



**Interim condensed
consolidated
financial statements**

of the Relpol Capital Group

for the first half of 2018

Prepared in accordance with IAS/IFRS



Żary, August 2018

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I. BASIC INFORMATION ON THE COMPANY AND THE CAPITAL GROUP

1. General Information

Information on the parent company

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.

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 of the parent company and the subsidiary Relpol Elektronik is the Polish zloty.

The functional currency of Relpol Eltim in Russia is the Russian rouble. The statements of that company, for the purposes of drawing up the consolidated statements, are translated into PLN.

The functional currency of Relpol Altera and DP Relpol Altera is the Ukrainian hryvnia. The statements of DP Relpol Altera for the purpose of preparation of consolidated statements are translated into PLN. Relpol Altera is excluded from consolidation.

The functional currency of Relpol M in Belarus is the Belarusian rouble. The company is excluded from consolidation.

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

2. Parent 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.

3. Share capital of the parent company

The share capital of Relpol S.A. 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.

4. Capital group

List of subsidiaries covered by the consolidated financial statements

1. Relpol S.A. - a parent company, full consolidation method
2. Relpol Eltim Sp. z o.o. – full consolidation method,
3. Relpol Elektronik Sp. z o.o. - full consolidation method.
4. DP Relpol Altera – full consolidation method.

Subsidiaries excluded from consolidation

1. **Relpol M Sp. z o.o.** - a subsidiary with its registered office in Minsk. The share capital amounted to PLN 0.2 thousand, the sales revenues for the 1st half of 2018 amounted to PLN 286.5 thousand, and the net profit to PLN 21 thousand. In the 1st half of 2017, the revenues amounted to PLN 233 thousand and the net profit amounted to PLN 5 thousand, respectively. The company is a distributor of Relpol on the Belarussian market. In July 2018, the Management Board of Relpol S.A. decided to sell 80% of shares in this company.
2. **Relpol Altera Sp. z o.o.** - a subsidiary with its registered office in Kiev. Share capital amounts to PLN 360 thousand. Relpol S.A. holds 51% shares in that company. The sales revenues in the 1st half of 2018 amounted to PLN 33 thousand, and the net profit to PLN 0.2 thousand. In the 1st half of 2017, the revenues amounted to PLN 36 thousand and the net profit of PLN 4.4 thousand, respectively. The Company operates to a limited extent.

The companies excluded from consolidation are small, with limited statutory activities. In the opinion of the parent company, they do not have a significant impact on consolidated results. IAS 8, paragraph 8, permits departing from the principles of IFRSs when the effect of departing from them is not material. Moreover, obtaining information necessary for the

correct and reliable inclusion of these entities in the consolidation and for the preparation of the consolidated financial statements in accordance with IAS/IFRS and the requirements of the Polish Financial Supervision Authority involves disproportionately high costs in relation to the financial capabilities of these entities.

II. INTERIM CONDENSED CONSOLIDATED 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
CONSOLIDATED PROFIT AND LOSS ACCOUNT						
Net revenues from sales of products, goods and materials	67,824	62,759	123,429	15,998	14,776	29,078
Profit (loss) on operating activities	5,349	4,207	8,250	1,262	990	1,944
Gross profit (loss)	5,836	3,828	7,584	1,377	901	1,787
Net profit (loss) attributable to the parent company's shareholders	4,274	3,069	5,741	1,008	723	1,353
CONSOLIDATED STATEMENT OF CASH FLOWS						
Net cash flow from operating activities	6,494	-777	4,425	1,532	-183	1,042
Net cash flow from investing activity	-2,982	-2,221	-3,803	-703	-523	-896
Net cash flow from financing activity	-2,186	-130	-4,745	-516	-31	-1,117
Total net cash flows	1,326	-3,128	-4,123	313	736	-971
CONSOLIDATED STATEMENT OF FINANCIAL POSITION						
	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	102,985	99,064	97,210	23,612	23,439	23,307
Long-term accounts payable	3,746	3,994	3,941	859	945	945
Short-term accounts payable	22,484	20,930	17,100	5,155	4,952	4,100
Equity attributable to the shareholders of the parent company	75,458	72,837	74,922	17,301	17,233	17,963
Share capital	48,046	48,046	48,046	11,016	11,368	11,519
OTHER						
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 parent company (in PLN/EUR)	0.72	0.48	0.60	0.17	0.11	0.14
Profit (loss) per one ordinary share for the shareholders of the parent company (in PLN/EUR)	0.44	0.32	0.60	0.10	0.08	0.14
Book value per share attributable to the shareholders of the parent company (in PLN/EUR)	7.85	7.58	7.93	1.80	1.79	1.90
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

	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
1	Euro exchange rate averaged over the period	4.2395	---	4.2474	---	4.2447	---
2	Euro exchange rate as at the balance-sheet date	---	4.3616	---	4.2265	---	4.1709

2. A condensed consolidated profit and loss account

Description	in PLN thousand	
	from 01/01/2018 to 30/06/2018	from 01/01/2017 to 30/06/2017
Net revenues from sales of products, goods and materials	67,824	62,759
Costs of products, goods and materials sold	52,003	48,857
Gross profit (loss) on sales	15,821	13,902
Selling costs	593	466
Overheads	8,819	8,500
Profit (loss) on sales	6,409	4,936
Other operating income	289	114
Other operating expenses	1,349	843
Profit (loss) on operating activities	5,349	4,207
Financial revenues	564	185
Financial costs	77	564
Gross profit (loss)	5,836	3,828
Taxes	1,434	729
Other reductions in profit	0	0
Net profit (loss) on continuing operations	4,402	3,099
Profit (loss) on discontinued operations	0	0
Net result attributable to non-controlling interest	128	30
Net result attributable to the parent company's shareholders, including:	4,274	3,069
- per ordinary share	0.44	0.32
- per diluted share	0.44	0.32

3. Condensed consolidated statement of comprehensive income

Description	in PLN thousand	
	from 01/01/2018 to 30/06/2018	from 01/01/2017 to 30/06/2017
Net profit (loss) on continuing operations	4,402	3,099
of which net profit/loss on discontinued operations	0	0
Components of other comprehensive income,	150	-621
a) which will not be subsequently reclassified into profit or loss	-7	0
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) which will be subsequently reclassified into profit or loss under specific conditions	157	-621
Valuation of hedging instruments	0	0
Exchange differences on translation of subordinate entities	157	-621
Deferred tax	0	0
<u>Total comprehensive income</u>	4,552	2,478

4. A condensed consolidated statement of financial position

Description	in PLN thousand		
	30/06/2018	31/12/2017	30/06/2017
ASSETS			
A. (Long-term) fixed assets	39,759	39,868	40,077
1. Tangible fixed assets	31,738	31,385	31,212
2. Investment property	0	0	0
3. Intangible assets	7,566	8,020	8,362
4. Financial assets	376	376	376
5. Long-term accounts receivable	79	87	127
6. Deferred tax assets	0	0	0
B. (Short-term) current assets	63,226	57,342	58,987
1. Inventory	28,321	28,482	26,966
2. Trade receivables	29,612	24,916	27,541
3. Other accounts receivable	1,919	2,007	1,520
4. Short-term investments	0	0	0
5. Cash and cash equivalents	2,653	1,533	2,539
6. Prepayments and accruals	721	404	421
C. Long-term assets classified as held for sale	0	0	0
TOTAL ASSETS	102,985	97,210	99,064
LIABILITIES			
A. Equity attributable to parent company's shareholders	75,458	74,922	72,837
1. Share capital	48,046	48,046	48,046
2. Retained earnings	27,412	26,876	24,791
-Supplementary capital	20,999	19,055	19,055
-Revaluation reserve	322	329	699
-Reserve capital	0	0	0
-Exchange differences on translation of subordinate entities	-1,720	-1,877	-1,718
Profit/ loss brought forward	3,537	3,628	3,686
-Current year result	4,274	5,741	3,069
B. Capitals attributable to non-controlling interest	1,297	1,247	1,303
Total equity A+B	76,755	76,169	74,140
C. Long-term liabilities	3,746	3,941	3,994
1. Interest-bearing bank credits and loans	0	282	564
2. Lease liabilities	559	371	481
3. Other liabilities	16	29	0
4. Deferred income tax reserve	1,558	1,646	1,599
5. Provisions for other liabilities	1,613	1,613	1,350
D. Short-term liabilities	22,484	17,100	20,930
1. Trade liabilities	10,011	7,977	8,008
2. Lease liabilities	493	347	394
3. Other liabilities	8,777	4,844	8,045
4. Current portion of interest-bearing bank credits and loans	943	2,516	2,730
5. Deferred revenue	95	85	0
6. Provisions for other liabilities	2,165	1,331	1,753
TOTAL LIABILITIES	102,985	97,210	99,064

5. A condensed consolidated statement of cash flows

Description	in PLN thousand	
	from 01/01/2018 to 30/06/2018	from 01/01/2017 to 30/06/2017
A. Cash flows from operating activities	6,494	-777
I. Gross profit (loss)	5,836	3,828
II. Total adjustments	658	-4,605
1. Share in net (profit) loss of entities measured using the equity method	0	0
2. Amortisation and depreciation	2,901	2,951
3. Foreign exchange (gains) losses	73	-60
4. Interest and share in profits (dividends)	37	58
5. (Profit) loss on investing activities	193	56
6. Change in provisions	834	364
7. Change in inventory	153	274
8. Change in accounts receivable	-4,692	-7,640
9. Change in short-term accounts payable, excluding credits and loans	2,179	81
10. Change in prepayments and accruals	-317	-70
11. Income tax paid/refunded	-693	-618
12. Other adjustments	-10	-1
B. Cash flow from investing activities	-2,982	-2,221
I. Inflows	24	69
1. Disposal of intangible assets and tangible fixed assets	24	69
2. Other investment inflows	0	0
II. Outflows	-3,006	-2,290
1. Purchase of intangible assets and tangible fixed assets	-3,006	-2,290
2. Other outflows from investing activities	0	0
C. Cash flow from financing activities	-2,186	-130
I. Inflows	201	1,121
1. Net inflows from issue of stocks (shares), other capital instruments and capital contributions	0	0
2. Credits and loans	201	1,116
3. Other financial inflows (factoring)	0	5
II. Outflows	-2,387	-1,251
1. Purchase of own shares	0	0
2. Dividends and other payments to shareholders	-106	0
3. Repayment of credits and loans	-2,056	-1,025
4. Payment of accounts payable arising from financial leases	-188	-168
5. Interest	-37	-58
6. Other financial outflows	0	0
D. Total net cash flow (A+ B +C)	1,326	-3,128
E. Balance sheet change in cash, including:	1,329	-3,201
- change in cash due to foreign exchange gains/losses	-3	72
F. Cash opening balance, including:	1,339	5,740
- foreign exchange gains and losses	-15	-105
G. Cash at end of the period (F+/-D)	2,653	2,539
- foreign exchange gains and losses	21	-33

3. A condensed statement of changes in consolidated equity

in PLN thousand

CONDENSED STATEMENT OF CHANGES IN EQUITY	Share capital	Retained earnings					Equity attributable to parent company's shareholders	Capitals attributable to non-controlling interest	Total equity
		Supplementary capital	Revaluation reserve	Profit/loss brought forward	Current year result	Exchange differences on translation of the subordinate entity			
<i>As at 01 January 2018</i>	48,046	19,055	329	9,369	0	-1,877	74,922	1,247	76,169
Coverage of loss	0	-263	0	263	0	0	0	0	0
Dividend payment	0	0	0	-3,845	0	0	-3,845	-107	-3,952
Profit brought forward	0	2,207	0	-2,207	0	0	0	0	0
Total comprehensive income, including:	0	0	-7	-43	4,274	157	4,381	157	4,538
- result of the period	0	0	0	0	4,274	0	4,274	128	4,402
- other comprehensive income	0	0	0	-43	0	157	107	29	136
<i>Balance as at 30 June 2018</i>	48,046	20,999	322	3,537	4,274	-1,720	75,458	1,297	76,755
<i>Balance as at 1 January 2017</i>	48,046	16,790	699	9,447	0	-1,097	73,885	1,390	75,275
Dividend payment	0	0	0	-3,843	0	0	-3,843	-53	-3,896
Profit/loss brought forward	0	2,265	0	-2,265	0	0	0	0	0
Total comprehensive income, including:	0	0	-370	289	5,741	-780	4,880	132	5,012
- result of the period	0	0	0	0	5,741	-18	5,723	-11	5,712
- exchange differences from revaluation of FS	0	0	0	0	0	-762	-762	-211	-973
- other comprehensive income	0	0	-370	289	0	0	-81	0	-81
<i>Balance as at 31 December 2017</i>	48,046	19,055	329	3,628	5,741	-1,877	74,922	1,247	76,169
<i>Balance as at 1 January 2017</i>	48,046	16,790	699	9,447	0	-1,097	73,885	1,390	75,275
Dividend payment	0	0	0	-3,843	0	0	-3,843	-53	-3,896
Profit brought forward	0	2,323	0	-2,323	0	0	0	0	0
Total comprehensive income, including:	0	0	0	347	3,069	-621	2,795	-87	2,708
- result of the period	0	0	0	0	3,069	0	3,069	0	3,069
- other comprehensive income	0	0	0	347	0	-621	-274	-87	-361
<i>As at 30 June 2017</i>	48,046	19,055	699	3,686	3,069	-1,718	72,837	1,303	74,140

4. Statements of the Management Board

Statement on compliance with IFRS

The present interim condensed consolidated 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 Capital Group in accordance with EU IFRS as at 30/06/2018. The presented summaries and explanations have been determined with due diligence.

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

Statement on the going concern assumption

These financial statements have been drawn up with the assumption that the capital Group 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	Sławomir Bialik
Vice-President of the Management Board	President of the Management Board

5. 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 parent Company, 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 consolidated financial statements, the Capital Group applies the same standards as those described in the Consolidated 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 parent 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 group 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 group 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 group 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.

During the preparation of the financial statements, the group makes certain estimates and assumptions which directly influence both the financial statements and the notes contained therein. The estimates and assumptions made by the parent 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 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 parent company are discussed below:

Useful life of fixed assets and intangible assets

Each year, the Management Board of the parent 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 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.

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.

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 Capital Group intends to adopt the amendments to IFRS, published but not applicable until the date of publication of these interim condensed consolidated 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 Capital Group was presented in the Consolidated Financial Statements for 2017.

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

The present interim condensed consolidated 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 consolidated 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.repol.pl. Relpol has applied the same accounting principles as for the Consolidated annual statements of the Relpol Capital Group for 2017.

The same accounting principles have been applied to all the consolidated companies, except for the adopted new and amended accounting standards. The Capital Group intends to adopt the amendments to IFRS, published but not applicable until the date of publication of these interim condensed consolidated financial statements, in accordance with their effective date.

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

The Group 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 Group and described in the consolidated financial statements for the year ended 31/12/2017.

The Group 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 consolidated financial statements. These changes are not material.

in PLN thousand			
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	As at 31/12/2017	Changes	As at 01/01/2018
ASSETS			
Current (short-term) assets, including:	57,342	-8	57,334
Trade receivables	24,916	-8	24,908
TOTAL ASSETS	97,210	-8	97,202
LIABILITIES			
Equity attributable to parent company's shareholders	74,922	-7	74,915
Retained profit, including:	26,876	-7	26,869
-Revaluation reserve	329	-7	322
Capitals attributable to non-controlling interest	1,247		1,247
Total equity	76,169	-7	76,162
Long-term liabilities, including:	3,941	-1	3,940
Deferred income tax reserve	1,646	-1	1,645
TOTAL LIABILITIES	97,210	-8	97,202

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	24,916	24,908	0	0	24,905	-8
- gross value	25,237	25,237	0	0	24,237	0
- write-off	-321	-329	0	0	-329	-8
Cash	1,533	1,533	0	0	1,533	0
Financial assets	26,449	26,441	0	0	26,441	-8

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	7,977	7,977	7,977	0
Financial liabilities	10,775	10,775	0	0

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
Total	-7	-7

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 the Capital Group operates on the market of industrial automation components and it is its main operating segment.

Segments' revenues and results	in PLN thousand			
	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	65,476	61,524	14,715	13,283
Other segments	2,348	1,235	1,106	619
Total from continuing operations	67,824	62,759	15,821	13,902

Unallocated items

Selling costs	593	466
Overheads	8,819	8,500
Profit (loss) on sales	6,409	4,936
Other operating income	289	114
Other operating expenses	1,349	843
Profit (loss) on operating activities	5,349	4,207
Financial revenues	564	185
Financial costs	77	564
Gross profit (loss) on continuing operations	5,836	3,828
Taxes	1,434	729
Other reductions in profit	0	0

Net profit (loss) on continuing operations	4,402	3,099
Net result on discontinued operations	0	0
Net result on the activity sold	0	0
Net result attributable to non-controlling interest	128	30
<u>Net result attributable to the shareholders of the parent company</u>	4,274	3,069

in PLN thousand

Assets and liabilities of the segments	from 01/01/2018 to 30/06/2018	from 01/01/2017 to 31/12/2017	from 01/01/2017 to 30/06/2017
Industrial automation components	97,777	96,834	94,438
Other segments	4,832	3,746	4,250
<u>Total assets of the segments</u>	102,609	100,580	98,688

in PLN '000

Other information on the segments	Amortisation and depreciation		Increase in fixed assets	
	from 01/01/2018 to 30/06/2018	from 01/01/2017 to 31/12/2017	from 01/01/2018 to 30/06/2018	from 01/01/2017 to 31/12/2017
Industrial automation components	2,732	5,221	2,543	5,059
Other segments	168	474	102	34
<u>Total from continuing operations</u>	2,900	5,695	2,645	5,093

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 Group allocated all assets, except for the investments in associated entities and assets on account of current and deferred income tax.

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

The revenues by regions are presented below in Note 2. There were no inter-segment sales.

The Capital Group generated income from Client A for the total amount of PLN 13,203 thousand and from Client B for the amount of PLN 7,813 thousand, which constitutes 19.5% and 11.5% of the share in the total value of sales revenues, respectively.

Financial data of unconsolidated subsidiaries are presented in Note 14.

2. Explanations regarding the seasonal or cyclical nature of the Capital Group's operations.

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

Revenues from sales	from 01/01/2018 to 30/06/2018	from 01/01/2017 to 30/06/2017
Revenues from sales of products	54,062	49,348
Revenues from sales of services	431	446
Total revenues from sales of products and services	54,493	49,794
- including from related parties	184	254
Revenues from sales of goods	11,743	10,558
Revenues from sales of materials	1,588	2,407
Total revenues from sales of goods and materials	13,331	12,965
- including from related parties	3	7
Total revenues from sales	67,824	62,759
- including from related parties	187	261

in PLN
thousand

Revenues from sales – by region	from 01/01/2018 to 30/06/2018	from 01/01/2017 to 30/06/2017
Poland		
Revenues from sales of products	13,151	11,753
Revenues from sales of services	289	331
Revenues from sales of goods	4,703	3,911
Revenues from sales of materials	1,588	1,321
Total revenues from domestic sales	19,731	17,316
- including from related parties	0	0
Foreign markets		
Revenues from sales of products	40,911	37,595
Revenues from sales of services	142	115
Revenues from sales of goods	7,040	6,647
Revenues from sales of materials	0	1,086
Total revenues from sales to foreign markets	48,093	45,443
- including from related parties	187	261
Total revenues from sales	67,824	62,759
- including from related parties	187	261

In the first half of 2018, the Capital Group generated sales revenues in the amount of PLN 67,824 thousand, which constitutes an increase by 8%, in comparison to the first half of 2017 (PLN 62,759 thousand). An increase in sales was recorded both in Poland and on foreign markets.

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	41,927	39,159
Cost of services sold	0	0
Total cost of products and services sold	41,927	39,159
- including from related parties	139	183
Acquisition cost of goods sold	8,574	7,968
Acquisition cost of materials sold	1,502	1,730
Total acquisition costs of goods and materials	10,076	9,698
- including from related parties	2	5
Total selling cost	52,003	48,857
- including from related parties	141	188

	in PLN thousand	
Costs by type	from 01/01/2018 to 30/06/2018	from 01/01/2017 to 30/06/2017
Amortisation and depreciation	2,900	2,927
Consumption of materials and energy	29,380	26,386
Outsourcing	9,645	7,872
Taxes and fees	966	736
Wages and salaries	14,818	13,292
Social insurance and other benefits	3,548	3,216
Other costs by nature	763	937
Costs of goods and materials sold	5,620	5,877
Total costs by nature	67,640	61,243
Change in inventories, products and accruals	-25	-755
Costs of products manufactured for own needs	1,249	241
Selling costs	594	467
Overheads	8,819	8,500
Consolidation adjustments	5,000	3,933
Costs of products, services, goods and materials sold	52,003	48,857

5. Other operating activities

	in PLN '000	
Other operating income	from 01/01/2018 to 30/06/2018	from 01/01/2017 to 30/06/2017
Decrease in write-offs	213	25
Profit on sales of tangible fixed assets	20	56
Other	56	33
Total other operating income	289	114

	in PLN thousand	
Other operating expenses	from 01/01/2018 to 30/06/2018	from 01/01/2017 to 30/06/2017
Receivables write-off	115	18
Research and development write-off	215	0
Inventory write-offs	236	166
Creation of provisions (unused holiday leaves, liabilities)	605	466
Donations	23	72
Due VAT	61	25
Inventory scrapped	23	94
Other	71	2
<u>Total other operating expenses</u>	1,349	843

6. Financing activities

	in PLN thousand	
Financial revenues	from 01/01/2018 to 30/06/2018	from 01/01/2017 to 30/06/2017
Interest	11	168
Excess of foreign exchange gains over foreign exchange losses	549	0
Other	4	17
<u>Total financial revenues</u>	564	185

	in PLN thousand	
Financial costs	from 01/01/2018 to 30/06/2018	from 01/01/2017 to 30/06/2017
Interest on bank credits and loans	30	48
Financial costs arising from financial lease agreements	7	10
Excess of foreign exchange losses over foreign exchange gains	19	494
– including on completed hedging transactions	0	0
Other	17	10
<u>Total financial costs</u>	77	564

7. Income tax

	in PLN thousand	
Income tax	from 01/01/2018 to 30/06/2018	from 01/01/2017 to 30/06/2017
Current corporate income tax	1,522	677
Lump-sum corporate income tax	0	0
Deferred corporate income tax	-88	52
<u>Tax burden recognised in the profit and loss account</u>	1,434	729

8. 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 on the commercial markets of the Capital Group,
- development of renewable energy sources,
- development of the photovoltaic industry,
- increased demand for radiation protection systems,
- expenditure on domestic and foreign investments,
- prices on the raw material market (copper, silver, crude oil),
- access to external financing,
- development of the political and economic situation in Ukraine and Russia,
- 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,
- adaptation of capacity to market needs,
- 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,
- improvement of profitability of the products,
- expansion and supplementation of the offered range of products by way of own development of electromagnetic relays,
- rationalisation of the commercial product portfolio,
- promotion and acquisition of contractors for solar inverter relays,
- installation of radiation protection systems, according to the tendering schedule,
- acquisition of new customers for CZIP.

9. Sold or discontinued operations

Sold operations

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

Discontinued operations

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

In the countries where unprofitable distribution companies have been liquidated, trading activities are conducted directly by Relpol S.A. or by other companies operating on these markets.

Tangible fixed assets held for sale

As at the balance-sheet date, the Capital Group did not have fixed assets held for sale.

10. Dividends paid to the shareholders of the parent company

Declared and paid in the financial year	30/06/2018	in PLN thousand	
		31/12/2017	30/06/2017
Dividend on ordinary shares:			
- for 2017	3,844	0	0
- for 2016	0	3,844	3,844
Declared and paid in the financial year in PLN per 1 share	30/06/2018	31/12/2017	30/06/2017
For 2017, declared per 1 share in PLN	0.40	-	
For 2016, declared/ paid per 1 share in PLN	-	0.40	0.40

On 12 June 2018, the General Meeting of Relpol adopted a resolution to allocate 63.5% of the net profit for 2017 to dividend payment. The dividend record date (D) shall be 07/08/2018, and the dividend payment date (P) shall be 22/08/2018.

Among the subsidiaries, the dividend was paid by Relpol Eltim. From the profit for 2017, RUB 2,725 thousand was allocated to dividend, while RUB 2,200 thousand was allocated from the profit for 2016. To the extent that the dividend was paid to Relpol S.A., it was excluded as part of consolidation adjustments.

11. 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.

Equity per share and profit per share	30/06/2018	31/12/2017	30/06/2017
Number of shares traded in pieces	9,609,193	9,609,193	9,609,193
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 attributable to parent company's shareholders in PLN thousand	75,458	74,922	72,837
Equity attributable to parent company's shareholders per share PLN/piece	7.85	7.80	7.58
Diluted equity attributable to parent company's shareholders per share PLN/piece	7.85	7.80	7.58

of the Repol Capital Group for the first half of 2018

Net profit (-loss) (annualised) attributable to the shareholders of the parent company in PLN thousand	6,946	5,741	4,657
Net profit (-loss) (annualised) attributable to the shareholders of the parent company per one ordinary share PLN/piece	0.72	0.60	0.48
Diluted annualised profit (-loss) attributable to the shareholders of the parent company per one share PLN/piece	0.72	0.60	0.48

12. Tangible fixed assets

Tangible fixed assets	30/06/2018	31/12/2017	30/06/2017
acquisition	3,006	1,525	1,284
sales	24	9	160
- including from related parties	0	0	104

13. Investment property

As at 30/06/2018, 30/06/2017 and 31/12/2017, the Capital Group did not hold any investment property.

14. Financial investments**Business combinations**

In the reporting periods ended on 30/06/2018, 31/12/2017 and 30/06/2017, there were no combinations with other business entities.

Participation in joint ventures

In the reporting periods ended on 30/06/2018, 31/12/2017 and 30/06/2017, there were no joint ventures with other business entities.

Shares in unlisted companies

In the period covered by these financial statements, the Capital Group held the following long-term financial assets with unlimited transferability, not listed on a regulated market.

Stocks and shares in subsidiaries not included in consolidation

in PLN thousand

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	revaluation write-offs and consolidation adjustments	carrying value of shares	% share in the capital	% share in the total number of votes
Relpol-Altera sp. z o.o.	Kiev, Ukraine	Trade	subsidiary	excluded	13/05/2004	848	-543	305	51	51
Relpol M j.v.*	Minsk, Belarus	Trade	subsidiary	excluded	26/02/1997	71	0	71	80	80
Total						1,338	-962	376		

*Relpol S.A. adopted a resolution on the sale of shares in the company and commenced the process of searching for a buyer.

Financial data from the statements of subsidiaries not included in consolidation

in PLN thousand

Name of the company	equity	share capital	net profit/loss	liabilities	accounts receivable	total assets of the entity	revenues from sales	dividends received or due
Relpol-Altera sp. z o.o.	102	334	0	94	0	204	33	0
Relpol M j.v.	191	0	21	80	32	313	286	0

The parent company granted the following loans to the subsidiaries

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
RELPOL ALTERA	USD 0	0	5.50%	12/12/2005	31/12/2016	105	105
Total amount of the loans granted							105
write-off							105
Net value of the loans							0

Derivative financial instruments

As at the balance sheet date, i.e. 30/06/2018, 31/12/2017 and 30/06/2017, the Capital Group did not hold any open financial instruments.

The forward transactions concluded by the Group and the options are disclosed in the financial statements as financial assets held for trading at fair value or as financial liabilities. The fair value is calculated using the current net value of future cash flows related to those contracts, quoted market rates, quoted market forward exchange rates and options. In 2018, no forward transactions or options were concluded.

In the case of hedging transactions, the effects of revaluation will be entered in their non-effective portion as financial revenues or costs of the reporting period in which the revaluation took place and in their effective portion – to the revaluation reserve.

Fair value of financial instruments

The fair value of the financial instruments held by the Capital Group as at 30/06/2018, 31/12/2017 and 30/06/2017 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.

15. Share capital

Share capital

Serie s	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 at KRS	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 rights attached to them in relation to dividends and return on equity.

Shareholders	as at: 31/12/2016 number	as at: 30/06/2018 %	as at: 31/12/2017 number	as at: 31/12/2017 %	as at: 30/06/2017 number	as at: 30/06/2017 %
Adam Ambroziak	3,1713,171,000	33.00%	3,1713,171,000	33.00%	3,1713,171,000	33.00%
Piotr Osiński	608,943	6.34%	608,943	6.34%	608,943	6.34%
Rockbridge TFI S.A.*	959,772	9.99%	959,772	9.99%	959,772	9.99%
Altus TFI S.A.	2,027,358	21.10%	2,027,358	21.10%	2,410,597	25.09%
Raiffeisen TFI S.A.	569,467	5.93%	569,467	5.93%	no data	no data
Other	2,272,653	23.65%	2,272,653	23.65%	2,458,881	25.58%
Total	9,609,193	100.00%	9,609,193	100.00%	9,609,193	100.00%

* Previous name of BPH TFI S.A.

Among the shareholders of the parent Company, 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.

There are no restrictions on the transfer of ownership of securities. There are also no restrictions as to the exercise of the right to vote carried by the issued shares. The Capital Group does not hold any own stocks or shares.

The number of shares and votes held by the shareholders at the General Meeting of Shareholders as at the date of publication of these statements did not change in relation to the number as at 30 June 2018.

16. Write-offs and provisions

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

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	1,724	169	0	201	1,756
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
Total	5,757	218	0	332	5,871

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

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	2,015	0	0	0	2,015
II. Other provisions (including for future accounts payable), including:	929	253	236	1,323	1,763
- for annual leave	631	131	0	734	1,234
- other	298	122	236	589	529
Total	2,944	253	236	1,323	3,778

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

Content	As at 01/01/2017	Turnover in I-VI 2017			Balance 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	1,513	22	33	166	1,624
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
Total	5,948	50	176	188	5,910

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

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	1,797	0	0	0	1,797
II. Other provisions (including for future accounts payable), including:	913	130	271	794	1,306
- for annual leave	535	25	0	491	1,001
- other	378	105	271	303	305
Total	2,710	130	271	794	3,103

17. Credits and loans

Interest-bearing bank credits and loans	currency	effective rate %	repayment date	30/06/2018	31/12/2017	30/06/2017
<i>Long-term</i>						
Raiffeisen Bank Polska – investment loan	PLN	3M WIBOR + 1.10%	28/06/2019	0	282	564
Total long-term bank credits and loans				0	282	564
<i>Short-term</i>						
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
Total short-term bank credits and loans				943	2,516	2,730
Total short- and long-term bank credits and loans				943	2,798	3,294

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
Total		14,804	943	14,804	2,798	14,804	3,294

Collateral for credit agreements and loans:

Raiffeisen Bank, credit collateral according to the investment loan agreement

- a) power of attorney to the current account and other accounts of the company in the bank,
- b) registered pledge on machinery and equipment covered by the investment,
- c) open, unconfirmed assignment of current and future accounts receivable, pursuant to the receivables assignment agreement,
- d) blank bill of exchange.

Raiffeisen Bank, credit collateral according to the debt limit agreement

- a) power of attorney to the current account and other accounts of the company in the bank,
- b) blank bill of exchange

mBank S.A. credit collateral according to the agreement:

- a) blank bill of exchange,
- b) registered pledge on the financed machinery and equipment,
- c) unconfirmed assignment to the bank of the accounts receivable due from specified counterparties based on the global assignment agreement,
- d) declaration of submission to enforcement up to the amount of PLN 4.7 million.

BGŻ BNP Paribas credit collateral according to the agreement:

- a) blank bill of exchange,

18. Finance lease

A portion of the fixes 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.

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
Total		2,109			1,052
- including: - short-term liabilities					493
- long-term liabilities					559

Following the expiry of the lease agreements at the end of the periods for which they were concluded, the Capital Group will be entitled to purchase the leased asset at a price equal to its residual value.

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
Current value of the minimum payments arising from the finance lease	1,052	718	875

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
Value of the future minimum payments arising from the finance lease	1,079	732	893
Future financial burden	-27	-14	-18
Value of the current payments arising from the finance lease	1,052	718	875

19. Financial risk factors

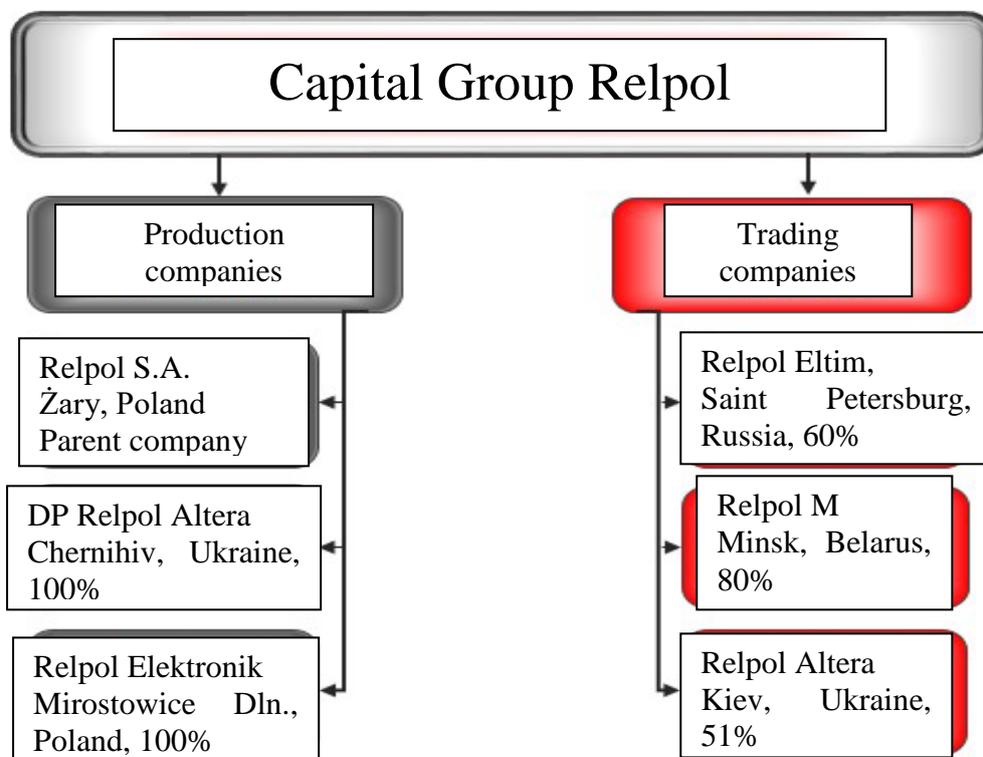
In the course of its business activities the parent company analyses, monitors and assesses the risk factors which may affect the current and future financial situation. As a result of the performed monitoring there are action taken to minimise the effect of individual risk factors on the activity of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

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

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

21. Related parties



22.1 List of subsidiaries as at 30 June 2018

Name of the company	registered office	type of business activity	nature of the relationship	consolidation method	date of taking control/ significant impact
Relpol -M	Minsk, Belarus	Trade	subsidiary	excluded	26/02/1997
Relpol -Eltim	Saint Petersburg, Russia	Trade	subsidiary	full	09/07/1998
Relpol-Altera	Kiev, Ukraine	Trade	subsidiary	excluded	13/05/2004
Relpol Elektronik	Miostowice, Poland	Production	subsidiary	full	27/06/2007
DP Relpol - Altera	Chernihiv, Ukraine	Production	subsidiary	full	06/09/2007

22.2 Related party transactions not included in consolidation

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	30/06/2017	30/06/2018	30/06/2017	30/06/2018	30/06/2017	30/06/2018	30/06/2017
Relpol-Altera	0	0	0	0	0	0	0	0	0	104	0	0	0	0
Relpol-M j.v	0	261	0	0	0	0	187	0	0	0	0	0	0	0
Total	0	261	0	0	0	0	0	0	0	104	0	0	0	0

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	
Relpol-Altera	0		0		0		0		100		0		0	
Relpol-M j.v	378		0		0		63		0		0		0	
Total	378		0		0		0		100		0		0	

22.3 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.

22.4 Loans granted to the Company's management.

As at 30/06/2018, no loans were granted to the members of the Management Board, the Supervisory Board or their relatives.

22.5 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	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	-	-	-	-
Total	515,884	-	-	-	-

* 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	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	-	-	-	-
Total	493,490	-	-	-	-

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

22. Information on contingent receivables and liabilities

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

23. 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.

24. Average employment

The average employment in the Capital Group in the first half of 2018 amounted to 827 FTEs and increased by 21 FTEs in relation to the first half of 2017. The increase in employment took place in the production company DP Relpol Altera.

The Capital Group uses flexible forms of employment, i.e. contracts of mandate or employee outsourcing. On average, in the first half of 2018, in total 77 people worked under contracts of mandate and outsourcing agreements. At the same time in 2017 there were 61 people.

Signatures of the members of the Management Board:

.....
Krzysztof Pałgan

Vice-President of the Management Board

.....
Sławomir Bialik

President of the Management Board

Person entrusted with the keeping of accounting ledgers:

.....
Tomasz Zając
Chief accountant

Żary, 21 August 2018