

**SEMI-ANNUAL REPORT**  
**ON THE OPERATIONS**  
**OF THE RELPOL CAPITAL GROUP**  
**in the first half of 2018**



Żary, August 2018

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## **1. Description of the structure of the Capital Group**

Relpol S.A. is the parent company in the Capital Group currently consisting of 6 companies. The Capital Group comprises 2 domestic and 4 foreign companies. Domestic companies are involved in the manufacture of industrial automation components. The foreign companies include 1 production company (assembly of products) and 3 distribution companies. In July 2018, the Management Board of Relpol S.A. decided to sell 80% of shares held in Relpol M in Belarus.

A description of the companies and the structure of the Capital Group is presented in the notes to the consolidated financial statements for the first half of 2018.

## **2. Description of the Capital Group's core business**

The Capital Group manufactures and supplies industrial automation products for the Polish and foreign markets. These are different types of products, especially different types of relays, such as: miniature relays, subminiature-signal relays, industrial relays, interface relays, time relays, programmable relays, for photovoltaic systems, installation relays, monitoring relays, semiconductor relays, plug-in sockets for relays and so on.

Relays play an important role in industrial processes. They are intermediate, executive or signalling elements in controlling electrical systems in various types of equipment. Relays open and close the electrical circuit in order to influence the operation of other equipment in the same or another circuit.

Relpol S.A. is the parent company in the Capital Group. Relpol S.A. has been manufacturing relays and plug-in sockets for relays for 60 years. It is one of the biggest European manufacturers of relays and a leader on the domestic market of relay manufacturers, as well as manufacturers of radioactive detectors.

About four thousand special versions of relays and sockets manufactured by the Capital Group are used in many areas of industry, e.g. industrial and energy automation, power electronics, industrial and consumer electronics, telecommunications, household appliances, photovoltaics, automotive industry, etc.

Since 2000, the Group has also been producing radiation portal monitors and CZIP digital medium voltage protection systems. Radiation portal monitors (the so-called SMP radiometric gates) can be used at air, sea and road border crossings, on waste disposal sites, in scrap treatment plants, logistics centres, as well as on sports facilities and other places where gamma-neutron radioactivity may occur. The SMP radiometer gateway system detects even the smallest quantities of materials that can be used for nuclear weapons.

Another product type is CZIP-PRO. It is a system of digital protection, automation, measurement, control, registration and communication for the power industry and renewable energy sources such as wind farms, hydroelectric power plants, photovoltaic farms. This system is designed for handling medium voltage switchgear fields in the area of protection, station automation, control functions, measurement, communication and registration.

Due to the scale of production, the most important are miniature and industrial relays, followed by plug-in sockets for these relays and other products such as CZIPs, radiation monitors and other.

## 2.1 Basic assortment groups of the Capital Group's operating activities:

- **industrial relays** used in device automation and processing line systems, as well as in industrial safety and signalling systems,
- **miniature and subminiature relays** are used in electronic, telecommunication, automation, measuring and transport systems,
- **interface relays** are used in industrial automation systems as galvanic separation units,
- **car relays** are used in automotive electric circuits (e.g. lamps, power door locks, heating systems, windscreen wipers, indicator lamps etc.)
- **semiconductor relays and switches** are used in various electronic circuits and telecommunication systems, measuring devices, medical and transport devices,
- **programmable relays** are used in automation systems, transport devices, machines controlling technological processes,
- **solar relays** are used in inverters of solar systems. In addition, these relays are used in electric car and hybrid chargers.
- **installation, time and monitoring relays** are used in automatic systems and home installations, control and measurement systems, for the supervision of engine parameters, relays for solar systems used in solar inverter systems,
- **plug-in sockets for relays** allowing the user to select how to connect the relay and modules,
- **CZIP** -systems of digital protection, automation, measurement, control, registration and communication used in medium-voltage switchgear,
- **automatic reserve switching systems** used as ready-to-use power failure management systems in low-voltage systems,
- **gamma and neutron radiation portal monitors**, used, among others, at border crossings, airports, landfills,
- **other products** e.g.: overvoltage arresters, contactors, thermal relays, motor switches, switches, switched power supplies.
- **commercial goods** complementing and expanding the commercial offer.

### Examples of product groups



Miniature relays



Radiation monitors CZIP



In addition to the supply of products and goods, the Capital Group offers its customers technical support, service and advice based on its extensive knowledge and experience.

The commercial activity is conducted through a network of wholesalers, direct deliveries to manufacturers, service providers and retail customers, as well as through an on-line store.

## **2.2 Quality and safety certificates**

The Capital Group's products are sold in nearly 50 countries around the world. Sales outside Poland account for approx. 71% of total sales. Due to such a vast outlet, the quality of products is one of the priorities of the production activity of the Capital Group. The Capital Group's products have various quality and safety certificates confirming compliance with the requirements in force in the countries where they are purchased, such as international VDE, Canadian UL, Ukrainian AU, EAC Customs Union compliance in Russia, Belarus and Kazakhstan, LR on products for use in the marine environment, declaration of compliance with the RoHS2011/65/EU Directive.

Designing, manufacturing and sales of products is carried out in the company in accordance with the requirements of EN ISO 9001:2009 and PN-EN ISO 14001:2015 of the integrated quality and environmental management system.

## **3. Assessment of the current and expected situation of Relpol S.A. and the Capital Group**

In the opinion of the Management Board of the parent company, the situation of Relpol and the entire Capital Group is good. The level of consolidated revenues from sales is growing steadily and is at a record high, despite the still quite difficult economic situation in Russia and Ukraine, and despite low investments in the country, in the power industry sector, especially in the field of modernisation of network infrastructure. Demand for the Capital Group's products used in industrial automation and photovoltaics is growing.

Production at DP Relpol Altera, a company operating in the Zhytomyr region, in the north-central part of Ukraine, takes place as planned. Deliveries of products also take place on time.

Relpol Eltim is facing a difficult situation on the Russian market. The Company improved its results in comparison to the first half of 2017. In addition, the Company regularly pays a dividend.

The two remaining foreign companies, Relpol M in Belarus and Relpol Altera in Ukraine, are of marginal importance for the Capital Group's operations. They generate minor revenues and low net profits or losses.

The situation of the Polish company Relpol Elektronik is also stable. The company's revenues are at the level of over PLN 3 million annually. In the first half of 2018, the company recorded an increase in revenues, however, due to higher costs it eventually incurred a net loss of PLN 100 thousand.

Given the current market situation, it is expected that the situation of subsidiaries in 2018 should not change significantly.

For more information, see the sections on the individual business areas below.

### **3.1. The market of relays and industrial automation**

Electromagnetic relays have been manufactured for decades and they are still considered as promising products. Due to their technological capabilities and the areas of possible application, there is virtually no competition for them, although in some fields they can compete with solid state relays. These products are closely related to the development of the economy. The increase in investments drives the growth of the relay market and the possible applications of these products are numerous and diverse. Relays are an indispensable element of the industrial automation.

They no longer serve only simple functions and the expectations towards them continue to grow. Due to their unique characteristics, relays are commonly chosen as indispensable actuators. They have been used in many different systems, devices, machines and components of industrial automation, in building automation systems, air conditioning and ventilation stations, lighting control cabinets, main switchboards, the automotive industry, household appliances, photovoltaics and many other contexts. They have been more and more frequently used in offices, houses and flats, where they provide a high level of automation without the need to install a huge switchboard.

According to the industry analysts, the international relay market is enormous. The estimates related to that market vary, due to the large number of different groups of relays. For example, the global market of protective relays is expected to grow to USD 3,31 billion in 2016 and to USD 4.54 billion by 2021.<sup>1</sup>

The analysts also predict a further gradual growth of the industrial automation market. According to the report prepared by Transparency Market Research, the value of the global market of industrial automation devices will amount to USD 352 billion at the end of 2024. The average annual increase is expected to reach 6.6%.<sup>2</sup>

## **4. Discussion of the market situation, basic economic and financial values and significant events influencing the Capital Group's operations.**

The first half of 2018 again turned out to be record-breaking in terms of revenue. The situation in Poland and Europe is of the greatest importance for the Capital Group, as 90% of its sales goes to these markets.

### **4.1 Macroeconomic environment**

The domestic and global economic situation determines the results achieved by the companies of the Capital Group. The situation in Europe is good, although there are differences between countries.

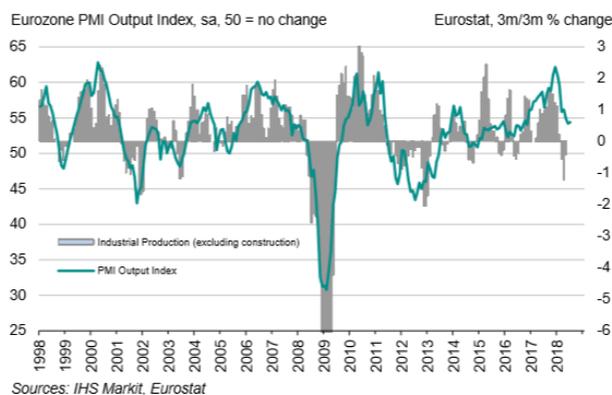
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<sup>1</sup> <http://www.prnewswire.com/news-releases/global-protective-relay-market---estimated-to-reach-usd-331-billion-in-2016-300232630.html>

<sup>2</sup> <https://www.automatyka.pl/wiadomosci-i-komunikaty/prognozy-dla-ryнку-automatyki-przemyslowej-120706-10?refo=eb&refa=ha685>

PMI on the condition of the industrial sector in the Euro area in July 2018 was 55.1 points<sup>3</sup>. The highest indices were recorded in the Netherlands (58.0 points), Germany (56.9 points), Austria (56.8 points) and Ireland (56.3 points). In France it was 53.3 points and in Italy 55.5 points. In Poland, PMI fell from 54.2 points in June 2018 to 52.9 points in July, with PMI in June being the highest in five months. The index indicated a slower improvement in the condition of the Polish industrial sector. Output, new orders and employment grew slower than in June. Forecasts for the next 12 months concerning the growth of production in the Polish industrial sector remained good. The index above 50 indicates an improvement in the business environment.

#### IHS Markit Eurozone Manufacturing PMI



PMI for the world economy fell to 53.7 points in July 2018, from 54.2 points in June 2018<sup>4</sup>.

PMIs point to a slowdown in the European and global economy. Based on the available information, macroeconomic data, as well as observing the level of incoming orders and the results of the Company and the Capital Group achieved in the first half of 2018, the Management Board of the Parent Company estimates that in the absence of unexpected and unplanned events, the second half of 2018 should be similar. However, announcements of rising operating costs, such as increases in energy prices and wages, should be noted.

## 4.2. Selected financial data

Selected data from the profit and loss account	in PLN thousand			
	Relpol S.A.		Capital Group	
	1st half of 2018	1st half of 2017	1st half of 2018	1st half of 2017
Sales revenues in PLN thousand	63,102	58,717	67,824	62,759
Gross profit on sales in PLN thousand	<b>14,688</b>	<b>12,932</b>	<b>15,821</b>	<b>13,902</b>
Gross margin on sales (%)	23.28%	22.02%	23.33%	22.15%
EBIDTA in PLN thousand	<b>8,153</b>	<b>7,058</b>	<b>8,250</b>	<b>7,158</b>
EBIDTA margin (%)	12.92%	12.02%	12.16%	11.41%
EBIT in PLN thousand	<b>5,313</b>	<b>4,198</b>	<b>5,349</b>	<b>4,207</b>

<sup>3</sup> <https://www.markiteconomics.com/Survey/Page.mvc/PressReleases>  
<https://www.markiteconomics.com/Survey/PressRelease.mvc/53aba53c3c144d219f19fb2730231665>

<sup>4</sup> <https://www.markiteconomics.com/Survey/Page.mvc/PressReleases>

<i>EBIT margin (%)</i>	8.41%	7.15%	7.89%	6.70%
Net profit	<b>4,573</b>	<b>3,108</b>	<b>4,402</b>	<b>3,099</b>
<i>Operating profit margin</i>	7.25%	5.29%	6.49%	4.94%
Net profit attributable to shareholders of the parent company in PLN thousand	<b>4,573</b>	<b>3,108</b>	<b>4,274</b>	<b>3,069</b>

In the first half of 2018, the Company and the Capital Group achieved a very high level of sales revenues, especially on the European market, where the economic situation continued to grow. Sales on the domestic market also increased, despite still low investments in the electrical and energy sectors, where the Company's products are used.

At present, the level of orders placed is less dynamic but still growing, which gives good forecasts for the second half of the year.

The Capital Group achieved the highest in its history half-yearly level of revenues on sales in the amount of PLN 67,824 thousand. Compared to the first half of 2017 (PLN 62,759 thousand), this represents an increase by 8.1% and compared to the first half of 2016 by 10.8%. The introduced exclusions and consolidation adjustments (concerning mutual turnover, margin on inventories, profits or losses of minority shareholders) decreased consolidated revenues by PLN 4,897 thousand and the net result by PLN 167 thousand.

Such a dynamics of sales revenues, sales and costs structure allowed the parent company to generate in the first half of 2018 a net profit higher by 47% than in the first half of 2017, and the net profit of the Capital Group amounted to PLN 4,402 thousand and was 42% higher than the profit generated in the first half of 2017. The gross margin on sales of the Capital Group increased from 22.2% to 23.3% and the net profit from 4.9% to 6.5%.

The most important influence on the results of the Capital Group has the parent company Relpol S.A. The first half of 2018 was a record year for the Company in terms of the achieved results. Relpol achieved PLN 63,102 thousand of sales revenue, which means an increase by 7.5% compared to the first half of 2017 (PLN 58,717 thousand) and by 11.6% compared to the first half of 2016. As a result, the parent company's sales share in consolidated sales was 93%. The net profit of the parent company, after consolidation adjustments, exceeded the net profit of the Capital Group. In recent quarters Relpol has expanded its portfolio with new customers, has high quality products, has been improving the level of service and maintenance, which in a situation of economic recovery results in an increase in sales.

Selected data from the balance sheet	Relpol S.A.		Capital Group		
	30/06/2018	31/12/2017	30/06/2018	31/12/2017	Structure 30/06/2018
<b>TOTAL ASSETS</b>	<b>97,108</b>	<b>92,381</b>	<b>102,985</b>	<b>97,210</b>	
<b>Fixed assets</b>	<b>38,637</b>	<b>38,788</b>	<b>39,759</b>	<b>39,868</b>	<b>38.6%</b>
<b>Current assets</b>	<b>58,471</b>	<b>53,593</b>	<b>63,226</b>	<b>57,342</b>	<b>61.4%</b>
Inventory	27,316	27,508	28,321	28,482	27.5%
Trade receivables	27,796	23,362	29,612	24,916	28.8%
Cash	598	484	2,653	1,533	2.6%
<b>TOTAL LIABILITIES</b>	<b>97,108</b>	<b>92,381</b>	<b>102,985</b>	<b>97,210</b>	
<b>Total</b>	<b>73,139</b>	<b>72,418</b>	<b>76,755</b>	<b>76,169</b>	<b>74.5%</b>

<b>Long-term liabilities</b>	<b>3,789</b>	<b>4,006</b>	<b>3,746</b>	<b>3,941</b>	<b>3.6%</b>
<b>Short-term liabilities</b>	<b>20,180</b>	<b>15,957</b>	<b>22,484</b>	<b>17,100</b>	<b>21.8%</b>
<b>Balance sheet total</b>	<b>97,108</b>	<b>92,381</b>	<b>102,985</b>	<b>97,210</b>	

As at the end of the first half of 2018, equity constituted the largest share in the balance sheet structure of both the Company and the Capital Group. Foreign capitals constitute 25.4% of the balance sheet total of the Capital Group, of which 21.8% are short-term liabilities, and almost half are trade liabilities. Short-term liabilities in the first half of 2018 increased by 31.5%. It results mainly from the increase in trade liabilities and the increase in other liabilities, including liabilities on account of dividend in the amount of PLN 3,844 thousand, which payment date falls on 22/08/2018.

Current assets constitute a high share in the balance sheet (61%). The biggest item of current assets is trade receivables, which increased by 18.8% as compared to the balance as at 31/12/2017. This increase is mainly due to the increase in sales and the extension of payment deadlines for strategic customers. For this reason, the balance of receivables grew faster than it would have resulted from the increase in sales revenues. In addition to receivables, a high share of assets is also held by inventories. These are stocks of materials, semi-finished goods at various stages of manufacture, and stocks of finished goods. The level of inventories is comparable to the level as at 31 December 2017. Both inventories and trade receivables are related to the level of production and sales. The high level of inventories results from the necessity of servicing the growing sales and meeting the expectations of the largest export customers in the scope of current availability of all products ordered by them. Inventories are also affected by occasional purchases of certain raw materials and materials in greater quantities due to limitations in their availability on the market.

Fixed assets account for 38.6% of the balance sheet total, mainly fixed assets and intangible assets. This situation is similar to the one at the end of 2017.

The analysis of the balance sheet and the cash flow statement also indicates an increase in cash. In the first half of 2018, there were positive cash flows from operating activities and negative cash flows from investing and financing activities. The biggest item of cash flows from investing activities is expenditure on the purchase of fixed assets and intangible assets, while the biggest item of cash flows from financing activities is the repayment of loan instalments to finance the above purchases. Cash flows from operating activities exceeded cash flows from investing and financing activities.

### 4.3 Level and structure of sales revenues

Selected data from the balance sheet	in PLN thousand				
	Relpol S.A.		Capital Group		
	1st half of 2018	1st half of 2017	1st half of 2018	1st half of 2017	Sales structure of the Capital Group 1st half of 2018
Products and services	55,319	50,555	54,493	49,794	80.3%
Goods and materials	7,783	8,162	13,331	12,965	19.7%

<b>Total</b>	<b>63,102</b>	<b>58,717</b>	<b>67,824</b>	<b>62,759</b>	<b>100.0%</b>
Poland	19,731	17,316	19,731	17,316	29.09%
Europe, of which:	38,324	35,290	43,046	39,331	63.47%
<i>Germany</i>	25,240	21,134	25,240	21,134	37.21%
<i>France</i>	1,488	1,270	1,488	1,270	2.19%
<i>Russia</i>	888	1,069	5,865	5,194	8.65%
<i>Italy</i>	1,993	2,839	1,993	2,839	2.94%
Asia	3,890	4,437	3,890	4,437	5.74%
North America	401	487	401	487	0.59%
South America	331	732	331	733	0.49%
Australia and other	425	455	425	455	0.63%
<b>Total</b>	<b>63,102</b>	<b>58,717</b>	<b>67,824</b>	<b>62,759</b>	<b>100.00%</b>

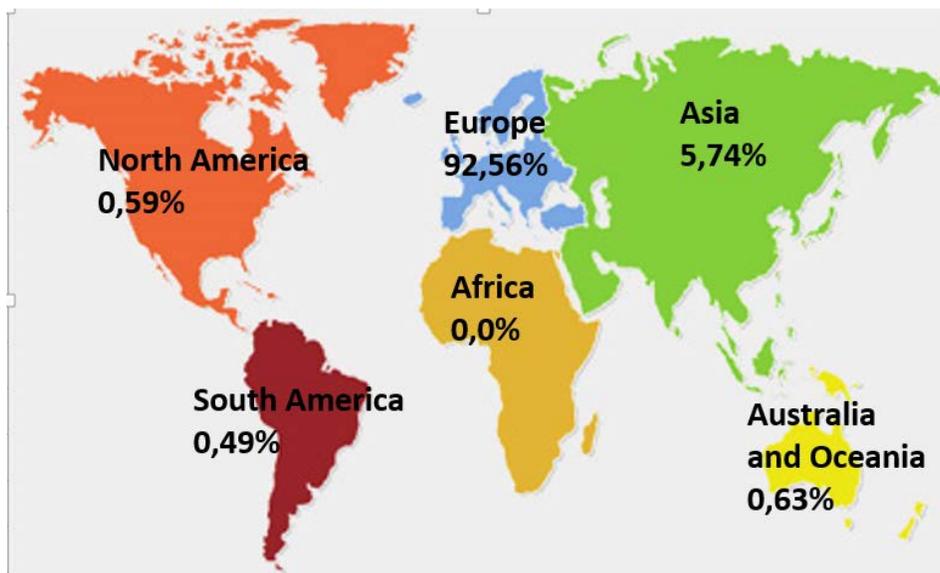
The main factor behind the increase in sales were goods and services, which account for 80% of sales revenues. Commercial goods complement Relpol's range of products and the core business of the distribution subsidiaries.

The high dynamics of sales to the German market, which has been maintained for several years, resulted in the fact that this market has the largest share in the sales structure of the Capital Group, gaining an advantage over the domestic market. It is currently the largest and most stable trading market of the Company and the Capital Group. In the first half of 2018, sales to Germany amounted to PLN 25,240 thousand and were higher by 19.4% than in the first half of 2017. The dynamics of sales to the domestic market was 13.9%. The domestic market share in the total sales of the Capital Group amounts to 29.1%.

Sales on foreign markets account for 70.9% of the Capital Group's sales. However, European countries (including Poland) account for 92.6% of total sales.

Despite the increase in export sales, some disproportions can be observed on the market. This is due to the fact that the Capital Group has customers in more than 50 countries around the world, and these are countries with different levels of economic development, different financial situations and different development prospects. For the Capital Group, the economic situation in Europe is, of course, of the greatest importance. The Asian market has also been growing in importance in recent years. However, sales to the rest of the world fluctuate as deliveries are irregular. Moreover, the sales volume in comparison to the sales of the entire Capital Group is not high either.

### Geographical structure of sales of the Capital Group in the first half of 2018



#### 4.4 Result on sales

In the first half of 2018, the gross result on sales of the Capital Group amounted to PLN 15,821 and was higher by 13.8% than in the first half of 2017. (PLN 13,902 thousand). The gross result on sales of Relpol S.A. amounted to PLN 14,688 thousand and was by 13.6% higher than the result achieved in the first half of 2017.

The consolidated result on sales was influenced by the following factors:

**a) High level of sales revenues.**

In the first half of 2018, the Capital Group achieved 8.1% dynamics of sales revenues as compared to the first half of 2017. At the same time, 5.8% growth in sales was achieved on foreign markets. Sales on the domestic market were 13.9% higher than in the first half of 2017.

**b) Financial position of subsidiaries.**

The financial position of the subsidiaries is stable and their prospects for further operations are good, even though two of them incurred losses. There is still no clear revival of the economy in Ukraine and Russia. These countries have gone through a deep crisis, but economic indicators and analysts' forecasts do not predict dynamic growth in the near future.

For Relpol Eltim in Russia, the first half of 2018 turned out to be better than the first half of 2017. The Company recorded an increase in sales revenues and net profit (PLN 319 thousand).

The first half of 2018 in terms of sales revenues was also better for the Ukrainian company DP Relpol Altera. However, the company incurred a net loss of PLN 351 thousand, which was caused by higher operating costs. The company produces, on behalf of Relpol S.A., from the entrusted

materials and in accordance with the quality standards set by Relpol. The most important thing in this case is that the products are assembled and delivered on time, according to the plan and according to the agreed quality standards. The production of high quality products and the guarantee of punctuality and smoothness of deliveries are one of the main objectives of the Capital Group. The Management Board of the Parent Company monitors the political and economic situation in Ukraine, estimates the potential risk and believes that there is currently no cause for concern.

The situation in Relpol Elektronik is also stable. The company ended the first half of 2018 with higher sales revenues than in the first half of 2017. However, due to higher operating costs it incurred a net loss of PLN 100 thousand.

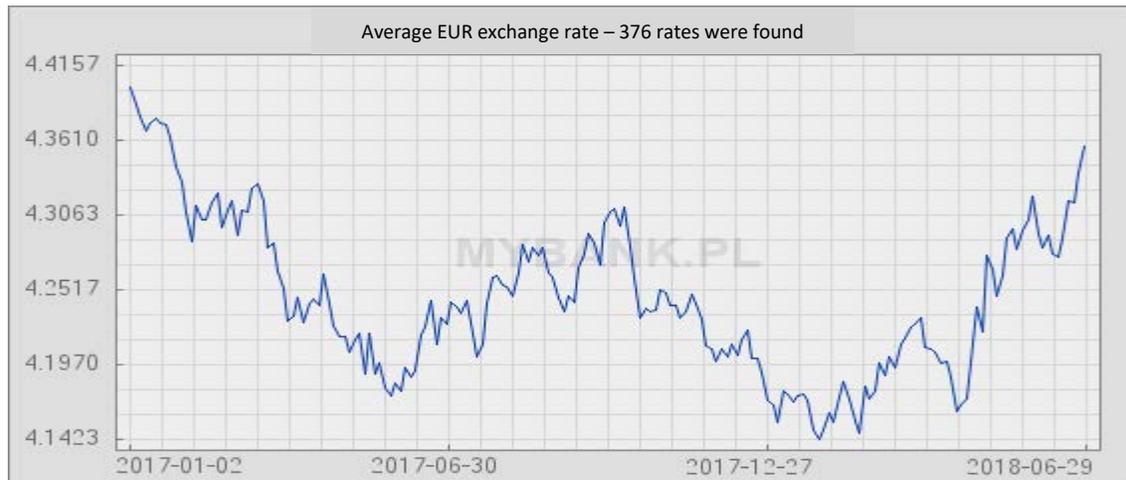
**c) Currency exchange rate levels.**

A stable EUR/PLN exchange rate facilitates planning and reduces the negative impact of the currency situation on the Capital Group's results. This inhibits the creation of large exchange rate differences (especially negative ones), which reduce the financial result.

Higher exchange rates result, on the one hand, in higher sales revenues and, on the other hand, in higher costs of purchase of certain imported production materials. However, when comparing the streams of foreign currency revenues and expenditures, it should be noted that higher exchange rates have a greater impact on the growth of revenues from sales than on the growth of production costs. A persistently high level of exports makes it possible to cover currency expenses and generate surplus of currencies. Therefore, a higher EUR and USD exchange rate is more advantageous for the Group. In addition, a higher USD exchange rate increases the price competitiveness of Relpol's products against goods originating from China.

Fluctuations in exchange rates always occur and are inherent in the business of companies in which exports account for a large percentage of revenues from sales. Foreign markets account for 71% of consolidated sales revenues, of which approx. 65% are generated in EUR. The remaining currencies are USD, RUB and UAH for the subsidiaries. The transactions of the consolidated subsidiaries on their home markets are carried out in their home currencies (i.e. RUB, BYR and UAH). On the other hand, the Parent Company's transactions with these companies and with other customers on the eastern markets are carried out in EUR or USD. The average exchange rates of all these currencies in the first half of 2018 were lower than in the first half of 2017.

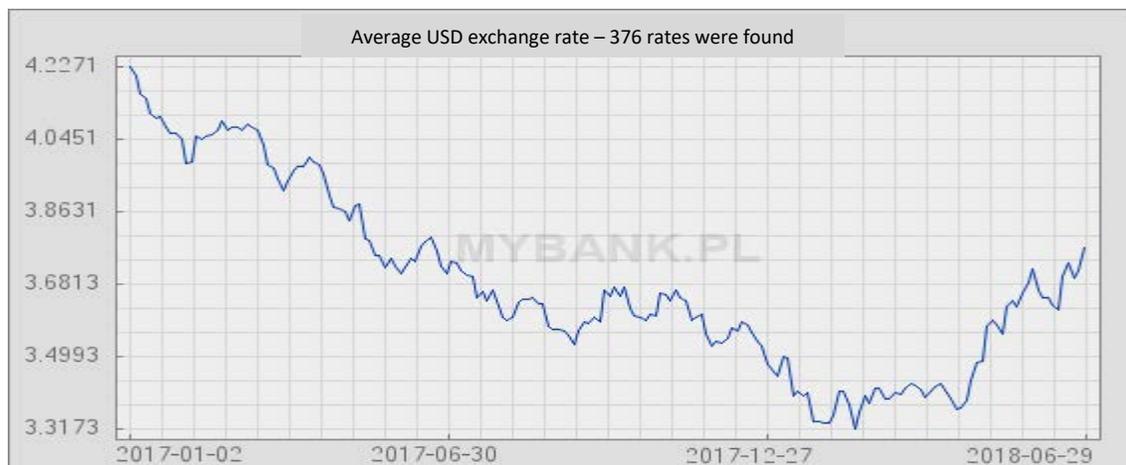
### EUR exchange rate in the period from 2 January 2017 till 30 June 2018.



Source: <http://kursy-walut-wykresy.mybank.pl/>

The EUR exchange rate fluctuated considerably in the presented period. In the first half and in the fourth quarter of 2017, it was in a downward trend, whereas in the first half of 2018, keeping up an upward trend, it made up for its losses. Finally, the average EUR exchange rate in the first half of 2018 was close to the average exchange rate in the first half of 2017.

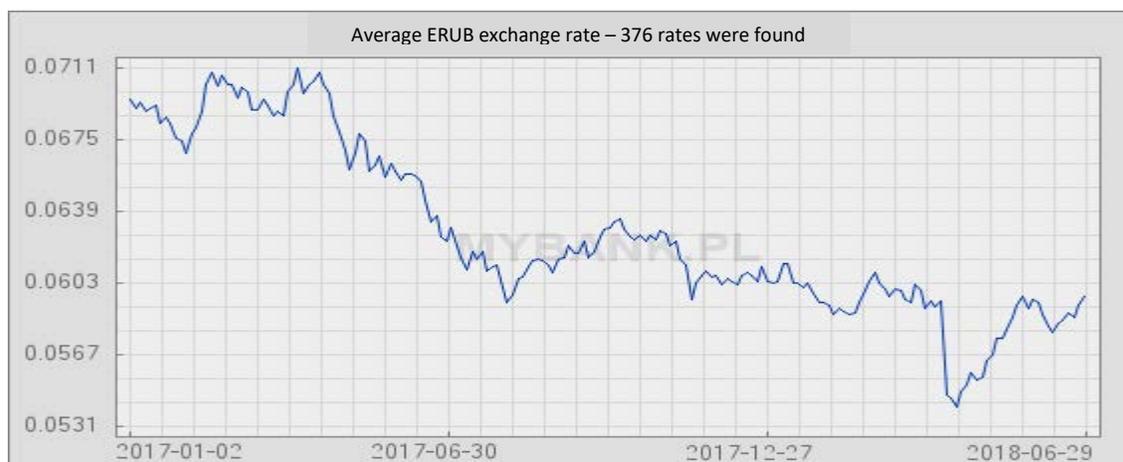
### USD exchange rate in the period from 2 January 2017 till 30 June 2018.



Source: <http://kursy-walut-wykresy.mybank.pl/>

The maximum rates of USD and EUR were at the beginning of 2017. Afterwards, the exchange rate of USD was in a downward trend throughout 2017, and like EUR, a decrease in the rates took place at the end of January 2018. The second quarter of 2018 brought a rebound and an increase in USD rates to the level of PLN 3.7705. Ultimately, the average USD exchange rate in the first half of 2018 was 9.7% lower than in the same period of 2017.

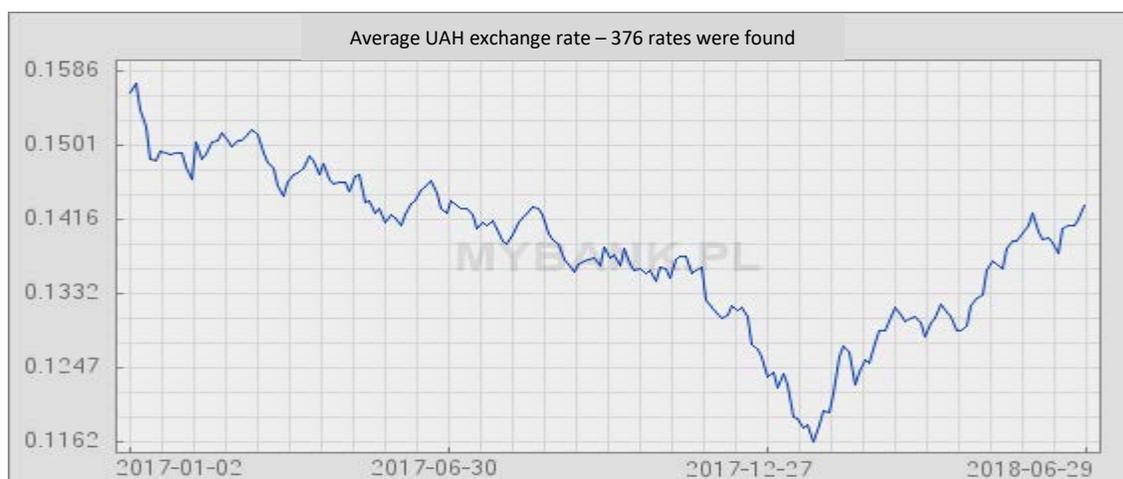
### RUB exchange rate in the period from 2 January 2017 till 30 June 2018.



Source: <http://kursy-walut-wykresy.mybank.pl/>

In the presented period, the highest rouble rates were in the first quarter of 2017. As a result, the average exchange rate of the Russian currency in the first half of 2017 was 12.3% higher than in the first half of 2018. RUB revenues are generated by the Russian company and then, in the consolidated financial statements, they are converted into PLN. The lower the rouble exchange rate, the less favourable the conversion in the consolidated financial statements is. The rouble exchange rate is not significant for sales transactions between the parent company and customers in Russia. These transactions are concluded in USD.

### UAH exchange rate in the period from 2 January 2017 till 30 June 2018.



Source: <http://kursy-walut-wykresy.mybank.pl/>

The Ukrainian hryvnia rates were similar to those of the Russian rouble. In the presented period, the highest hryvnia rates were recorded in January 2017 (PLN 0.1586). This currency was in a long-term downward trend until the first quarter of 2018, when a rebound took place. It did not make up for any losses, and in the first half of 2018 the hryvnia exchange rate was 9.2% lower than in the first half of 2017. There are two subsidiaries in Ukraine from which DP Relpol Altera is covered by consolidation and its financial statements are converted from UAH to PLN.

#### d) Raw material price level.

Relays are manufactured using plastics and details containing raw materials such as copper, silver and gold. They are found in contacts, tapes and winding wires used to manufacture relays. Prices of raw materials constitute a significant share in the costs of products sold. In the first half of 2018, the prices of copper and gold remained at a higher level than in the first half of 2017. On the other hand, the prices of silver were lower. An increase in the prices of raw materials adversely affects the results of the Company and the Capital Group, reducing the profitability of sales. Fluctuations in the prices of basic raw materials are presented in the charts below.

#### Copper prices (in USD per tonne) on the London Metal Exchange



Source: <https://www.inwestinfo.pl/>

#### Silver prices (in USD per ounce) on the London Metal Exchange



Source: <https://www.inwestinfo.pl/>

### Gold prices (in USD per ounce) on the London Metal Exchange



Source: <https://www.inwestinfo.pl/>

#### e) Borrowing costs

Another factor affecting the results of the Capital Group is the cost of raising money on the market. Taking into account the fact that some assets of the Capital Group were financed with interest capital, the changing WIBOR rates affect the level of financial costs accordingly.

Borrowing costs include costs of interest on loans, interest on leasing and other costs incurred in connection with borrowing cash to finance operating and investing activities.

#### f) Labour costs

The labour market also saw some significant changes. Labour costs are increasing at the locations where the Capital Group carries out its production and assembly activities. In order to reduce those costs and ensure flexibility in the employment of production workers, domestic companies use labour outsourcing services.

### 4.5 Commercial and marketing activities

In the first half of 2018, the Company and the Capital Group achieved very good sales results. On the domestic market, the highest dynamics were recorded in the group of industrial relays, interface relays and miniature relays used in electronics. This year we have also observed a dynamic increase in sales of new groups of time relays and control lamps.

On foreign markets, we recorded an increase in orders for miniature relays, mainly due to the growing demand from German customers. There was also a significant increase in sales in the group of solar relays, which resulted from the increased demand on the market for this type of

products.

For this reason, the Company has increased its production capacity and introduced a new series of 80A solar relays.

Recently, the export activity has focused primarily on improving the profitability of sales and increasing the availability of the Company's products.

Demand is continuously monitored and, accordingly, maintaining high stock levels for distribution is necessary to improve the attractiveness of the company's product range and increase the availability of the Group's product range for the end customer in the industrial automation market.

Cooperation with key and new customers is continuously carried out by organising sales meetings and training on the best selection of relays.

Continuous and direct cooperation with design offices in Poland makes it possible to locate Relpol products in new projects, which will result in the sales of these products in the coming months, both domestically and abroad.

From the territorial point of view, sales in the Middle East and Turkey increased significantly as a result of the activities of the distribution network and the attractiveness of Relpol's product range. The significant growth on the eastern markets is a result of the revival in the area of industrial investments and the dynamic activity of the distributor on the Belarusian market.

Marketing activities focused mainly on the promotion of the Company and on new products introduced into the sales offer. The Capital Group's products were presented at foreign and domestic fairs as well as in advertisements and articles in the trade press. An important element of product promotion is technical training organised in Poland dedicated to various people and companies interested in the areas and possibilities of using relays. The participants of such training are most often users, designers, constructors and sellers of these products. They are provided with the necessary technical knowledge about relays, their characteristics and potential applications. This is one of the key elements in building brand awareness in the market.

Analysing sales in the past six months, the structure of customers and products, as well as the volume of incoming orders, and on the basis of information from our regular foreign and domestic trading partners, we are confident as to the assessment of the future situation in exports and in the country. On the export markets where the Group's products are sold, the high level of sales should be maintained. We are successively attracting new customers and the level of orders received from regular customers gives us grounds to believe that the second half of the year should be equally good. The situation in Poland has improved, which can be seen in the sales dynamics. However, it is difficult to state unequivocally whether this is a long-term trend.

#### **4.6 Manufacturing activity**

The activities of the manufacturing departments in the first half of 2018 were focused on timely and quantitative implementation of sales plans, shortening delivery times for customers and lowering the technical production cost for the RS50 relay family, as well as on launching the production of a new RCP relay. In order to achieve the assumed objectives, works were carried out related to changes in technological processes and an increase in production capacity.

Actions were also taken to adapt to the conditions of a dynamic labour market, by changing the organisation of workstations, implementing procedures and training employees to adapt their skills to market needs and changes in technological processes.

The implemented activities include:

1. A new family of RPC time relays for time control in industrial and home automation systems was introduced into production. The new time relays are characterised by a modern design and the style of the prints is consistent with the industrial relays. They are equipped with a new generation processor and housings with ventilation holes improving the heat exchange with the environment, which makes it possible to load contacts with current up to 16A for 1P version.
2. In order to increase the production capacity and improve the quality of the manufactured products from the RS50 - Solar group and to lower the production cost, an automatic machine for assembling an electromagnet for this group of relays was made and implemented in production.
3. A chamber for conditioning plastic workpieces of a group of polyamides - one of the basic groups used in Relpol - was purchased and implemented for production. This equipment will enable very close supervision of the process of conditioning workpieces. This operation is aimed at obtaining good mechanical properties from the point of view of dimensional stability of workpieces.
4. A washer using water agents for cleaning metal parts after punching was purchased before the further stage of the production process. The new machine replaced an old, worn-out and inefficient washer.
5. The use of analytical tools enabling observation of stock exchange quotations of raw materials and their potential impact on the current and future technical costs of production was continued. The aim of this activity is to be able to react to the changing prices of strategic raw materials as soon as possible.
6. The organisational and technological changes were introduced in the production departments in the form of:
  - works related to the visualisation of goals and cascading of objectives for 2018,
  - changes in technological processes, aimed at reducing their labour-intensive character and improving their quality,
  - reduction of operating costs of machinery through the analysis, availability and performance capability of production stations and the number of repairs of machines and devices in relation to the production volume,
  - continuation of the above-standard consumption of materials at the level of 2017,
  - maintenance of the productivity of the employees involved directly in the manufacture at the level of 2017,
  - adjustment of the number of production employees to the implementation of growing sales plans.

The aforementioned measures allowed the optimisation of inventory, reduction of the ongoing production value and an increase in the production capacity; consequently, the Capital Group was able to provide the customers with a better access to the products it offers.

#### **4.7. Logistics activities**

The coordination of processes starting from the purchase of raw materials and materials, through production, to the dispatch of products are the key tasks of logistics activities. Planning the purchase of raw materials and materials ensuring the smoothness of production and punctuality of deliveries to customers, with such a wide range of production is a difficult process requiring experience.

With changing costs of raw materials necessary for production, such as: copper, silver, plastics, etc., the analysis of prices and market trends for the key production materials is carried out on an ongoing basis.

With this in mind, in 2018, measures were taken in order to:

- qualify alternative suppliers of strategic raw materials,
- purchase raw materials from alternative suppliers, consequently lowering the costs of manufacture of the leading product groups,
- optimise the use of raw materials throughout the production process,
- use the stock of stored materials, instead of scrapping or disposing of them,
- maintain smooth inventory turnover.

The implementation of these measures helps in an effective way to:

- optimise the use of raw materials throughout the production process,
- look for alternatives to using the stock of stored materials,
- recover and sell precious metals from scrap metal at a price close to the stock market price,
- maintain smooth inventory turnover by storing inventories at suppliers', while securing the terms of purchase of raw materials containing non-ferrous and precious metals included in the group of strategic materials,
- examine the market for alternative suppliers of strategic raw materials.

In order to ensure the appropriate quality of purchased raw materials and materials, quality tests as well as surveys of qualified suppliers are carried out. The entire production process takes place in accordance with the implemented quality and environmental management standard.

#### **4.8 Environmental protection measures**

An important part of the parent company's strategy is the implementation of tasks based on the Integrated Management System certified and audited every year, an integral part of which is the Environmental Management System PN-EN ISO 9001:2009 and PN-EN ISO 14001:2015. The basis for setting the objectives are environmental aspects identified in particular production processes and applied technologies.

Particular attention is paid to aspects related to the following environmental objectives:

- observance and compliance with environmental legal requirements,
- minimising material and utilities consumption,
- proper management of waste, including its segregation, recovery, recycling and disposal,
- raising the environmental awareness of employees.

In relation to the assumptions adopted, taking into account the constant technological supervision over the properties of both raw materials and products, as well as of manufacturing processes, Relpol strives to minimise the impact of the company on the natural environment.

#### **4.9 Other operating activity**

Other operating activity in the first half of 2018 changed the result of the Capital Group by PLN 1.060 thousand. This was mainly due to the creation of provisions (PLN 605 thousand), including unused holiday leaves, inventory revaluation write-off (PLN 236 thousand), R&D write-off (PLN 215 thousand) and receivables revaluation write-off. In the first half of 2017, the result of other operating activities was also negative and amounted to PLN -729 thousand.

#### **4.10 Financial activity**

The financial activity in the first half of 2018 improved the result of the Capital Group by PLN 487 thousand. The biggest influence had the surplus of positive exchange rate differences over negative ones (PLN 549 thousand). In the first half of 2017, the result of the financial activities was negative and amounted to PLN -379 thousand. At that time, there was a surplus of negative exchange rate differences over positive ones in the amount of PLN -494 thousand.

#### **4.11 Net result**

In the first half of 2018, the Capital Group generated a net profit of PLN 4,402 thousand which, compared to PLN 3,099 thousand of the net profit in the first half of 2017, means an increase by PLN 1,303 thousand (by 42%). The net profit attributable to shareholders of the parent company amounted to PLN 4,274 thousand and was by 39% higher than in the first half of 2017.

The net profit of Relpol S.A. in this period amounted to PLN 4,573 thousand, which means an increase by 47% in comparison to the first half of 2017. This result was also higher than the net profit of the Capital Group. The net profit of the Capital Group decreased consolidation adjustments and net losses incurred by the subsidiaries Relpol Elektronik and DP Relpol Altera.

## 5. Selected ratios assessing the situation of Relpol S.A. and the Capital Group

### Profitability ratios

Ratio	Calculation method	Relpol S.A.		Capital group	
		1st half of 2018	1st half of 2017	1st half of 2018	1st half of 2017
Gross return on sales	Gross result on sales/ sales *100%	23.28%	22.02%	23.22%	22.15%
Return on sales	Result on sales/ sales *100%	9.76%	8.38%	9.45%	7.87%
Net return on sales	Net profit/ sales *100%	7.25%	5.29%	6.49%	4.94%
ROE	Net profit for 12 months/ average value of equity *100%	10.38%	7.39%	9.32%	6.31%
ROA	Net profit for 12 months/ average value of assets *100%	7.98%	5.64%	7.14%	4.84%

The profitability ratios improved in relation to the data for the first half of 2017. The reason for this increase was higher sales revenues. Higher net profit for the period of 12 consecutive months contributed to the improvement of ROE and ROA ratios.

### Level of debt

Ratio	Calculation method	Relpol S.A.		Capital Group	
		1st half of 2018	1st half of 2017	1st half of 2018	1st half of 2017
Overall level of debt	Liabilities/assets * 100%	24.68%	25.33%	25.47%	25.16%
Financing with fixed capital	(equity+ long-term liabilities)/assets *100%	79.22%	79.04%	78.17%	78.87%
Equity-to-fixed-assets ratio	Equity/ fixed assets*100%	189.30%	179.73%	193.05%	184.99%

The debt of the Capital Group slightly increased in compared to 30/06/2017. The assets of the Capital Group are financed with fixed capital in 78%.

### Liquidity ratios

Ratio	Calculation method	Relpol S.A.		Capital Group	
		1st half of 2018	1st half of 2017	1st half of 2018	1st half of 2017
Current liquidity	Current assets / short-term liabilities	2.90	2.79	2.81	2.82
Quick liquidity	Current assets – inventory / short-term liabilities	1.54	1.46	1.55	1.53
Working capital	(Current assets - short-term liabilities)/sales * number of days in the period	109.2	107.5	108.1	109.2

Liquidity ratios in both comparable periods are at a high level. The Capital Group has no problems with discharging its liabilities.

## Efficiency ratios

Ratio	Calculation method	Relpol S.A.		Capital Group	
		1st half of 2018	1st half of 2017	1st half of 2018	1st half of 2017
Assets turnover ratio	Sale for 12 months/average level of assets	1.27	1.18	1.29	1.18
Inventory cycle	(Average level of inventories/cost of products and goods sold) * number of days in the period	99	100	96	97
Receivables cycle	(Average level of trade receivables/sales) * number of days in the period	75	68	74	69
Liabilities cycle	(Average level of trade liabilities / cost of products and goods sold) * number of days in the period	29	28	31	28

A long inventory turnover cycle results from the nature of the industry in which the Capital Group operates. Inventory, receivables and liabilities turnover cycles change by 1-5 days.

## 6. Major achievements in research and development.

As part of the projects carried out, PLN 1,953 thousand was spent on research and development in the first half of 2018.

In the first half of the year, the employees of the development department carried out works related to the improvement of the product range and introduction of new product solutions. Work was also carried out and completed on new products as well as technical assumptions and documentation to implement new products that respond to market trends in the coming years and to attract new customers on the market. Tasks related to increasing the technological level of manufacturing processes with simultaneous reduction of technical production cost were carried out, along with projects and tasks provided for in the plan for 2018. The result of those activities is the optimisation of manufacturing processes of the currently offered products, as well as the launching of new products.

Description of the carried out projects:

1. Introduction of a new type of sockets to the product range. The aim of the investment project is to develop and implement to production new types of sockets to be used with R2N, R4N, RM84 and RM85 products.  
As a result of the design works carried out on these products, including structural analyses (3D models) and a defined scope of the production process, machines and equipment were purchased, as well as means of production allowing for the launch of production. The series production is planned to start at the beginning of the second quarter of 2019.

2. Implementation to production of monitoring relays and a new family of RPI installation relays in the group of interface relays.

The purpose of the monitoring relays is to monitor and protect the power supply of single-phase and three-phase electrical equipment. This enables them to be equipped with such functions as: mains voltage monitoring, overvoltage and undervoltage monitoring, as well as delaying the restart in order to avoid high switching current, and to detect excessive phase asymmetry.

Installation relays are used to switch single- or three-phase circuits, and thanks to their universal applicability they can be used in residential buildings for such functions as: switching on lighting and heating devices, switching on ventilation and air conditioning, switching on central heating, switching on incandescent lamps or gas lamps.

3. An invariable part of ongoing research and development is also product modifications and improvements, which enhance the recognition of the RELPOL brand as a supplier of reliable, high-quality solutions. Activities implemented in the first half of 2018:

- In the group of solar relays, work was carried out to reduce the technical cost of production by building an automatic machine for the production of electromagnets, purchasing a coil winder for these relays, and changing the technology of marking the product from screen printing to modern laser printing.
- In the group of miniature relays, a machine for the production of a spring set was purchased. The machine is to replace a worn-out and expensive to maintain old machine.
- In the group of sockets for relays, works were carried out to replace the current method of marking the products in question with laser marking. The completion of the works is planned for the fourth quarter of 2018. This will result in improved quality and increased production capacity.

4. New branded products for the main customers, in the group of industrial relays and sockets, were developed, which made it possible to expand the product range and increase production.

Commissioning the tool-shop department to carry out works is a regular practice during the research and development process. In this way, it ensures that the production departments are provided with necessary materials and parts to manufacture special tools, as well as produces and recovers tools used to manufacture relays, thus enabling the maintenance of production continuity, and also designs and manufactures new tools.

## **7. Description of the basic risk factors and threats**

In the course of its business activities the Issuer analyses, monitors and assesses the risk factors which may affect the current and future financial standing of the Company and the Capital Group. 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 the Capital Group.

The Issuer identified the following main areas of risk and threats:

### **7.1 Financial risks**

1. Interest rate risk.
2. Credit risk.
3. Liquidity risk.
4. Risk of cash concentration.

### **7.2 Non-financial risks**

1. Capital management risk.
2. Macroeconomic risk.
3. Competition-related risk.
4. Risk of dependency on one customer.
5. Risk related to purchases and dependency on the main supplier.
6. Risk related to the build-up and impairment of inventory.
7. Risk of losing key employees.
8. Risk related to the equipment breakdown.
9. Risk related to the IT systems failure.
10. Risk of the product responsibility.
11. Risk of changes in legal regulations and their interpretation

The description of the above risks and their impact on the activity of the Company was presented in the annual statements of the Company and the Capital Group for 2017. The statements were published on 25/04/2018 and 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)

## **8 Information on changes in sales markets and customers, suppliers who represent at least 10% of total sales revenues.**

The Capital Group operates in many countries. The materials used in production are imported. The Capital Group is not dependent on any of its suppliers. None of those suppliers represent more than 10% of the revenues from sales.

In the first half of 2018, there were no significant changes in the sales markets. The Group has many larger and smaller customers. In the first half of 2018, the share in sales revenues of the largest two customers amounted to 19.5% and 11.5%, respectively. Other customers did not exceed the 10% threshold.

## **9 Information on contracts significant for the issuer's activity, including contracts concluded between shareholders, insurance contracts, partnering agreements or cooperation agreements known to the issuer.**

1. Agreements for limitation of receivables and credits in banks:  
**Raiffeisen Bank, credit collateral according to the investment credit facility agreement**
  - a) power of attorney to the current account and other accounts of the company at 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 at 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,
2. Multi-annual cooperation agreement with Zettler Electronics GmbH in Germany regarding the supply of Relpol products to the company.
  3. Multi-annual cooperation agreement with ABB Stotz Kontakt GmbH in Germany regarding the supply of Relpol products to the company.
  4. The cooperation agreements with other foreign customers – specifying the commercial terms of the delivered products and goods, pursuant to which the customers place framework orders.
  5. Cooperation agreement with Relpol Elektronik and DP Relpol Altera, specifying the terms and conditions of the cooperation.
  6. Lease agreements for the leasing of machinery, IT equipment and means of transport.
  7. Comprehensive insurance of the company's assets against all risks, as well as products in domestic and international transport, taken out with Ergo Hestia.
  8. Third party liability insurance policy for business activities or use of property taken out with Ergo Hestia.

**10 Information about the issuer's organisational or capital relations with other entities and information on its main domestic and foreign investments (securities, financial instruments, intangible assets and real estate), including capital investments made outside its group of affiliated entities and a description of the methods of their financing.**

Relpol S.A. is the parent company of the Capital Group and apart from the subsidiaries disclosed in the consolidated financial statements, Relpol S.A. does not have any branches (plants) having legal personality or conducting independent reporting. Relpol has only a production department located in Zielona Góra, being a part of the company's assets, dealing with the production and maintenance of radiation portal monitors and digital systems of security, automation, measurement, control, registration and communication CZIP. The activity of this department is included in the results of Relpol S.A.

In the first half of 2018, the Capital Group did not carry out any domestic or foreign capital investments, including investments outside the Capital Group. Nor did it carry out any real estate investments.

**11 Information on conclusion by the Company or its subsidiary of one or more transactions with related entities, if they are individually or jointly significant and were concluded on terms other than market terms.**

From 1 January 2018 until the date of publication of the financial statements, Relpol S.A. and its subsidiaries did not enter into any transactions with related entities that would be material and would be concluded on terms other than market terms.

**12 Information on credit and loan agreements concluded and terminated in a given year.**

Information on loans and advances is presented in section 17 of the consolidated financial statements for the first half of 2018.

**13 Information on loans granted, with particular emphasis on loans granted to related entities.**

In the period from 01/01/2018 to 30/06/2018, the Capital Group did not grant any loans, guarantees or sureties.

**14 Information on sureties and guarantees granted and received in a given financial year.**

The Capital Group did not grant or receive any loans, guarantees or sureties in the period from 01/01/2018 to 30/06/2018.

### **15 Issuance of securities**

In the first half of 2018, the parent company did not issue, redeem or repay any debt or equity securities.

### **16 Differences between the financial results disclosed in the report and the previously published forecasts.**

The Issuer did not publish any forecasts for the Company or the Capital Group for 2018.

### **17 Assessment of the ability to implement the investment plans, including equity investment plans, in relation to the available funds.**

Investment outlays will be incurred on an ongoing basis from bank loans and own funds.

### **18 Assessment of the factors and non-standard events influencing the result on operations for the accounting period.**

All material events are described in the Management Board's report or the financial statements and the notes.

### **19 Description of external and internal factors material for the development of the Capital Group and description of business development prospects.**

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 of the companies and internal factors.

The external factors include:

- exchange rates and their fluctuations,
- political and economic situation on the commercial markets of the Capital Group,
- domestic and foreign economic growth rate,
- prices of raw materials (copper, silver, crude oil),
- expenditure on domestic and foreign investments,
- development of renewable energy sources,
- increased demand for radiation protection systems,
- development of the political situation in Ukraine and Russia,
- wage pressure,
- the announced increase in energy costs.

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

- adjustment of costs to the current economic situation on the market,
- an increase in production capacity by investing in production lines,
- an increase in the market share based on the currently offered products,
- rationalisation of the commercial product portfolio,

- acquisition of new customers on the existing and new markets,
- promotion and acquisition of counterparties for solar inverter relays,
- improvement of profitability of the products,
- installation of radiation protection systems, according to the schedule of awarded contracts,
- finalisation of changes in the structure of the Capital Group,
- acquisition of new customers for CZIP.

## **20 Changes in the basic management principles of the issuer's enterprise and the Capital Group.**

The Management Board of the Parent Company regularly monitors and analyses the financial standing of its subsidiaries and the economic and market conditions in which they operate.

In July 2018, the Management Board of the Parent Company decided to sell 80% of shares in its subsidiary Relpol M in Belarus. This decision resulted from a change in the market situation since the company was established in 1997, a small volume of sales of goods by Relpol S.A. by this entity, a decreasing significance of this company for the operations and development of the Capital Group, lack of prospects for its dynamic development and generation of profits, as well as increasing reporting obligations incumbent on the costs of operations of Relpol S.A. and this company.

Relpol S.A. intends to continue and develop its trading activities on the Belarusian market through further cooperation with the company, as well as with current and new distributors under the terms of trade agreements concluded between them and Relpol S.A.

Apart from that, there were no changes, other than those described in the financial statements, in the principles of management of the Company and the Capital Group.

## **21 Changes in the composition of the issuer's management and supervisory bodies in the last half of the year.**

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.

On 12 June 2018, the General Meeting of the Company appointed Mr. Dariusz Daniluk to the Supervisory Board. Mr. Dariusz Daniluk was a member of the Supervisory Board from 12 October 2017, when the Supervisory Board, in accordance with the provisions of § 24(4) of the Company's Articles of Association, appointed him as one of the co-opting members. Mr. Dariusz Daniluk was able to perform these activities until a member of the Supervisory Board was elected by the General Meeting.

**22 Agreements concluded between the issuer and the management, providing for a compensation in case of resignation or redundancy without a valid reason.**

Relpol has employment agreements with the management, which provide for a code notice period: depending on the length of service in the company, ranging from 1 to 3 months. The management personnel is obliged not to conduct any activity competitive to the issuer's business, as specified in the agreement, for the duration of the employment relationship and for a period of 6 months after the termination of employment. The company will pay compensation in the amount agreed in the non-competition agreement in exchange for the employees' performance of their post-employment non-competition obligations. In the case of the President of the Management Board, the issuer will pay not less than PLN 120 thousand and in the case of the Vice-President of the Management Board 25% of the gross amount of remuneration received in the six months preceding the termination of the employment relationship.

**23 Information on the number and nominal value of the issuer's stocks and shares in related entities held by members of the management and supervisory bodies.**

Shares held by the Management Board and Supervisory Board as at 21/08/2018.

Data as of the report signature date	Number of shares held (in pcs)	% of votes at the General Meeting	Nominal value of shares held (in PLN '000)
<b>Management Board of Relpol S.A.</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Supervisory Board of Relpol S.A., of which:</b>	<b>3,779,943</b>	<b>39.34</b>	<b>18.900</b>
1. Ambroziak Adam	3,171,000	33.00	15,855
2. Osiński Piotr	608,943	6.34	3,045

**24 Shareholders holding at least 5% of the total number of votes at the General Meeting of Shareholders, directly or indirectly through subsidiaries.**

Data as of 21/08/2018

Shareholder	Number of shares held (pcs)	Number of votes at the General Shareholders' Meeting	Share in the total number of votes at the General Meeting of Shareholders	Nominal value of shares held (in PLN '000)	Participation in the share capital	Change with regard the statements for the 1st quarter of 2018 (17/05/2018)
Ambroziak Adam	3,171,171,000	3,171,171,000	33.00%	15,855	33.00%	0
Altus TFI S.A.	2,027,358	2,027,358	21.10%	10,137	21.10%	0
Rockbridge TFI S.A.	959,772	959,772	9.99%	4,799	9.99%	0
Osiński Piotr	608,943	608,943	6.34%	3,045	6.34%	0
Raiffeisen TFI S.A.	569,467	569,467	5.93%	2,847	5.93%	0

The Capital Group does not hold any own stocks or shares.

**25 Information on agreements known to the issuer, which might result in future changes in proportions of shares held by the existing shareholders.**

The issuer is not aware of any such agreements.

**26 Information on holders of any securities that give special control rights in relation to the issuer.**

The Company did not issue any such securities.

**27 Information on the system of control over employee share schemes.**

At present, there are no employee share schemes.

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

On 15 December 2017, the Supervisory Board of the company adopted a resolution on the selection of the auditor to review the semi-annual and audit the annual separate and consolidated financial statements of the Company and the Capital Group for 2018 and 2019. 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 was selected to audit the financial statements in accordance with the applicable regulations and professional standards.

The Parent Company has not used the services of UHY ECA Audyt Spółka z ograniczoną odpowiedzialnością Sp. K. yet.

**29 Important information and agreements concluded after the balance sheet date.**

All information is described in the report on the operations or the financial statements.

**30 Loans granted to the governing bodies of the company**

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

**31 Proceedings pending before a court, an authority competent to conduct arbitration proceedings or before a public administration body.**

In the period from 01/01/2018 to 30/06/2018 no proceedings regarding liabilities or receivables of the issuer the value of which amounts to at least 10% of the equity capital were initiated before a court or a public administration body.

Signatures of Members of the Management Board:

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

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

Żary, 21/08/2018