trade liabilities		Other liabilities	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017	30/06/2018	30/06/2017	30/06/2018	30/06/2018	30/06/2017	30/06/2018	30/06/2017	30/06/2018	30/06/2017	30/06/2018
Relpol-Altera sp. z o.o.	0	0	0	0	0	0	0	0	0	104	0	0	0	0
DP Relpol Altera	0	107	2,069	1,493	0	0	0	13	277	90	95	389	0	0
Relpol-M j.v	0	261	0	0	0	0	187	0	0	0	0	0	0	0
Relpol-Eltim Sp. z o.o.	5,713	789	0	0	87	73	165	385	0	0	0	0	0	0
Relpol Elektronik	1,838	0	0	1,545	0	0	0	0	0	0	315	356	0	0
<b>Total</b>	<b>7,551</b>	<b>1,157</b>	<b>2,069</b>	<b>3,038</b>	<b>87</b>	<b>73</b>	<b>352</b>	<b>398</b>	<b>277</b>	<b>194</b>	<b>410</b>	<b>745</b>	<b>0</b>	<b>0</b>

Name of the entity	Sales to related parties		Purchases from related parties		Dividends		Trade receivables		Other receivables		Trade liabilities		Other liabilities	
	31/12/2017	31/12/2017	31/12/2017	31/12/2017	31/12/2017	31/12/2017	31/12/2017	31/12/2017	31/12/2017	31/12/2017	31/12/2017	31/12/2017	31/12/2017	31/12/2017
Relpol-Altera sp. z o.o.	0	0	0	0	0	0	0	0	0	100	0	0	0	0
DP Relpol Altera	107	3,032	0	0	0	0	0	0	0	0	254	0	0	0
Relpol-M j.v	378	0	0	0	0	0	63	0	0	0	0	0	0	0
Relpol-Eltim Sp. z o.o.	1,482	0	73	158	0	0	0	0	0	0	110	0	0	0
Relpol Elektronik	0	2,897	0	0	0	0	0	0	0	0	110	0	0	0
<b>Total</b>	<b>1,967</b>	<b>5,929</b>	<b>73</b>	<b>221</b>	<b>73</b>	<b>221</b>	<b>100</b>	<b>364</b>	<b>0</b>	<b>0</b>	<b>364</b>	<b>0</b>	<b>0</b>	<b>0</b>

The data in the table above do not include write-downs.

### 17.1 Transactions with Members of the Management Board and the Supervisory Board.

The Company did not conclude any transactions with Members of the Management Board or the Supervisory Board.

### 17.2 Remuneration, bonuses and benefits paid and due, or potentially due to the Company's management.

Gross specification in PLN for the first half of 2018.

Specification	Short-term employee benefits	Post-employment benefits	Termination benefits	Other long-term benefits	Benefits in the form of shares
Members of the Management Board*	444,114	-	-	-	-
Members of the Supervisory Board**	71,770	-	-	-	-
<b>Total</b>	<b>515,884</b>	-	-	-	-

\* including the award for the former president of the company

\*\* including remuneration of the Supervisory Board member delegated to temporarily perform the duties of the Management Board member from 01/01/2018 to 06/02/2018

Gross specification in PLN for the first half of 2017.

Specification	Short-term employee benefits	Post-employment benefits	Termination benefits	Other long-term benefits	Benefits in the form of shares
Members of the Management Board	331,490	-	-	-	-
Members of the Supervisory Board*	162,000	-	-	-	-
<b>Total</b>	<b>493,490</b>	-	-	-	-

\* including remuneration of the Supervisory Board member delegated to temporarily perform the duties of the Management Board member for a period of 5 months.

## **18. Dividend**

On 12 June 2018, the General Meeting of Relpol adopted a resolution to allocate 63.5% of the net profit for 2017 (PLN 3,844 thousand) to dividend payment, which is PLN 0.40 gross per share. The dividend record date (D) shall be 07/08/2018, and the dividend payment date (P) shall be 22/08/2018.

From the net profit for 2017, a dividend of PLN 0.40 per share was paid.

## **19. 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 Capital Group in the perspective of at least the next quarter will be mostly affected by macroeconomic factors independent from the Group and internal factors.

The external factors include:

- exchange rates and their fluctuations,
- economic situation in the country and abroad
- prices on the raw material market (copper, silver, crude oil),
- expenditure on domestic and foreign investments,
- development of renewable energy sources,
- development of the photovoltaic industry,
- improvement of the political situation and commercial climate in Ukraine and Russia,
- the level of demand for radiological protection systems,
- wage pressure,
- the announced increase in energy costs.

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 market share based on the currently offered products,
- acquiring new customers in current and new markets,
- rationalisation of the commercial product portfolio
- acquisition of new customers for CZIP-Pro,
- promotion and acquisition of contractors for solar inverter relays,
- improvement of profitability of the products,
- installation of radiation protection systems, according to the tendering schedule,

## **20. The management board's position on feasibility of the previously published forecasts for the year**

Forecasts for the capital group of Relpol for 2018 were not published.



### **21. Description of factors and events, and in particular of an unusual nature, having a significant impact on the achieved financial results of the Company**

There were no atypical factors or events, which would have a significant effect on the achieved financial results and which would have not been described in these statements.

### **22. Explanations regarding seasonal or cyclic nature of the Company's business**

While analysing the level of sales in the periods and the orders placed by the customers, it may be concluded that there is no visible seasonality of the business activity. The most favourable periods for the business activity are autumn months. Lower turnover is visible in the first quarter of the year and in the holiday season.

### **23. Sold or discontinued operations**

#### **Discontinued operations**

In the reporting period ended on 30/06/2018 and 30/06/2017, Relpol did not discontinue any of its operations.

#### **Sold operations**

In the reporting period ended on 30/06/2018 and 30/06/2017, the company did not sell any of its operations.

#### **Tangible fixed assets held for sale**

As at the balance-sheet date, the company did not have fixed.

### **24. 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.

<b>Equity per share and profit per share</b>	<b>30/06/2018</b>	<b>31/12/2017</b>	<b>30/06/2017</b>
Number of shares traded in pieces	9,609,193	9,609,193	9,609,193
The number of stock options	0	0	0
Number of shares applied in the determination of diluted equity and profit per share in pieces	9,609,193	9,609,193	9,609,193
Equity in PLN thousand	73,139	72,418	69,842
Equity per share PLN/piece	7.61	7.54	7.27
Diluted equity attributable to parent company's shareholders per share PLN/piece	7.61	7.54	7.27
Net profit (-loss) (annualised) in PLN thousand	7,517	6,052	5,197
Net profit (-loss) (annualised) per one ordinary share	0.78	0.63	0.54

PLN/piece			
Diluted annualised profit (-loss) attributable to the shareholders of the parent company per one share PLN/piece	0.48	0.63	0.32

### 25. Information on contingent receivables or liabilities

In the reporting period there were no contingent receivables or liabilities in the Company.

### 26. Events after the balance sheet date

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

Signatures of the members of the Management Board:

.....	.....
Krzysztof Pałgan	Sławomir Bialik
Vice-President of the Management Board	President of the Management Board

Person entrusted with the keeping of accounting ledgers:

.....  
Tomasz Zajac  
Chief accountant

Żary, 21 August 2018