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# **Interim condensed consolidated financial statements of the Relpol Capital Group for the first half of 2019 r.**

Prepared in accordance with IAS/IFRS



Żary, August 2019

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## I. BASIC INFORMATION ON THE CAPITAL GROUP

### 1. Information on the parent company and on the capital group

#### **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.

#### **Parent company's management**

##### **Management Board**

Sławomir Bialik - President of the Management Board

Krzysztof Pałgan - Vice-President of the Management Board

There were no changes in the composition of the Management 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 until 11/03/2019

6. Jacek Gdański from 04/04/2019 until 14/06/2019

7. Paweł Młynarczyk from 14/06/2019.

In connection with the resignation from the membership in the Supervisory Board submitted by Mr Dariusz Daniluk on 11/03/2019, the Supervisory Board on 04/04/2019 appointed Mr Jacek Gdański for this position by co-option, who performed these activities until the date of the General Meeting. On 14/06/2019 the term of office of the current Supervisory Board expired and the shareholders appointed the members of the Supervisory Board for the next joint term of office. The Supervisory Board is again composed of: Zbigniew Derdziuk, Piotr Osiński, Adam Ambroziak and Agnieszka Trompka. Mr Paweł Młynarczyk became a new member of the Supervisory Board.

Within the structure of Supervisory Board there operates an Audit Committee and an Remuneration Committee.

#### **Share capital of the parent company**

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

The 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.

### **Short description of the objects of the company**

For 60 years, Relpol S.A. has been manufacturing the industrial automation components, in particular electromagnetic relays for various branches of the industry, electronics, photovoltaics and railways, electric car charging stations, control and monitoring relays, as well as plug-in sockets for relays. Since 2000, Relpol S.A. has been manufacturing, installing and maintaining gamma-neutron radiation portal monitors and digital protection systems CZIP, used in medium voltage switchboards.

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

Relays and sockets are manufactured also by Relpol Elektronik and DP Relpol Altera. Those companies carry out production activities as commissioned by Relpol S.A. The other subsidiaries are distributors of the products of Relpol S.A. in Russia, Belarus and the Ukraine.

## **2. 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 2019 amounted to PLN 79 thousand and the net loss to PLN 31 thousand. In the 1st half of 2018 the revenues amounted to PLN 286.5, and the net profit to PLN 21 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 2019 amounted to PLN 35 thousand, and the net profit to PLN 6 thousand. In the 1st half of 2018 the revenues amounted to PLN 33 thousand, and the net profit of PLN 0.2 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 legal requirements involves disproportionately high costs in relation to the financial capabilities of these entities.

### **3. About the report**

**Period covered by these statements:** from 01/01/2019 to 30/06/2019.

**Comparable data** for the period from 01/01/2018 to 30/06/2018.

The presented financial data as at 30 June 2019 and 30 June 2018 were reviewed by the auditor and as at 31 December 2018 they were audited.

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

The present financial statements have been prepared based on the historical cost principle.

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

The financial statements for 2018 were approved by the Ordinary General Meeting of Shareholders on 14/06/2019.

The financial statements for the 1st half of 2019 will be published on 22/08/2019.

#### **Significance**

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

#### **Financial year**

The 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.

## **Information on compliance of the statements with IFRSs**

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

The Management Board of the parent company used its best knowledge to apply the standards and interpretations as well as the methods and principles of valuation regarding individual items of the interim condensed consolidated financial statements of the Relpol S.A. in accordance with EU IFRS as at 30/06/2019. The presented summaries and explanations have been determined with due diligence.

## **Information on continuing operations**

These consolidated financial statements have been drawn up with the assumption that the Relpol S.A. and the Relpol capital group will continue their operations as a going concern in the foreseeable future and there are no circumstances indicating a threat to the continuation of its operations. In the case of Relpol M in Belarus, the Management Board of the parent company in July 2018 decided to sell its 80% stake in this company, and currently is looking for a buyer.

## ***4. Statement of the Management Board***

### **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 2019 and the interim condensed separate financial statements of Relpol S.A. for the 1st half of 2019 being its part, as well as the comparative data in these statements, have been prepared in accordance with the applicable accounting principles. The statements have been prepared in accordance with International Accounting Standard IAS 34 “Interim Financial Reporting”. The Company applies the provisions of the Accounting Act and the executive regulations issued on its basis, to the extent not regulated by IAS/IFRS. The statements reflect the property and financial position, as well as the financial result achieved by the Company and the Capital Group in the specified reporting periods in a true, accurate and clear way.

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

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

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

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

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

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

## II. INTERIM CONDESED 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 01/01/2019 to 30/06/2019	For the 1st half period from 01/01/2018 to 30/06/2018	For the previous year period from 01/01/2018 to 31/12/2018	For the 1st half period from 01/01/2019 to 30/06/2019	For the 1st half period from 01/01/2018 to 30/06/2018	For the previous year period from 01/01/2018 to 31/12/2018
<b>CONSOLIDATED PROFIT AND LOSS ACCOUNT</b>						
Net revenues from sales of products, goods and materials	67,014	67,824	135,759	15,628	15,998	31,817
Profit (loss) on operating activities	4,509	5,349	11,933	1,052	1,262	2,797
Gross profit (loss)	4,295	5,836	12,076	1,002	1,377	2,830
Net profit (loss) attributable to the parent company's shareholders	3,323	4,274	9,208	775	1,008	2,223
<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b>						
Net cash flow from operating activities	6,168	6,494	11,696	1,438	1,532	2,741
Net cash flow from investing activity	(4,364)	(2,982)	(7,526)	(1,018)	(703)	(1,764)
Net cash flow from financing activity	(1,127)	(2,186)	(4,330)	(263)	(516)	(1,015)
Total net cash flows	677	1,326	(160)	157	313	(38)
<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>						
	As at 30/06/2019	As at 30/06/2018	As at 31/12/2018	As at 30/06/2019	As at 30/06/2018	As at 31/12/2018
Total assets	109,814	102,985	106,176	25,826	23,612	24,692
Long-term accounts payable	4,149	3,746	3,835	976	859	892
Short-term accounts payable	24,878	22,484	21,078	5,851	5,155	4,902
Equity attributable to the shareholders of the parent company	79,442	75,458	79,944	18,683	17,301	18,898
Share capital	48,046	48,046	48,046	11,300	11,016	11,173
<b>OTHER</b>						
Number of shares	9,609,193	9,609,193	9,609,193	9,609,193	9,609,193	9,609,193
Annualised net profit (loss) per 1 ordinary share for the shareholders of the parent company (in PLN/EUR)	0.86	0.72	0.96	0.20	0.17	0.22
Profit (loss) per one ordinary share for the shareholders of the parent company (in PLN/EUR)	0.35	0.44	0.96	0.08	0.10	0.22
Book value per share attributable to the shareholders of the parent company (in PLN/EUR)	8.27	7.85	8.32	1.94	1.80	1.97
Dividend declared or paid per share (in PLN/EUR)	0.42	0.40	0.40	0.10	0.09	0.09

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

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

	EUR/PLN exchange rate	01/01/2019 30/06/2019	30/06/2019	01/01/2018 30/06/2018	30/06/2018	01/01/2018 31/12/2018	31/12/2018
1	Euro exchange rate averaged over the period	4.2880	---	4.2395	---	4.2669	---
2	Euro exchange rate as at the balance-sheet date	---	4.2520	---	4.3616	---	4.3000

**2. Condensed consolidated profit and loss account**

Specification	in PLN thousand	
	from 01/01/2019 to 30/06/2019	from 01/01/2018 to 30/06/2018
Net revenues from sales of products, goods and materials	67,014	67,824
Costs of products, goods and materials sold	53,123	52,003
<b>Gross profit (loss) on sales</b>	<b>13,891</b>	<b>15,821</b>
Selling costs	490	593
Overheads	8,333	8,819
<b>Profit (loss) on sales</b>	<b>5,068</b>	<b>6,409</b>
Other operating income	507	289
Other operating expenses	1,066	1,349
<b>Profit (loss) on operating activities</b>	<b>4,509</b>	<b>5,349</b>
Financial revenues	258	564
Financial costs	472	77
<b>Gross profit (loss)</b>	<b>4,295</b>	<b>5,836</b>
Taxes	952	1,434
Other reductions in profit	0	0
<b>Net profit (loss) on continuing operations</b>	<b>3,343</b>	<b>4,402</b>
Profit (loss) on discontinued operations	0	0
<b>Net result attributable to non-controlling interest</b>	<b>20</b>	<b>128</b>
<b>Net result attributable to parent company's shareholders, of which per:</b>	<b>3,323</b>	<b>4,274</b>
– ordinary share	0.35	0.44
– diluted share	0.35	0.44

### 3. Condensed consolidated statement of comprehensive income

Specification	in PLN thousand	
	from 01/01/2019 to 30/06/2019	from 01/01/2018 to 30/06/2018
<b>Net profit (loss) on continuing operations</b>	<b>3,343</b>	<b>4,402</b>
of which net profit/loss on discontinued operations	0	0
<b>Components of other comprehensive income,</b>	<b>429</b>	<b>150</b>
<b>a) which will not be subsequently reclassified into profit or loss</b>	<b>0</b>	<b>(7)</b>
Valuation of investment property at fair value	0	0
Actuarial gains and losses	0	0
Correction due to the application of IFRS 9 as at 01/01/2018	0	(8)
Income tax on other comprehensive income	0	1
<b>b) which will be subsequently reclassified into profit or loss under specific conditions</b>	<b>429</b>	<b>157</b>
Valuation of hedging instruments	0	0
Exchange differences on translation of subordinate entities	429	157
Deferred tax	0	0
<b><u>Total comprehensive income</u></b>	<b><u>3,772</u></b>	<b><u>4,552</u></b>

#### 4. Condensed consolidated statement of financial position

in PLN thousand

Specification	30/06/2019	31/12/2018	30/06/2018
<b>ASSETS</b>			
<b>A. (Long-term) fixed assets</b>	<b>41,624</b>	<b>40,201</b>	<b>39,759</b>
1. Tangible fixed assets	32,792	32,843	31,738
2. Assets related to usage rights	1,877	0	0
3. Investment property	0	0	0
4. Intangible assets	6,514	6,919	7,566
5. Financial assets	376	376	376
6. Long-term accounts receivable	65	63	79
7. Deferred tax assets	0	0	0
<b>B. (Short-term) current assets</b>	<b>68,190</b>	<b>65,975</b>	<b>63,226</b>
1. Inventory	31,826	31,514	28,321
2. Trade receivables	31,246	30,371	29,612
3. Other accounts receivable	2,685	2,328	1,919
4. Short-term investments	0	0	0
5. Cash and cash equivalents	2,071	1,393	2,653
6. Prepayments and accruals	362	369	721
<b>Long-term assets classified as held for sale</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL ASSETS</b>	<b>109,814</b>	<b>106,176</b>	<b>102,985</b>
<b>LIABILITIES</b>			
<b>A. Equity attributable to parent company's shareholders</b>	<b>79,442</b>	<b>79,944</b>	<b>75,458</b>
1. Share capital	48,046	48,046	48,046
2. Retained earnings:	31,396	31,898	27,412
-Supplementary capital	26,117	20,620	20,999
-Revaluation reserve	179	179	322
-Reserve capital	0	0	0
-Exchange differences on translation of subordinate entities	(1,075)	(1,504)	(1,720)
-Profit/ loss brought forward	2,852	3,395	3,537
-Current year result	3,323	9,208	4,274
<b>B. Capitals attributable to non-controlling interest</b>	<b>1,345</b>	<b>1,319</b>	<b>1,297</b>
<b>Total equity A+B</b>	<b>80,787</b>	<b>81,263</b>	<b>76,755</b>
<b>C. Long-term accounts payable</b>	<b>4,149</b>	<b>3,835</b>	<b>3,746</b>
1. Interest-bearing bank credits and loans	0	0	0
2. Lease liabilities	573	619	559
3. Other accounts payable	272	0	16
4. Deferred income tax reserve	1,739	1,652	1,558
5. Provisions for other liabilities	1,565	1,564	1,613
<b>D. Short-term accounts payable</b>	<b>24,878</b>	<b>21,078</b>	<b>22,484</b>
1. Trade accounts payable	9,285	9,625	10,011
2. Lease liabilities	572	614	493
3. Other accounts payable	9,307	5,712	8,777
4. Current portion of interest-bearing bank credits and loans	2,402	2,992	943
5. Deferred revenue	1,391	95	95
6. Provisions for other liabilities	1,921	2,040	2,165
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>109,814</b>	<b>106,176</b>	<b>102,985</b>

### 5. Condensed consolidated statement of cash flow

Specification	in PLN thousand	
	from 01/01/2019 to 30/06/2019	from 01/01/2018 to 30/06/2018
<b>A. Cash flows from operating activities (indirect method)</b>	<b>6,168</b>	<b>6,494</b>
<b>I. Gross profit (loss)</b>	<b>4,295</b>	<b>5,836</b>
<b>II. Total adjustments</b>	<b>1,873</b>	<b>658</b>
1. Share in net loss (profit) of undertakings measured under the equity method	0	0
2. Amortisation and depreciation	3,093	2,901
3. Foreign exchange gains (losses)	142	73
4. Interest and profit sharing (dividend)	65	37
5. Profit (loss) on investment activities	(341)	193
6. Change in provisions	(93)	834
7. Change in stock	(231)	153
8. Change in receivables	(1,817)	(4,692)
9. Change in short-term liabilities excluding loans and credits	1,325	2,179
10. Change in prepayments and accruals	7	(317)
11. Income tax paid/refunded	(277)	(693)
12. Other adjustments	0	(10)
<b>B. Cash flows from investment activities</b>	<b>(4,364)</b>	<b>(2,982)</b>
<b>I. Inflows</b>	<b>341</b>	<b>24</b>
1. Sale of intangible assets and tangible fixed assets	100	24
2. From financial assets	241	0
3. Other inflows from investment activities	0	0
<b>II. Outflows</b>	<b>(4,705)</b>	<b>(3,006)</b>
1. Purchase of intangible assets and tangible fixed assets	(4,705)	(3,006)
2. Other outflows from investment activities	0	0
<b>C. Cash flows from financial activities</b>	<b>(1,127)</b>	<b>(2,186)</b>
<b>I. Inflows</b>	<b>0</b>	<b>201</b>
1. Net inflows from issuance of shares and other capital instruments and from capital contributions	0	0
2. Credits and loans	0	201
3. Other inflows from financial activities	0	0
<b>II. Outflows</b>	<b>(1,127)</b>	<b>(2,387)</b>
1. Purchase of own shares	0	0
2. Dividends and other payments to owners	(119)	(106)
3. Repayment of credits and loans	(625)	(2,056)
4. Payment of liabilities arising from financial leases	(318)	(188)
5. Interest	(65)	(37)
6. Other outflows from financial activities	0	0
<b>D. Total net cash flows</b>	<b>677</b>	<b>1,326</b>
<b>E. Balance sheet change in cash</b>	<b>678</b>	<b>1,329</b>
- change in cash due to exchange differences	1	(3)
<b>F. Cash opening balance</b>	<b>1,393</b>	<b>1,339</b>
- foreign exchange gains and losses	1	(15)
<b>G. Closing balance of cash</b>	<b>2,071</b>	<b>2,653</b>
- foreign exchange gains and losses	0	21
	10	0

## 6. 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			
<b><i>Balance as at 1 January 2019</i></b>	<b>48,046</b>	<b>20,620</b>	<b>179</b>	<b>12,603</b>	<b>0</b>	<b>(1,504)</b>	<b>79,944</b>	<b>1,319</b>	<b>81,263</b>
Coverage of loss	0	0	0	0	0	0	0	0	0
Dividend payment	0	0	0	(4,215)	0	0	(4,215)	0	(4,215)
Distribution of net profit for the previous year	0	5,497	0	(5,497)	0	0	0	0	0
Total comprehensive income, of which:	0	0	0	(39)	3,323	429	3,713	26	3,739
- result of the period	0	0	0	0	3,323	0	3,323	20	3,343
- exchange differences from revaluation of FS	0	0	0	(39)	0	429	390	0	390
- other comprehensive income	0	0	0	0	0	0	0	6	6
<b><i>Balance as at 30 June 2019</i></b>	<b>48,046</b>	<b>26,117</b>	<b>179</b>	<b>2,852</b>	<b>3,323</b>	<b>(1,075)</b>	<b>79,442</b>	<b>1,345</b>	<b>80,787</b>
<b><i>Balance as at 1 January 2018</i></b>	<b>48,046</b>	<b>19,055</b>	<b>329</b>	<b>9,369</b>	<b>0</b>	<b>(1,877)</b>	<b>74,922</b>	<b>1,247</b>	<b>76 169</b>
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)
Differences from revaluation	0	58	(58)	0	0	0	0	0	0
Distribution of net profit for the previous year	0	1,770	0	(1,770)	0	0	0	0	0
Other	0	0	0	(477)	0	0	(477)	(244)	(721)
Total comprehensive income, of which:	0	0	(92)	(145)	9,208	373	9,344	423	9 767
- result of the period	0	0	0	0	9,208	0	9,208	278	9 486
- exchange differences from revaluation of FS	0	0	0	(145)	0	0	(145)	145	0
- adjustment for the application of IFRS	0	0	(7)	0	0	0	(7)	0	(7)
- other comprehensive income	0	0	(85)	0	0	373	288	0	288
<b><i>Balance as at 31 December 2018</i></b>	<b>48,046</b>	<b>20,620</b>	<b>179</b>	<b>3,395</b>	<b>9,208</b>	<b>(1,504)</b>	<b>79,944</b>	<b>1,319</b>	<b>81 263</b>

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			
<b><i>Balance as at 1 January 2018</i></b>	<b>48,046</b>	<b>19,055</b>	<b>329</b>	<b>9,369</b>	<b>0</b>	<b>(1,877)</b>	<b>74,922</b>	<b>1,247</b>	<b>76,169</b>
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)
Distribution of net profit for the previous year	0	2,207	0	(2,207)	0	0	0	0	0
Total comprehensive income, of which:	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
<b><i>Balance as at 30 June 2018</i></b>	<b>48,046</b>	<b>20,999</b>	<b>322</b>	<b>3,537</b>	<b>4,274</b>	<b>(1,720)</b>	<b>75,458</b>	<b>1,297</b>	<b>76,755</b>

### 7. Explanatory note to the statement

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

### III. EXPLANATORY NOTES AND ADDITIONAL INFORMATION TO THE FINANCIAL STATEMENTS

#### 1. Business segments

An operating segment is a component of the entity:

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

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

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

Segments' revenues and results	in PLN thousand			
	Revenues		Result in the segment	
	from 01/01/2019 to 30/06/2019	from 01/01/2018 to 30/06/2018	from 01/01/2019 to 30/06/2019	from 01/01/2018 to 30/06/2018
Industrial automation components	64,471	65,476	12,621	14,715
Other segments	2,543	2,348	1,270	1,106
<b>Total from continuing operations</b>	<b>67,014</b>	<b>67,824</b>	<b>13,891</b>	<b>15,821</b>

<b>Unallocated items</b>	Selling costs	490	593
	Overheads	8,333	8,819
	<b>Profit (loss) on sales</b>	<b>5,068</b>	<b>6,409</b>
	Other operating income	507	289
	Other operating expenses	1,066	1,349
	<b>Profit (loss) on operating activities</b>	<b>4,509</b>	<b>5,349</b>
	Financial revenues	258	564
	Financial costs	472	77
	<b>Gross profit (loss) on continuing operations</b>	<b>4,295</b>	<b>5,836</b>
	Taxes	952	1,434
Other reductions in profit	0	0	
<b>Net profit (loss) on continuing</b>	<b>3,343</b>	<b>4,402</b>	

<b>business operations</b>		
Net result on discontinued operations	0	0
Net result on the activity sold	0	0
Result attributable to non-controlling interest	20	128
<b><u>Net result attributable to parent company's shareholders</u></b>	<b>3,323</b>	<b>4,274</b>

in PLN thousand

Assets and liabilities of the segments	30/06/2019	31/12/2018	30/06/2018
Industrial automation components	104,816	101,511	97,777
Other segments	4,622	4,665	4,832
<b><u>Total assets of the segments</u></b>	<b>109,438</b>	<b>106,176</b>	<b>102,609</b>

in PLN thousand

Other information on the segments	Amortisation and depreciation			Increase in fixed assets		
	from 01/01/2019 to 30/06/2019	from 01/01/2018 to 31/12/2018	from 01/01/2018 to 30/06/2018	from 01/01/2019 to 30/06/2019	from 01/01/2018 to 31/12/2018	from 01/01/2018 to 30/06/2018
Industrial automation components	2,856	5,583	2,732	3,935	1,712	2,543
Other segments	237	314	168	32	104	102
<b><u>Total continuing operations</u></b>	<b>3,093</b>	<b>5,897</b>	<b>2,900</b>	<b>3,967</b>	<b>1,816</b>	<b>2,645</b>

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

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

The revenues by regions are presented below in Note no. 2 on sales. There were no sales between segments.

The capital group generated revenues with client A for the amount of PLN 12,109 thousands PLN and with client B for amount PLN 9,487 thousands, which represents 18.1% and 14.2% share in the total value of sales.

Financial data of subsidiaries excluded from consolidation is presented in note No. 14.

## 2. Revenues from sales

Revenues from sales	from 01/01/2019 to 30/06/2019	from 01/01/2018 to 30/06/2018
Revenues from sales of products	54,291	54,062
Revenues from sales of services	572	431
<b>Total revenues from sales of products and services</b>	<b>54,863</b>	<b>54,493</b>
- including from related parties	0	184
Revenues from sales of goods	10,807	11,743

2019

Revenues from sales of materials	1,344	1,588
<b>Total revenues from sales of goods and materials</b>	<b>12,151</b>	<b>13,331</b>
- including from related parties	0	3
<b>Total revenues from sales</b>	<b>67,014</b>	<b>67,824</b>
- including from related parties	0	187

in PLN thousand

Revenues from sales – by region	from 01/01/2019 to 30/06/2019	from 01/01/2018 to 30/06/2018
<b>Poland</b>		
Revenues from sales of products	12,968	13,151
Revenues from sales of services	398	289
Revenues from sales of goods	3,807	4,703
Revenues from sales of materials	1,344	1,588
<b>Total revenues from domestic sales</b>	<b>18,517</b>	<b>19,731</b>
- of which from related parties	0	0
<b>Foreign markets</b>		
Revenues from sales of products	41,323	40,911
Revenues from sales of services	174	142
Revenues from sales of goods	7,000	7,040
Revenues from sales of materials	0	0
<b>Total revenues from export sales</b>	<b>48,497</b>	<b>48,093</b>
- of which from related parties	0	187
<b>Total revenues from sales</b>	<b>67,014</b>	<b>67,824</b>
- of which from related parties	0	187

In the first half of 2019 the capital group reached PLN 67,014 thousand revenues from sales, which compared to the first half of 2018 means a decrease by 1.2%. Sales on the Polish market decreased by 6.2%, and sales on foreign markets increased by 0.8%

### 3. Costs of products, good and materials sold and cost by type

in PLN thousand

Costs of sales of products, services, goods and materials - by category	from 01/01/2019 to 30/06/2019	from 01/01/2018 to 30/06/2018
Cost of products sold	43,949	41,927
Cost of services sold	0	0
<b>Total cost of products and services sold</b>	<b>43,949</b>	<b>41,927</b>
- including from related parties	0	139
Acquisition cost of goods sold	7,696	8,574
Acquisition cost of materials sold	1,478	1,502
<b>Total acquisition costs of goods and materials</b>	<b>9,174</b>	<b>10,076</b>
- including from related parties	0	2
<b>Total selling cost</b>	<b>53,123</b>	<b>52,003</b>
- including from related parties	0	141

in PLN thousand

Costs by type	from 01/01/2019 to 30/06/2019	from 01/01/2018 to 30/06/2018
Amortisation and depreciation	3,093	2,900
Consumption of materials and energy	29,806	29,380
Outsourcing	10,504	9,645

2019

Taxes and fees	925	966
Wages and salaries	15,104	14,818
Social insurance and other benefits	3,593	3,548
Other costs by nature	963	763
Costs of goods and materials sold	4,924	5,620
<b>Total costs by nature</b>	<b>68,912</b>	<b>67,640</b>
Change in product inventory, prepayments and accruals	1,183	(25)
Costs of products manufactured by the entity for its own purposes	98	1,249
Selling costs	490	594
Overheads	8,333	8,819
Consolidation adjustments	5,685	5,000
<b>Costs of products, goods and materials sold</b>	<b>53,123</b>	<b>52,003</b>

#### 4. Other operating activities

Other operating income	in PLN thousand	
	from 01/01/2019 to 30/06/2019	from 01/01/2018 to 30/06/2018
Reduction of write-downs	268	213
Profit on sales of tangible fixed assets	100	20
Other	139	56
<b>Total other operating income</b>	<b>507</b>	<b>289</b>

Other operating expenses	in PLN thousand	
	from 01/01/2019 to 30/06/2019	from 01/01/2018 to 30/06/2018
Receivables revaluation write-off	67	115
Research and development write-off	0	215
Inventory write-offs	300	236
Creation of provisions (unused holiday leaves)	555	605
Donations	27	23
VAT due	11	61
Inventory scrapped	12	23
Other	94	71
<b>Total other operating expenses</b>	<b>1,066</b>	<b>1,349</b>

#### 5. Financing activities

Financial revenues	in PLN thousand	
	from 01/01/2019 to 30/06/2019	from 01/01/2018 to 30/06/2018
Interest	11	11
Excess of foreign exchange gains over foreign exchange losses	0	549
Other	247	4
<b>Total financial revenues</b>	<b>258</b>	<b>564</b>

<b>Financial costs</b>	in PLN thousand	
	<b>from 01/01/2019 to 30/06/2019</b>	<b>from 01/01/2018 to 30/06/2018</b>
Interest on bank credits and loans	41	30
Financial costs arising from financial lease agreements	24	7
Excess of foreign exchange losses over foreign exchange gains	384	19
<i>- of which on completed hedging transactions</i>	<i>0</i>	<i>0</i>
Other	23	17
<b>Total financial costs</b>	<b>472</b>	<b>77</b>

## 6. Income tax

<b>Income tax</b>	in PLN thousand	
	<b>from 01/01/2019 to 30/06/2019</b>	<b>from 01/01/2018 to 30/06/2018</b>
Current corporate income tax	864	1,522
Lump-sum corporate income tax	0	0
Deferred corporate income tax	88	(88)
<b>Tax burden recognised in the profit and loss account</b>	<b>952</b>	<b>1,434</b>

## 7. Net result

In the first half of 2019 the capital group generated a net profit of PLN 3,343 thousand, which compared to the first half of 2018 (PLN 4,402 thousand) means a decrease of PLN 1,059 thousand. PLN, i.e. by 24.1%.

Factors affecting the level of net result are mainly an increase in production costs by 2.2% and a decrease in sales by 1.2%.

	in PLN thousand	
	<b>Consolidated gross profit</b>	<b>Consolidated net profit</b>
First half of 2017	3,828	3,099
First half of 2018	5,836	4,402
<b>First half of 2019</b>	<b>4,295</b>	<b>3,343</b>

**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. Dividends paid to the shareholders of the parent company**

Declared and paid in the financial year	in PLN thousand		
	30/06/2019	31/12/2018	30/06/2018
Dividend on ordinary shares:			
- for 2018	4,036	0	0
- for 2017	0	3,844	3,844

Declared and paid in the financial year in PLN per 1 share	30/06/2019	31/12/2018	30/06/2018
For 2018 declared per 1 share in PLN	0.42	-	
For 2018 declared/ paid per 1 share in PLN	-	0.40	0.40

On 14 June 2019, the General Meeting of Relpol adopted a resolution to allocate 44.7% of the net profit for 2018 (PLN 4,036 thousand) to dividend payment, which is PLN 0.42 gross per share. The dividend record date (D) shall be 07/08/2019, and the dividend payment date (P) shall be 22/08/2019.

Dividends declared or paid by subsidiaries:

- Relpol Eltim: from the profit for 2018 a dividend was paid of RUB 5,000, from the profit for 2017 a dividend was paid of RUB 2,725.
- Relpol Elektronik: from the profit for 2018, PLN 60 thousand was allocated to the dividend. The dividend is paid in monthly instalments each of PLN 10,000.

Dividend received by Relpol S.A. from subsidiaries has been excluded in the consolidated statements as part of consolidation adjustments.

### 10. 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	30/06/2019	31/12/2018	30/06/2018
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	79,442	79,944	75,458
Equity attributable to parent company's shareholders per share PLN/piece	8.27	8.32	7.85
Diluted equity attributable to parent company's shareholders per share PLN/piece	8.27	8.32	7.85
Net profit (-loss) (annualised) attributable to the shareholders of the parent company in PLN thousand	8,257	9,208	6,946
Net profit (-loss) (annualised) attributable to the shareholders of the parent company per one ordinary share PLN/piece	0.86	0.96	0.72
Diluted annualised profit (-loss) attributable to the shareholders of the parent company per one share PLN/piece	0.86	0.96	0.72

### 11. Tangible fixed assets

Tangible fixed assets	30/06/2019	31/12/2018	30/06/2018
acquisition	4,705	7,584	3,006
sales	100	32	24
- including from related parties	0	18	0

## ***12. Investment property***

As at 30 June 2019, 31 December 2018 and 30 June 2018, the capital group did not hold any investment property.

## ***13. Financial investments***

### **Business combinations**

In the reporting periods ended on 30 June 2019, 31 December 2018 and 30 June 2018, there were no combinations with other business entities.

### **Participation in joint ventures**

In the reporting periods ended on 30 June 2019, 31 December 2018 and 30 June 2018, there were no joint ventures with other business entities.

### **Shares in companies not listed on the stock exchange**

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

### **Information on financial instruments**

As at the balance sheet day of 30 June 2019, 31 December 2018 and 30 June 2018, the Capital group did not have any open derivative financial instruments.

### Shares and shares in subordinated entities excluded from 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	valuation adjustments	carrying value of shares	% share in equity	% share in the total number of votes
Relpol-Altera sp. z o.o.	Kiev, Ukraine	Trade and production	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
<b>Total</b>						<b>1,338</b>	<b>(962)</b>	<b>376</b>		

\* Relpol S.A. adopted a resolution on the sale of shares in this company and began the process of seeking a buyer.

### Financial data from reports of subsidiaries not included in consolidation

in PLN thousand

Name of the company	equity	share capital	net profit/loss	accounts payable	accounts receivable	total assets of the entity	revenues from sales	dividends received or due
Relpol-Altera sp. z o.o.	116	360	6	49	1	166	35	0
Relpol M j.v.	182	0,2	(31)	9	0	309	79	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	48	48
<b>Total amount of loans granted</b>							48
write-off							48
<b>Net loan value</b>							0

#### 14. Shareholders` equity

##### Shareholder`s equity

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

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

Shareholders	As at:	As at:	Ast at:	As at:	As at:	As at:
	30/06/2019 number	30/06/2019 %	31/12/2018 number	31/12/2018 %	30/06/2018 number	30.06.2018 %
Adam Ambroziak	3,171,000	33.00%	3,171,000	33.00%	3,171,000	33.00%
Piotr Osinski	613,943	6.39%	613,943	6.39%	608,943	6.34%
Rockbridge TFI S.A.	2,663,403	27.72%	2,663,403	27.72%	959,772	9.99%
Altus TFI S.A.	<5%	<5%	<5%	<5%	2,027,358	21.10%
TFI BGŻ BNP Paribas S.A.*	<5%	<5%	569,467	5.93%	569,467	5.93%
Other	3,160,847	32.89%	2,591,380	26.97 %	2,272,653	23.65%
<b>Total</b>	<b>9,609,193</b>	<b>100.00%</b>	<b>9,609,193</b>	<b>100.00%</b>	<b>9,609,193</b>	<b>100.00%</b>

\* previously, before the merger, Raiffeisen Towarzystwo Funduszy Inwestycyjnych S.A and Riviera Towarzystwo Funduszy Inwestycyjnych S.A.

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

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

The ownership of shares and votes by shareholders at the GM, as at the date of publication of this report, has not changed as compared to 30/06/2019.

## 15. Write-offs and provisions

### Balance of asset write-offs of the Capital group as at 30/06/2019

Content	As at 01/01/2019	Turnover in I-VI 2019			As at 30/06/2019
		Reversed	Used	Created	
I. Write-off on fixed assets and intangible assets	3,082	0	0	0	3,082
II. Write-off on long-term accounts receivable	0	0	0	0	0
III. Write-off on long-term assets – shares in related parties	621	0	0	0	621
IV. Inventory write-off	1,872	106	0	175	1,941
V. Write-off on trade receivables	235	13	0	41	263
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	67	9	0	15	73
<b>Total</b>	<b>5,877</b>	<b>128</b>	<b>0</b>	<b>231</b>	<b>5,980</b>

**Balance of provisions of the Capital group as at 30/06/2019**

Content	As at 01/01/2019	Turnover in I-VI 2019			As at 30/06/2019
		Reversed	Used	Created	
I. Provision for pensions and similar benefits	2,014	0	0	0	2,014
II. Other provisions (including for future accounts payable), including:	1,590	95	793	770	1,472
- for annual leave	740	7	0	595	1,328
- other	850	88	793	175	144
<b>Total</b>	<b>3,604</b>	<b>95</b>	<b>793</b>	<b>770</b>	<b>3,486</b>

**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
<b>Total</b>	<b>5,757</b>	<b>218</b>	<b>0</b>	<b>332</b>	<b>5,871</b>

**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
<b>Total</b>	<b>2,944</b>	<b>253</b>	<b>236</b>	<b>1,323</b>	<b>3,778</b>

## 16. Credits and loans

Interest-bearing bank credits and loans	currency	effective rate %	repayment date	30/06/2019	31/12/2018	30/06/2018
<i>Long-term</i>						
BNP Paribas SA* – investment loan	PLN	WIBOR 1M+ 1.10%	28/06/2019	0	0	0
<b>Total long-term bank credits and loans</b>					<b>0</b>	<b>0</b>
<i>Short-term</i>						
BNP Paribas SA* - revolving credit: (line PLN, EUR, USD)	PLN	WIBOR 1M+0.6%	19/09/2020	0	1,100	0
BNP Paribas SA* - revolving credit: (line PLN, EUR, USD)	EUR	EURIBOR 1M+1.0%	19/09/2020	1,232	29	157
BNP Paribas SA* - revolving credit: (line PLN, EUR, USD)	USD	LIBOR 1M+1.1%	19/09/2020	0	413	222
BNP Paribas SA* - investment loan	PLN	WIBOR1M+1.10%	28/06/2019	0	282	564
mBank - revolving credit: (line PLN, EUR, USD)	PLN	WIBOR ON+0.8%	11/03/2021	1,170	0	0
mBank - - revolving credit: (line PLN, EUR, USD)	PLN	LIBOR ON +1.15%	11/03/2021	0	0	0
BNP Paribas SA ** - revolving credit: (line PLN, EUR, USD)	PLN	WIBOR 3M+0.6%	21/03/2019	0	144	0
BNP Paribas SA ** - revolving credit: (line PLN, EUR, USD)	EUR	EURIBOR 3M+0.9%	21/03/2019	0	281	
BNP Paribas SA ** - revolving credit: (line PLN, EUR, USD)	USD	LIBOR 3M+1.1%	21/03/2019	0	743	0
<b>Total short-term bank credits and loans</b>				<b>2,402</b>	<b>2,992</b>	<b>943</b>
<b>Total short- and long-term bank credits and loans</b>				<b>2,402</b>	<b>2,992</b>	<b>943</b>

\* Formerly Raiffaisen Bank Polska S.A.

\*\* Formerly BGŻBNP Paribas S.A.

Bank credit and loan limits granted under agreements	currency	30/06/2019		31/12/2018		30/06/2018	
		limit	utilisation	limit	utilisation	limit	utilisation
BNP Paribas SA* - renewable (limit for use in currencies: PLN, EUR, USD)	PLN, USD	4,000	1,170	2,500	1,542	2,500	379
BNP Paribas SA* - investment	PLN	3,000	0	3,000	282	3,000	564
mBank - investment	PLN	6,804	0	6,804	0	6,804	0
mBank - renewable (limit for use in currencies: PLN, EUR, USD)	PLN, EUR, USD	4,000	1,232	0	0	0	0
BNP Paribas SA** - renewable (limit for use in currencies: PLN, EUR, USD)	PLN, EUR, USD	0	0	2,500	1,168	2,500	0
<b>Total</b>		<b>17,804</b>	<b>2,402</b>	<b>14,804</b>	<b>2,992</b>	<b>14,804</b>	<b>943</b>

\* Formerly Raiffaisen Bank Polska S.A.

\*\* Formerly BGŻBNP Paribas S.A.

Collateral for loan and credit agreements:

**BNP PARIBAS SA**, loan 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) a blank promissory note together with a promissory note declaration

**mBank S.A.** loan collateral according to agreement:

- a) a blank promissory note together with a promissory note declaration,

### 17. Lease liabilities

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

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 30/06/2019
PKO Leasing / production machinery	2014	70	5 years	PLN	3
PKO Leasing production machinery	2014	1,051	5 years	EUR	146
BNP PARIBAS S.A./ computer equipment	2018	195	3 years	EUR	115
Millennium Leasing sp. z o.o./ means of transport	2017	259	3 years	PLN	72
Millennium Leasing sp. z o.o./ means of transport	2018	53	3 years	EUR	34
mLEASING / means of transport	2018	712	3 years	PLN	504
Volkswagen Leasing/ means of transport	2018-2019	251	3 years	PLN	184
Starostowo Powiatowe Żary/ perpetual usufruct of land	2019	87	71 years	PLN	87
<b>Total</b>		<b>2,678</b>			<b>1,145</b>
of which: - short-term account payable					572
- long-term account payable					573

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	30/06/2019	31/12/2018	30/06/2018
due within 1 year	572	614	493
due in 1–5 years	486	619	559
due in over 5 years	87	0	0
<b>Current value of the minimum payments arising from the finance lease</b>	<b>1,145</b>	<b>1,233</b>	<b>1,052</b>

Value of the future minimum payments arising from the finance lease	30/06/2019	31/12/2018	30/06/2018
due within 1 year	598	639	510
due in 1–5 years	513	634	569
due in over 5 years	370	0	0
<b>Value of the future minimum payments arising from the finance lease</b>	<b>1,481</b>	<b>1,273</b>	<b>1,079</b>
Future encumbrance	(336)	(40)	(27)
<b>Value of the current payments arising from the finance lease</b>	<b>1,145</b>	<b>1,233</b>	<b>1,052</b>

### ***18. 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 2018. The statements were published on 25/04/2019 and are available on the company's website [https://www.relpol.pl/pl/Relacje-Inwestorskie/Raporty/Raporty-okresowe/\(param\\_0\)/option\\_18](https://www.relpol.pl/pl/Relacje-Inwestorskie/Raporty/Raporty-okresowe/(param_0)/option_18)

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

There were no other significant events that were not described in the financial statements, additional information or the Management Board's report on operations, and which would affect the financial results achieved.

### ***20. Explanations regarding seasonal or cyclic nature of the Capital group***

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

### ***21. Revenues generated seasonally, cyclically or occasionally***

In the first half of 2019, the parent company generated revenues from dividends from profit for 2018 from Relpol Eltim in the amount of PLN 160 thousand and from Relpol Elektronik in the amount of PLN 60 thousand, as well as income after the division of assets of Relpol France in the amount of PLN 241 thousand.

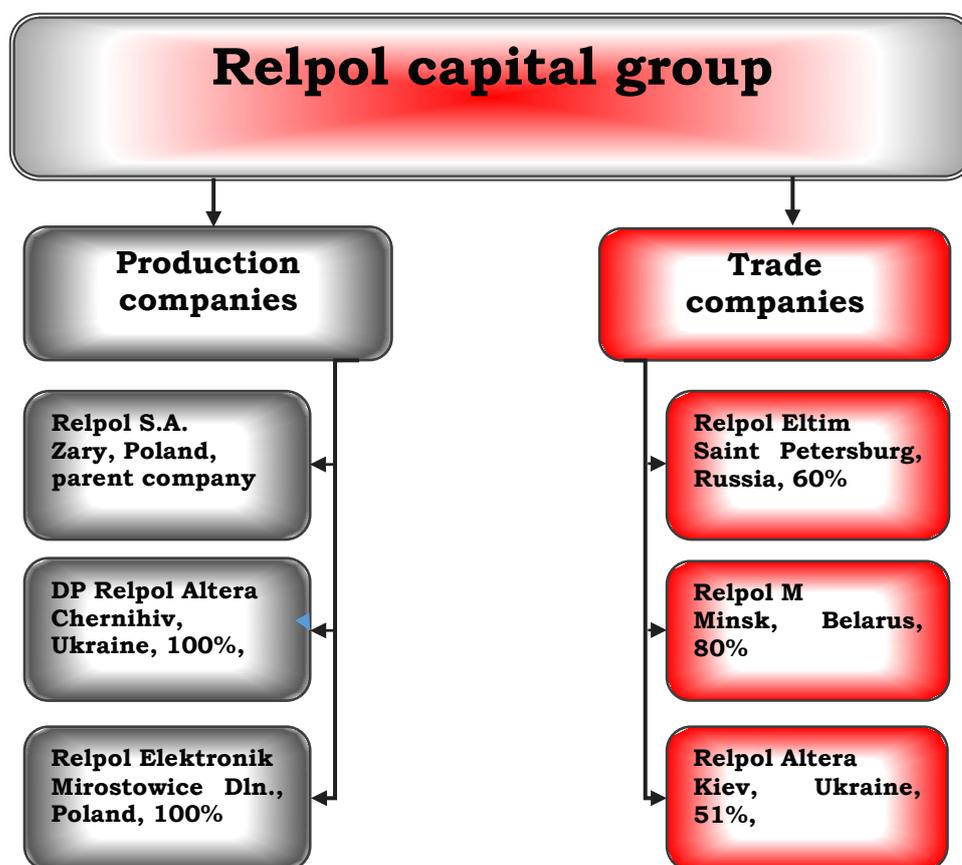
### ***22. Sold or discontinued operations***

In the reporting period ended on 30/06/2019 and 30/06/2018, the Capital group did not discontinue any of its operations.

In the reporting period ended on 30/06/2019 and 30/06/2018, the Capital group did not sell any of its operations.

At the balance sheet date, the capital group did not have any tangible fixed assets held for sale.

### 23. Related entities



#### 23.1 List of subsidiaries as at 30/06/2019

Name of the company	registered office	type of business activity	nature of the relationship	Share of Relpol S.A. in votes and equity	date of taking control/significant impact
Relpol -M	Minsk, Belarus	Trade	subsidiary	80.0%	26/02/1997
Relpol -Eltim	Saint Petersburg, Russia	Trade	subsidiary	60.0%	9/07/1998
Relpol -Altera	Kiev, Ukraine	Trade	subsidiary	51.0%	13/05/2004
Relpol Elektronik	Miostowice, Poland	Production	subsidiary	100.0%	27/06/2007
DP Relpol -Altera	Chernihiv, Ukraine	Production	subsidiary	100.0%	6/09/2007

### 23.2 Transactions with related entities not included in consolidation

Name of the entity	Sales to related parties		Purchases from related parties		Dividends		Trade accounts receivable		Other accounts receivable		Trade accounts payable		Other accounts payable	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018	30/06/2019	30/06/2018	30/06/2019	30/06/2018	30/06/2019	30/06/2018	30/06/2019	30/06/2018	30/06/2019	30/06/2018
Relpol-Altera	0	0	0	0	0	0	0	0	48	0	0	0	0	0
Relpol-M j.v	0	0	0	0	0	0	0	187	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>48</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Name of the entity	Sales to related parties		Purchases from related parties		Dividends		Trade accounts receivable		Other accounts receivable		Trade accounts payable		Other accounts payable	
	31/12/2018		31/12/2018		31/12/2018		31/12/2018		31/12/2018		31/12/2018		31/12/2018	
Relpol-Altera	0		0		0		0		68		0		0	
Relpol-M j.v	433		0		0		60		0		0		0	
<b>Total</b>	<b>433</b>		<b>0</b>		<b>0</b>		<b>0</b>		<b>68</b>		<b>0</b>		<b>0</b>	

### 23.3 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.

### 23.4 Loans granted to the company authorities.

As at 30/06/2019, there were no loans granted to the Management Board, Supervisory Board and their family members.

**23.5 Remuneration, bonuses and benefits paid and due, or potentially due to the Company's authorities.**

Gross specification in PLN for the first half of 2019	Short-term employee benefits	Post-employment benefits	Termination benefits	Other long-term benefits	Potentially due benefits in subsequent periods
Members of the Management Board	763,967	-	-	-	-
Members of the Supervisory Board	69,424	-	-	-	-
<b>Total</b>	<b>833,391</b>	-	-	-	-

Gross specification in PLN for the first half of 2018	Short-term employee benefits	Post-employment benefits	Termination benefits	Other long-term benefits	Potentially due benefits in subsequent periods
Members of the Management Board *	434,696	50,000	-	-	-
Members of the Supervisory Board	72,000	-	-	-	-
<b>Total</b>	<b>506,696</b>	50,000	-	-	-

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

#### **24. Information on contingent or liabilities**

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

#### **25. Average employment**

The average employment in the Capital Group in the first half of 2019 amounted to 832 FTEs and increased by 5 FTEs in relation to the first half of 2018. The Capital Group uses flexible forms of employment, i.e. contracts of mandate or employee outsourcing. On average, in the first half of 2019, in total, there were 60 people working under contracts of mandate and outsourcing agreements. At the same time in 2018 there were 77 people.

#### **26. Events after the balance sheet data**

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

### **IV. APPLIED PRINCIPLES OF THE ACCOUNTING POLICY**

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

In these semi-annual condensed consolidated financial statements, the capital group applies the same accounting standards as described in the consolidated financial statements for 2018, published on the company's website [https://www.repol.pl/pl/Relacje-Inwestorskie/Raporty/Raporty-okresowe/\(param\\_0\)/option\\_18](https://www.repol.pl/pl/Relacje-Inwestorskie/Raporty/Raporty-okresowe/(param_0)/option_18)

#### **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 capital 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 capital 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 capital 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.

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 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.

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 under which the capital group is as the lessee***

Capital 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 Company intends to adopt the amendments to IFRS, published but not applicable until the date of publication of these interim condensed consolidation financial statements, in accordance with their effective date. An estimation of the impact of the amendments and new IFRS on the future individual financial statements of the Capital Group was presented in the Consolidated Financial Statements for 2018.

### **Changes in the accounting principles in the individual financial statements**

Except for the following changes resulting from the introduction of new standards effective for reporting periods beginning on or after 1 January 2019, the Capital group applied the same accounting policies in preparing its condensed interim consolidated financial statements as those described in the consolidated financial statements as at and for the year ended 31 December 2018.

### **IFRS 16 „Leases”**

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

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

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

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

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

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

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

In particular:

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

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

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

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

The Company decided to implement the standard as of 1 January 2019. In accordance with transitional provisions included in IFRS 16, the new principles were adopted retrospectively with reference to the cumulative effect of the initial application of the new standard to equity as at 1 January 2019. Therefore, the comparative data for the financial year 2018 were not restated (modified retrospective approach).

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

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

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

Signatures of Members of the Management Board:

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

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

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

.....  
Tomasz Zając  
Chief accountant