

P-2020



**Seperate Financial
statement I H 2020**

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1. General information

1.1. Information about the entity

The Company Apator Spółka Akcyjna with the office in Toruń (ul. Gdańska 4a lok C4) was established by the employees of liquidated state enterprise acting under the name Pomorskie Zakłady Aparatury Elektrycznej Apator in Toruń. The registration in the District Court in Toruń, V Commercial Division, took place on 14 January 1993 under the number RHB 1364. On 24 October 2001, an entry was made in the Register of Entrepreneurs of the District Court in Toruń, VII Commercial Division of the National Court Register under number 0000056456. The Company operates in the territory of Poland pursuant to the provisions of the Commercial Companies Code.

1.2. The Entity's core business

In accordance with the Company's Articles of Association, the Company's core business is production and services in the field of switchgear and controlgear of electricity and sale of measuring instruments and systems. Shares of APATOR S.A. are listed on the main market of the Warsaw Stock Exchange, sector according to classification of the Warsaw Stock Exchange - electrical machinery industry.

1.3. Composition of the Executive Board and Supervisory Board

The Executive Board

Mirosław Klepacki – President of the Executive Board
 Arkadiusz Chmielewski – Board Member

The Supervisory Board

Janusz Niedźwiecki – Chairman of the Supervisory Board
 Mariusz Lewicki - Deputy Chairman of the Supervisory Board
 Janusz Marzygliński – Member of the Supervisory Board
 Danuta Guzowska - Member of the Supervisory Board
 Marcin Murawski – Member of the Supervisory Board
 Kazimierz Piotrowski – Member of the Supervisory Board
 Tadeusz Sosgórnik - Member of the Supervisory Board (since 2 July 2020)

2. Information on the basis for drawing up the condensed semi-annual separate financial statements, the reporting currency and the level of rounding applied

2.1. Basis for preparation of the condensed semi-annual separate financial statements

The presented condensed semi-annual separate financial statement of Apator SA as at and for the period ending on 30 June 2020 was prepared in accordance with International Accounting Standard 34.

The condensed semi-annual separate financial statement of Apator SA covers the first half of 2020 and contains comparative data.

- Unconsolidated financial statements - situation as of 31st December 2019;

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- Separate statement of profit or loss and other comprehensive income - for the period of 3 months from 1 April to 30 June 2019 and for the period of 6 months ended 30 June 2019;
- Separate statement of cash flows - for the period of 6 months ended 30 June 2019;
- Separate statement of changes in equity - for the period from 1 January to 30 June 2019.

2.2. Accounting principles

The condensed semi-annual separate financial statements have been prepared in accordance with the historical cost principle (concept), except for the measurement of certain fixed assets (investment property) and financial instruments (derivatives), which are measured at fair value. The accounting principles adopted in the preparation of the condensed semi-annual separate financial statements are consistent with the principles adopted in the preparation of the annual financial statements for the financial year ended 31 December 2019.

2.3. Applied International Financial Accounting Standards

CHANGES IN THE INTERNATIONAL FINANCIAL ACCOUNTING STANDARDS AND THEIR IMPACT ON THE CONDENSED SEMI-ANNUAL SEPARATE FINANCIAL STATEMENTS

In preparing the condensed semi-annual separate financial statements for the period from 1 January 2020 to 30 June 2020, the same accounting policies and calculation methods were applied in principle as in the last separate financial statements for the year ended 31 December 2019.

Other standards, which came into force on 1 January 2020, but do not have a significant impact on the preparation of the condensed semi-annual separate financial statements of the Company, are as follows:

- Amendments to references to Conceptual Assumptions in IFRS,
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors,
- Amendment to IFRS 3 Business Combinations,
- Interest rate benchmarks - Amendments to IFRS 9, IAS 39 and IFRS 7.

STANDARDS APPROVED AND PUBLISHED BY THE COUNCIL OF INTERNATIONAL ACCOUNTING STANDARDS, NOT YET IN FORCE

The Company decided not to apply in this abbreviated semi-annual standalone financial statement standards, interpretations or amendments which have been published but have not yet come into force.

The following new Standards, amendments to Standards and Interpretations have not been adopted by the EU or are not yet effective for the periods ending on 30 June 2020 and have not been applied in the condensed separate semi-annual financial statements:

- Amendments to IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after January 1st 2023),
- Amendments to IFRS 16 Leasing-related reliefs from lease payments related to Covid-19 (effective for periods beginning on 1 June 2020),
- IFRS 17 Insurance Contracts (effective for periods beginning on or after 1 January 2021).

In case of introduction of the above standards, Apator S.A. does not expect their significant impact on the report.

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| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

2.4. Reporting and functional currency and the applied level of rounding

The reporting currency of these condensed semi-annual separate financial statements is Polish zloty (PLN), and all amounts are expressed in thousands of PLN (unless stated otherwise).

The functional currency of the Company is also the Polish zloty.

2.5. Duration of the entity's activity

The duration of activity of Apator SA is indefinite.

Condensed semi-annual separate financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future, i.e. within a period not shorter than 12 months from the end of the reporting period.

2.6. Approval of the financial statement

These condensed semi-annual separate financial statements were approved for publication by the Company's Executive Board on 27 August 2020.

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| Period covered by the financial statements: | 01.01.2020 – 30.06.2020 | Reporting currency: Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | |

3. Condensed semi-annual separate financial statements Apator S.A.

3.1. Unconsolidated financial statements

| SPECIFICATION | NOTE | as of | |
|--|------|----------------|----------------|
| | | 30.06.2020 | 31.12.2019 |
| Fixed assets | | 384 670 | 386 688 |
| Intangible assets | | 9 195 | 9 676 |
| Tangible fixed assets | 7.1 | 90 498 | 91 654 |
| Right to use assets | 7.2 | 8 744 | 9 394 |
| Investment property | | 1 057 | 1 057 |
| Other long-term financial assets | | 258 259 | 256 817 |
| - <i>in related entities</i> | 7.3 | 258 259 | 256 753 |
| - <i>in other entities</i> | 7.16 | - | 64 |
| Assets by virtue of deferred income tax | 7.12 | 16 917 | 18 090 |
| Current assets | | 174 300 | 107 689 |
| Stocks | 7.4 | 53 486 | 34 734 |
| Contractual asset | 7.5 | 10 320 | 10 320 |
| Commercial receivables | 7.6 | 79 011 | 46 222 |
| - <i>from related entities</i> | | 9 469 | 8 950 |
| - <i>from other entities</i> | | 69 542 | 37 272 |
| Receivables from other taxes, customs duties and social security | 7.6 | 440 | 1 257 |
| Other short-term liabilities | 7.6 | 19 791 | 5 191 |
| - <i>from related entities</i> | | 19 001 | 4 184 |
| - <i>from other entities</i> | | 790 | 1 007 |
| Other short-term financial assets | | 354 | 921 |
| - <i>in other entities</i> | 7.16 | 354 | 921 |
| Short-term loans granted | 7.7 | 26 | 2 619 |
| - <i>to related entities</i> | | 26 | 2 619 |
| Cash and cash equivalents | | 8 176 | 4 202 |
| Short-term interim settlements | | 2 696 | 2 223 |
| TOTAL ASSETS | | 558 970 | 494 377 |

| | | | |
|---|--|---------------------|--------------------|
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| Period covered by the financial statements: | 01.01.2020 – 30.06.2020 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

| SPECIFICATION | NOTE | as of | |
|--|------|----------------|----------------|
| | | 30.06.2020 | 31.12.2019 |
| Equity capital | | 396 655 | 355 188 |
| Share capital | 7.8 | 3 286 | 3 286 |
| Other capitals | 7.9 | 313 214 | 313 394 |
| Capital from the revaluation of a defined benefit plan | | (922) | (922) |
| Capital from valuation of hedging transactions | | 65 | 126 |
| Undistributed financial result | | 81 012 | 39 304 |
| - undistributed result from previous years | | 54 072 | - |
| - result of the current period | | 41 708 | 54 072 |
| - write-offs from the current year's result | | (14 768) | (14 768) |
| Liabilities | | 162 315 | 139 189 |
| Long-term liabilities and provisions | | 11 640 | 11 990 |
| Long-term liabilities due to the right to use assets | | 6 746 | 7 096 |
| Long-term liabilities arising from employee benefits | 7.11 | 4 894 | 4 894 |
| Short-term liabilities and provisions | | 150 675 | 127 199 |
| Short-term loans and borrowings | 7.10 | 58 235 | 61 096 |
| - from other entities | | 58 235 | 61 096 |
| Commercial liabilities | | 47 515 | 22 637 |
| - towards affiliated companies | | 2 019 | 1 807 |
| - towards other entities | | 45 496 | 20 830 |
| Contractual liabilities | | 10 320 | 10 320 |
| Corporate income tax liabilities | | 1 289 | 1 099 |
| Liabilities due to other taxes, customs duties and social security | | 6 165 | 3 966 |
| Other short-term liabilities | | 4 146 | 7 554 |
| - towards affiliated companies | | 117 | - |
| - towards other entities | | 4 029 | 7 554 |
| Short-term liabilities due to the right to use assets | | 1 244 | 1 465 |
| Short-term liabilities arising from employee benefits | 7.11 | 6 863 | 4 924 |
| Other short-term provisions | 7.11 | 14 898 | 14 138 |
| LIABILITIES TOTAL | | 558 970 | 494 377 |

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| Period covered by the financial statements: | 01.01.2020 – 30.06.2020 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

3.2. Unconsolidated statement of profit or loss and other total income

| SPECIFICATION | NOTE | for period | | | |
|--|------|--------------------|--------------------|--------------------|-----------------------|
| | | from 01.04.2020 | from 01.04.2019 | from 01.01.2020 | from 01.01.2019 |
| | | till 30.06.2020 | till 30.06.2019 | till 30.06.2020 | till 30.06.2019 |
| Revenue from sales and services | | 97 471 | 65 053 | 164 946 | 136 151 |
| - to related entities | | 10 433 | 7 920 | 27 093 | 22 400 |
| - other entities | | 87 038 | 57 133 | 137 853 | 113 751 |
| Cost of goods sold | | (78 253) | (48 243) | (123 959) | (94 988) |
| - to related entities | | (8 234) | (6 365) | (16 448) | (12 901) |
| - other entities | | (70 019) | (41 878) | (107 511) | (82 087) ¹ |
| Gross sales profit | | 19 218 | 16 810 | 40 987 | 41 163 |
| Sales costs | | (2 070) | (3078) | (4 299) | (5 165) |
| General administrative costs | | (10 383) | (10 977) | (20 471) | (21 069) |
| Sales profit | | 6 765 | 2 755 | 16 217 | 14 929 |
| Result on other operating activities, including: | | (949) | (187) | (1 354) | (425) |
| Revenue | | 355 | 393 | 324 | 480 |
| Costs | | (1 304) | (580) | (1 678) | (905) |
| - including result on (impairment) / reversal of receivables | | (483) | 47 | (492) | 50 |
| Operating income | | 5 816 | 2 568 | 14 863 | 14 504 |
| Result on financial activities, including: | 7.14 | 29 596 | 38 819 | 29 979 | 39 352 |
| Revenue | | 29 610 | 39 309 | 30 668 | 40 501 |
| Costs | | (14) | (490) | (689) | (1 149) |
| Profit before tax | | 35 412 | 41 387 | 44 842 | 53 856 |
| Current income tax | 7.12 | (483) | (470) | (1 947) | (1637) |
| Deferred income tax | 7.12 | (654) | (136) | (1 187) | (1 350) |
| Net profit | | 34 275 | 40 781 | 41 708 | 50 869 |

| SPECIFICATION | for period | | | |
|--|--------------------|-------------------|-------------------|-------------------|
| | from 01.04.2020 | from 01.04.2019 | from 01.01.2020 | from 01.01.2019 |
| | till 30.06.2020 | till 30.06.2019 | till 30.06.2020 | till 30.06.2019 |
| <i>Other comprehensive income / (expenses)</i> | | | | |
| Other total net costs | (558) | (391) | (61) | (323) |
| Items that may be reclassified to profit or loss in the future: | | | | |
| Result on hedge accounting with tax effect | (558) | (391) | (61) | (323) |
| Total comprehensive income | 33 717 | 40 390 | 41 647 | 50 546 |
| Net profit, of which attributable: | 34 275 | 40 781 | 41 708 | 50 869 |
| company's shareholders | 34 275 | 40 781 | 41 708 | 50 869 |
| Total comprehensive income, including accrued income: | 33 717 | 40 390 | 41 647 | 50 546 |
| company's shareholders | 33 717 | 40 390 | 41 647 | 50 546 |
| Net income per ordinary share: | | | | |
| - basic | 1.04 | 1.24 | 1.27 | 1.54 |
| - diluted | 1.04 | 1.24 | 1.27 | 1.54 |
| Weighted average number of shares | 32 808 651 | 32 992 824 | 32 808 651 | 32 992 824 |

¹ In accordance with the presentation adopted from 2019 onwards, the item "Provision for warranty repairs" was moved from the Other operating activities segment to Cost of sales (Note 7.21).

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| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

3.3. Unconsolidated statement of changes in equity

| SPECIFICATION | Share capital | Other capitals | Capital from the revaluation of a defined benefit plan | Capital from valuation of hedging transactions | Undistributed financial result | TOTAL EQUITY CAPITAL |
|--|---------------|----------------|--|--|--------------------------------|----------------------|
| Balance as at 01.01.2019 | 3 311 | 291 341 | (816) | 488 | 54 152 | 348 476 |
| Changes in equity during the period from 01.01.2019 to 30.06.2019 | | | | | | |
| Comprehensive income: | | | | | | |
| Net profit for the period from 01.01.2019 to 30.06.2019 | - | - | - | - | 50 869 | 50 869 |
| Distribution of profit/loss to supplementary capital | - | 24 579 | - | - | (24 579) | - |
| Other comprehensive income: | | | | | | |
| Items that can be reclassified in the future: | | | | | | |
| Result on hedge accounting with tax effect | - | - | - | (323) | - | (323) |
| Total other comprehensive income | - | - | - | (323) | - | (323) |
| Total comprehensive income recognised in the period from 01.01.2019 to 30.06.2019 | - | 24 579 | - | (323) | 26 290 | 50 546 |
| Transactions with owners recognised directly in equity: | | | | | | |
| Dividends | - | - | - | - | (42 744) | (42 744) |
| Settlement of the advance dividend from the previous year | - | - | - | - | 13 171 | 13 171 |
| Purchase of treasury shares | - | (1 520) | - | - | - | (1520) |
| Changing the reserve capital | - | 3 753 | - | - | - | 3 753 |
| Change in supplementary capital | - | (3 753) | - | - | - | (3 753) |
| Balance as at 30.06.2019 | 3 311 | 314 400 | (816) | 165 | 50 869 | 367 929 |

| | | | |
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| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

| SPECIFICATION | Share capital | Other capitals | Capital from the revaluation of a defined benefit plan | Capital from valuation of hedging transactions | Undistributed financial result | TOTAL EQUITY CAPITAL |
|--|---------------|----------------|--|--|--------------------------------|----------------------|
| Balance as at 01.01.2020 | 3 286 | 313 394 | (922) | 126 | 39 304 | 355 188 |
| Changes in equity during the period from 01.01.2020 to 30.06.2020 | | | | | | |
| Comprehensive income: | | | | | | |
| Net profit for the period from 01.01.2020 to 30.06.2020 | - | - | - | - | 41 708 | 41 708 |
| Other comprehensive income: | | | | | | |
| Items that can be reclassified in the future: | | | | | | |
| Result on hedge accounting with tax effect | - | - | - | (61) | - | (61) |
| Total other comprehensive income | - | - | - | (61) | - | (61) |
| Total comprehensive income recognised in the period from 01.01.2020 to 30.06.2020 | - | - | - | (61) | 41 708 | 41 647 |
| Transactions with owners recognised directly in equity: | | | | | | |
| Purchase of own shares | - | (180) | - | - | - | (180) |
| Balance as at 30.06.2020 | 3 286 | 313 214 | (922) | 65 | 81 012 | 396 655 |

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| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

3.4. Unconsolidated cash flow statement

| SPECIFICATION | NOTE | for period | |
|---|------|-----------------|-----------------|
| | | from 01.01.2020 | from 01.01.2019 |
| | | till 30.06.2020 | till 30.06.2019 |
| Cash flow from operating activities | | | |
| Profit before tax (continued operations) | | 44 842 | 53 856 |
| Adjustments: | | (21 085) | (32 091) |
| Depreciation of intangible assets | | 1 333 | 1 373 |
| Depreciation of property, plant and equipment | | 7 553 | 6 376 |
| Write-downs for loss of property, plant and equipment | | - | (50) |
| Profit on sale of property, plant and equipment and intangible assets | | (105) | (225) |
| (Profits) losses due to change in fair value of derivative instruments | | 322 | (72) |
| Cost of interest | | 596 | 834 |
| Interest revenue | | (8) | (60) |
| Dividend income | | (29 369) | (39 236) |
| Other adjustments | | (1 407) | (1031) |
| Cash flows from operating activities before changes in working capital | | 23 757 | 21 765 |
| Change in inventories | | (18 752) | (1 147) |
| Change in receivables | 7.15 | (31 772) | (3655) |
| Change in liabilities | 7.15 | 26 680 | (4 638) |
| Changes in provisions | | 2 699 | (955) |
| Changes in prepayments and accruals | | (473) | (1238) |
| Cash generated in the course of operating activity | | 2 139 | 10 132 |
| Income tax paid | | (1 757) | (1091) |
| Net cash flows from operating activities | | 382 | 9 041 |
| Cash flows from investing activities | | | |
| Expenses related to acquisition of intangible assets | | (737) | (1 049) |
| Expenses related to acquisition of fixed assets | 7.15 | (5 927) | (6 633) |
| Proceeds from the sale of fixed assets | | 152 | 239 |
| Inflows on sale of financial assets available for sale | | 4 184 | - |
| Investments in subsidiaries | | (1 506) | - |
| Loans granted | | - | (1 700) |
| Proceeds from repayment of loans granted | | 2 500 | 3 194 |
| Interest received | | 101 | 892 |
| Dividends received | | 10 367 | 32 736 |
| Other inflows (expenses) | | (1 153) | 354 |
| Net cash provided by investing activities | | 7 981 | 28 033 |
| Cash flows from financing activities | | | |
| Purchase of own shares | | (180) | (1 520) |
| Repayment of loans and credits | | (2 862) | (3 124) |
| Interest paid | | (489) | (708) |
| Dividends paid | | - | (29 575) |
| Repayment of lease liabilities | | (723) | (697) |
| Other expenses | | (135) | (168) |
| Net cash from financial operations | | (4 389) | (35 792) |
| Net increase in cash and cash equivalents | | 3 974 | 1 282 |
| Opening balance of cash and cash equivalents | | 4 202 | 1 831 |
| Closing balance of cash and cash equivalents | | 8 176 | 3 113 |

| | | | |
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| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

4. Basic judgments and bases for estimating uncertainty

The main judgments and estimates of the Executive Board of Apator S.A. concerning the application of accounting principles and the main sources of information used to establish the above mentioned estimates are the same as those adopted in the preparation of the financial statement of Apator S.A. on the day and the financial year ending on 31st December 2019.

5. Information on the seasonality of activities

In Apator S.A. the seasonality of sales is not noticeable at present.

6. The influence of Covid-19 on financial situation of Apator S.A.

During the first half of 2020, the SARS-CoV-2 virus spread throughout the world, with a global negative impact on the economic situation. The effects of Covid-19 pandemic are felt by the majority of sectors of economy and they also have an impact on Apator S.A.

So far, the Company has effectively managed to avoid significant disruptions in its operations and maintain a stable liquidity position. The Executive Board of Apator S.A. has taken the steps to ensure the continuity of manufacturing processes and to provide proper safety and health measures to the employees (including the possibility to perform remote work). We continue to monitor areas that may pose a potential risk to the Company's future financial standing on an ongoing basis:

(i) temporary absence of technological and manufacturing staff that can cause reduction of manufacturing capacity, (ii) delays in deliveries of materials and goods from abroad, (iii) slowdown in activities of public administration bodies, including in particular decisions of entities that are recipients of goods offered by Apator Group, (iv) extension of the period for payment of receivables by recipients due to their difficult liquidity situation.

The areas in Apator S.A. where so far the influence of Covid-19 is most noticeable are:

- warehouse management - an increase in inventories resulting, on the one hand, from ongoing contracts, the execution of which is postponed in time, and, on the other hand, from purchases of materials for future contracts, for fear of possible renewed difficulties with purchasing components for production (another wave of SARS-Co-2 epidemic),
- provisions for future liabilities - an increase in provisions for penalties for delays in the execution of contracts (resulting from, among other things, physical difficulties in accessing the places of installation of equipment and, consequently, in the completion of contracts) and the persistently relatively high level of provisions for guarantee repairs (changes in schedules due to difficulties resulting from an epidemic state).

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| Entity name: | Apator SA | | Page 13 |
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| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

7. Explanatory Notes to the Condensed Semi-Annual Separate Financial Statements

7.1. Property, plant and equipment

The most significant expenditures on property, plant and equipment during the first half of 2020 were investments in machinery and equipment and other property, plant and equipment.

Data concerning property, plant and equipment are presented in the tables below.

| SPECIFICATION | as of | |
|--|---------------|---------------|
| | 30.06.2020 | 31.12.2019 |
| Land, buildings and structures | 33 767 | 34 344 |
| Machinery and equipment | 26 805 | 28 282 |
| Means of transport | 298 | 338 |
| Other non-current assets | 21 606 | 22 826 |
| Property, plant and equipment under construction | 3 846 | 3 321 |
| Advances on property, plant and equipment | 4 176 | 2 543 |
| Total | 90 498 | 91 654 |

| SPECIFICATION | Land, buildings and structures | Machinery and equipment | Means of transport | Other non-current assets | Property, plant and equipment under construction | Advances on property, plant and equipment | Total |
|--|--------------------------------|-------------------------|--------------------|--------------------------|--|---|---------------|
| Net value as at 01.01.2020 | 34 344 | 28 282 | 338 | 22 826 | 3 321 | 2 543 | 91 654 |
| Increases on account of | - | 1 657 | - | 490 | - | - | 2 147 |
| Increase in the balance due to modernisation | 11 | 40 | - | 441 | - | - | 492 |
| Increase on account of own production | - | 94 | - | 731 | - | - | 825 |
| Increase resulting from reclassification - from the right to use assets under lease to property, plant and equipment | - | - | 304 | - | - | - | 304 |
| Increase due to expenditures on tangible fixed assets under construction and advances on tangible fixed assets | - | - | - | - | 3 989 | 2 588 | 6 577 |
| Decrease due to disposal | - | (51) | (345) | (45) | - | - | (441) |
| Decrease due to liquidation | - | (42) | - | (66) | - | - | (108) |
| Settlement of outlays for tangible fixed assets under construction (acceptance) and advances for tangible fixed assets | - | - | - | - | (3 464) | (955) | (4 419) |
| Other impairment losses on assets | - | - | - | - | - | - | - |
| Depreciation | (588) | (3 268) | (89) | (2 882) | - | - | (6 827) |
| Increase in the current depreciation due to reclassification - from the right to use assets under lease to property, plant and equipment | - | - | (228) | - | - | - | (228) |

| | | | |
|---|--|---------------------|--------------------|
| Entity name: | Apator SA | | Page 14 |
| Period covered by the financial statements: | 01.01.2020 – 30.06.2020 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

| SPECIFICATION | Land, buildings and structures | Machinery and equipment | Means of transport | Other non-current assets | Property, plant and equipment under construction | Advances on property, plant and equipment | Total |
|---|--------------------------------|-------------------------|--------------------|--------------------------|--|---|---------------|
| Reduction of the existing disposal write-offs | - | 51 | 318 | 45 | - | - | 414 |
| Decrease in the current depreciation due to liquidation | - | 42 | - | 66 | - | - | 108 |
| Net value as at 30.06.2020 | 33 767 | 26 805 | 298 | 21 606 | 3 846 | 4 176 | 90 498 |

7.2. Right to use assets

The Company classified activated leased assets as held for trading:

- the right of perpetual usufruct of land,
- lease of office space and production building - period of use - 2-3 years,
- IT equipment - useful life 3 years,
- means of transport - useful life 4 years.

The value of the lease liability was calculated based on the following assumptions:

- in the case of perpetual usufruct of land, perpetual usufruct was established,
- in the case of forward contracts, the maximum period for which a liability can be generated is assumed,
- in the case of contracts concluded for an indefinite period of time, an individual business analysis determining the assumed useful life was carried out,
- the discount rate is 2.4%.

The following presentation simplifications have been adopted:

- no lease contracts for low-value assets (below PLN 20 thousand) are activated,
- contracts that will be terminated during the current year are omitted.

Data concerning the right to use assets under lease are presented in the tables below.

| SPECIFICATION | as of | |
|--------------------------------|--------------|--------------|
| | 30.06.2020 | 31.12.2019 |
| Land, buildings and structures | 6 752 | 7 018 |
| Machinery and equipment | 355 | 440 |
| Means of transport | 1 637 | 1 936 |
| Total | 8 744 | 9 394 |

| | | | |
|---|--|---------------------|--------------------|
| Entity name: | Apator SA | | Page 15 |
| Period covered by the financial statements: | 01.01.2020 – 30.06.2020 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

| SPECIFICATION | Land, buildings and structures | Machinery and equipment | Means of transport | Total |
|--|--------------------------------|-------------------------|--------------------|--------------|
| Net value as at 01.01.2020 | 7 018 | 440 | 1 936 | 9 394 |
| Increase due to leasing acceptance | 1 | - | 151 | 152 |
| Decrease resulting from reclassification - from the right to use assets under lease to property, plant and equipment | - | - | (304) | (304) |
| Depreciation | (267) | (85) | (374) | (726) |
| Decrease in current depreciation resulting from reclassification - from the right to use assets under lease to property, plant and equipment | - | - | 228 | 228 |
| Net value as at 30.06.2020 | 6 752 | 355 | 1 637 | 8 744 |

7.3. Other financial assets

Data concerning shares and stocks included by Apator S.A. in other financial assets are presented in the table below.

| SPECIFICATION | as of | |
|---|----------------|----------------|
| | 30.06.2020 | 31.12.2019 |
| Shares in subsidiaries and jointly controlled undertakings | 258 259 | 256 753 |
| Shares in Apator Metrix S.A (Tczew) | 8 935 | 8 935 |
| Shares in Apator Mining Sp. z o.o. (Katowice) | 4 747 | 4 747 |
| Apator Powogaz S.A. shares (Poznań) | 68 648 | 68 648 |
| Shares in Apator Rector (Zielona Góra) | 74 287 | 74 287 |
| Shares in Apator Elkomtech S.A. (Lodz) | 99 537 | 99 537 |
| Shares in FAP PAFAL S.A. (Świdnica) | 515 | 515 |
| Shares in Apator GmbH (Berlin) | 1 590 | 84 |

| SPECIFICATION | Value accountant | Equity own | % share * Equity capital | Difference |
|---|------------------|----------------|--------------------------|---------------|
| Shares in Apator Metrix S.A (Tczew) | 8 935 | 85 859 | 85 859 | 76 924 |
| Shares in Apator Mining Sp. z o.o. (Katowice) | 4 747 | 64 770 | 64 770 | 60 023 |
| Apator Powogaz S.A. shares (Poznań) | 68 648 | 142 845 | 142 845 | 74 197 |
| Shares in Apator Rector (Zielona Góra) | 74 287 | (7 451) | (7 451) | (81 738) |
| Shares in Apator Elkomtech (Łódź) | 99 537 | 44 629 | 44 629 | (54 908) |
| Shares in FAP PAFAL S.A. (Świdnica) | 515 | 11 186 | 11 186 | 10 671 |
| Shares in Apator GmbH (Berlin) | 1 590 | (394) | (394) | (1 984) |
| Total | 258 259 | 341 444 | 341 444 | 83 185 |

In Apator Group, the cash generating centres (CGC) are the direct subsidiaries of Apator S.A. or the group of companies whose parent entities are the direct subsidiaries of Apator S.A. and which are characterized by homogeneous base of assets used for the performance of operating activity (except Apator Elkomtech S.A. and Apator Rector Sp. z o.o., hereinafter jointly referred to as the Network Automation Centre) as described below.

The rationale for such an approach is primarily based on the high level of operational integration resulting from the complementarities of the offer as well as the significant changes that have occurred in the conduct of business by companies.

| | | | |
|---|--|---------------------|--------------------|
| Entity name: | Apator SA | | Page 16 |
| Period covered by the financial statements: | 01.01.2020 – 30.06.2020 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

Starting from 2017 the companies Apator Elkomtech S.A. and Apator Rector Sp. z o.o. perform the sale of services through common sales department and jointly make offers for provision of comprehensive services. Such an approach results primarily from the complementarity of the offer of both entities and significantly facilitates the acquisition of new projects.

The Executive Board analysed external and internal market factors, primarily related to the assessment of the impact of the Covid-19 epidemic on the operations of the companies in order to determine whether there is any indication of impairment of goodwill and other assets in the Group. The Group's WACC index was also updated due to a significant change in interest rates in Poland and keeping them at a relatively low level.

For the GSC of Apator Elkomtech S.A. and Apator Rector Sp. z o.o. an update of key assumptions in the models was prepared and on the basis of updated assumptions no grounds for creating the write-off were identified.

For the remaining GCCs, only a sensitivity analysis was carried out based on models prepared as at 31 December 2019 on the basis of comparison of the results for the first half of 2020 with the assumptions in the budgets and no evidence of impairment was identified either.

7.4. Stocks

Information on the reporting value of inventories is presented in the table below.

| SPECIFICATION | as of | |
|-----------------------------------|---------------|---------------|
| | 30.06.2020 | 31.12.2019 |
| Materials | 30 851 | 18 221 |
| Production in progress | 13 142 | 8 792 |
| Finished products | 5 240 | 6 257 |
| Goods | 687 | 683 |
| Advances for deliveries | 3 566 | 781 |
| Total value of inventories | 53 486 | 34 734 |

Write-downs on inventories are presented below.

| SPECIFICATION | in the period | |
|---|-----------------|-----------------|
| | from 01.01.2020 | from 01.01.2019 |
| | till 30.06.2020 | till 31.12.2019 |
| Value of write-offs at the beginning of the period | 3 081 | 1 803 |
| Increase - creation of a write-down on the current result | 425 | 1 382 |
| Decrease - write-down of unused amounts in revenues | (15) | (95) |
| Use of write-off- write-down | - | (9) |
| Value of write-offs at the end of the period | 3 491 | 3 081 |

| | | | |
|---|--|---------------------|--------------------|
| Entity name: | Apator SA | | Page 17 |
| Period covered by the financial statements: | 01.01.2020 – 30.06.2020 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

7.5. Contractual asset

Contractual asset of Apator S.A. is the right to receive the supplies resulting from the agreement concluded with PKP Energetyka. Under this agreement, the Company undertook to repurchase, as part of the complaint, meters with a total value of PLN 10,320 thousand. Therefore, as at the balance sheet date of 31 December 2019, the right to receive inventories and a contractual obligation in that amount were recognised. As at the balance sheet date of 30 June 2020, there were no grounds to revalue the asset. The lack of change in the value of the asset is caused by the non-receipt of supplies from PKP Energetyka, delays due to Covid-19 and the impossibility to remove the meters from the network (no physical access to the meters due to the epidemic).

| SPECIFICATION | as of | |
|-----------------------|---------------|---------------|
| | 30.06.2020 | 31.12.2019 |
| Current assets | | |
| Contractual asset | 10 320 | 10 320 |
| Total | 10 320 | 10 320 |

7.6. Trade receivables and other receivables

Information on the reporting value of receivables is presented in the table below.

| SPECIFICATION | as of | |
|---|---------------|---------------|
| | 30.06.2020 | 31.12.2019 |
| Short-term receivables, including: | 99 242 | 52 670 |
| Commercial receivables | 79 011 | 46 222 |
| Current receivables | 76 035 | 38 220 |
| Receivables past due up to 1 month | 2 068 | 4 674 |
| Receivables past due from 1 month to 3 months | 791 | 2 170 |
| Receivables past due from 3 month to 6 months | 149 | 1 196 |
| Receivables past due from 6 month to 1 year | 458 | 4 |
| Receivables past due more than 1 year | 830 | 791 |
| Write-off for impairment of trade receivables | (1 320) | (833) |
| Receivables from other taxes, customs duties and social security | 440 | 1 257 |
| Receivables from other taxes, customs duties and social security | 440 | 1 257 |
| Other short-term liabilities | 19 791 | 5 191 |
| Receivables from the sale of shares | - | 4 184 |
| Receivables from sales of property, plant and equipment and intangible assets | 15 | 37 |
| Dividend receivables | 19 001 | - |
| Deposits | 213 | 84 |
| Prepayments - advances for the purchase of services | 130 | 128 |
| Other receivables | 433 | 759 |
| Write-off for impairment of other short-term receivables | (1) | (1) |
| Total receivables, including: | 99 242 | 52 670 |
| - the ones from related parties | 28 470 | 13 134 |
| - from other entities | 70 772 | 39 536 |

| | | | |
|---|--|---------------------|--------------------|
| Entity name: | Apator SA | | Page 18 |
| Period covered by the financial statements: | 01.01.2020 – 30.06.2020 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

Below are presented data concerning write-downs for impairment of receivables.

| SPECIFICATION | in the period | |
|---|-----------------|-----------------|
| | from 01.01.2020 | from 01.01.2019 |
| | till 30.06.2020 | till 31.12.2019 |
| Revaluation write-off on total receivables | | |
| Value of write-offs at the beginning of the period | 834 | 882 |
| Increase - creation of a write-down on the current result | 504 | 39 |
| Decrease - write-down of unused amounts in revenues | (12) | (79) |
| Use of write-off- write-down | (5) | (8) |
| Value of write-offs at the end of the period | 1 321 | 834 |

7.7. Loans granted

Information on loans granted is presented in the table below.

| SPECIFICATION | as of | |
|---------------------------------------|------------|--------------|
| | 30.06.2020 | 31.12.2019 |
| Short-term loans granted | 26 | 2 619 |
| Gross value | 26 | 2 619 |
| Total loans granted, of which: | 26 | 2 619 |
| - to related entities | 26 | 2 619 |

The balance of loans at the 30th June 2020 in amount of 26 k PLN related to other interest to be paid on loan granted to Apator Rector Sp. z o.o. under the agreement of 14th December 2018. (the principal of the loan was repaid in 2020).

7.8. Share capital

The shareholders' structure as at 30 June 2020 is presented in the table below.

| Name and surname | Registered shares | Bearer shares | Total number of shares | Number of votes | Equity participation | Votes participation |
|-----------------------------------|-------------------|-------------------|------------------------|-------------------|----------------------|---------------------|
| Mariusz Lewicki | 1 187 376 | 1 031 512 | 2 218 888 | 5 781 016 | 6.75% | 10.54% |
| Tadeusz Sosgórnik* | 1 085 102 | 663 706 | 1 748 808 | 5 004 114 | 5.32% | 9.12% |
| Danuta Guzowska | 954 214 | 566 065 | 1 520 279 | 4 382 921 | 4.63% | 7.99% |
| Zbigniew Jaworski | 760 848 | 624 152 | 1 385 000 | 3 667 544 | 4.22% | 6.68% |
| Apator Mining Sp. z o. o. | 0 | 3 600 000 | 3,600,003 600 000 | 3 600 000 | 10.96% | 6.56% |
| Aviva OFE Aviva Santander SA | 0 | 3 224 000 | 3 224 000 | 3 224 000 | 9.81% | 5.88% |
| Janusz Marzygliński | 716 092 | 83 868 | 799 960 | 2 948 236 | 2.43% | 5.37% |
| Kazimierz Piotrowski and his wife | 674 774 | 159 181 | 833 955 | 2 858 277 | 2.54% | 5.21% |
| Others | 1 958 595 | 15 571 443 | 17 530 038 | 23 405 823 | 53.34% | 42.65% |
| TOTAL | 7 337 001 | 25 523 927 | 32 860 928 | 54 871 931 | 100,00% | 100,00% |

* the holding as at 2 July 2020, i.e. as at the date of appointment of Mr Tadeusz Sosgórnik to the Supervisory Board Apator S.A.

| | | | |
|---|--|---------------------|--------------------|
| Entity name: | Apator SA | | Page 19 |
| Period covered by the financial statements: | 01.01.2020 – 30.06.2020 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

7.9. Other capitals

Information on other capital is presented in the table below.

| SPECIFICATION | as of | |
|---|----------------|----------------|
| | 30.06.2020 | 31.12.2019 |
| Supplementary capital from the sale of own shares above their nominal value | 15 142 | 15 142 |
| Other reserve capital | 289 305 | 289 305* |
| Own shares | (1 233) | (1053) |
| Reserve capitals | 10 000 | 10 000* |
| Other total capitals | 313 214 | 313 394 |

* - in relation to the statement for 2019 the presentation was corrected - transfer of 6.247 k PLN (redemption of shares of Apator S.A.) from item Reserve capital to item Other reserve capital

Detailed changes in other capitals during the first half of 2020 are presented in the table below.

| SPECIFICATION | SUPPLEMENTARY CAPITAL FROM THE SALE OF OWN SHARES ABOVE THEIR NOMINAL VALUE | OTHER RESERVE CAPITAL | CAPITAL FROM REVALUATION | OWN SHARES | RESERVE CAPITALS | TOTAL |
|--|---|-----------------------|--------------------------|------------|------------------|---------|
| Status as of 01.01.2020 | 15 142 | 289 305 | - | (1 053) | 10 000 | 313 394 |
| Increase in the period from 01.01.2020 to 30.06.2020 | - | - | - | (180) | - | (180) |
| Purchase of own shares | - | - | - | (180) | - | (180) |
| Status as of 30.06.2020 | 15 142 | 289 305 | - | (1 233) | 10 000 | 313 214 |

In accordance with the Resolution No 14/VII/2020 of the Ordinary General Shareholders Meeting of Apator SA dated

On 2nd July 2020, the net profit for the financial year 2019 in the amount of PLN 54,071,665.22 was distributed. in following way:

Dividend 36 091 730.80 PLN
 Supplementary capital PLN 17 979 934.42

On 12 December 2019, an advance payment of PLN 14,767,617.60, i.e. PLN 0.45 per share, was paid on account of the expected dividend from the profit for the financial year 2019. The remaining part of the dividend in the amount of PLN 21,324,113.20, i.e. PLN 0.65 per share, will be paid on August 31st 2020.

7.10. Credits and loans

Information on loans and borrowings is presented below.

| SPECIFICATION | as of | |
|--|---------------|---------------|
| | 30.06.2020 | 31.12.2019 |
| Short-term loans and borrowings | 58 235 | 61 096 |
| Total loans and borrowings, including | 58 235 | 61 096 |
| - from other entities | 58 235 | 61 096 |

| | | | |
|---|--|---------------------|--------------------|
| Entity name: | Apator SA | | Page 20 |
| Period covered by the financial statements: | 01.01.2020 – 30.06.2020 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

The following collaterals have been established in connection with the Company's borrowings:

Multi-product agreement with ING Bank Śląski S.A. (Group limit PLN 140 million):

- Contractual mortgage on the property of Apator S.A. in Ostaszewo up to the amount PLN 26 million
- Registered pledge on inventories worth PLN 24.6 million,
- Registered pledge on fixed assets of PLN 26.6 million,
- Assignment of rights under the property insurance policy against all risks,
- Registered pledge on receivables of Apator S.A. under the bank account agreement with ING Bank Śląski,
- Blank promissory note together with a promissory note declaration.

Loan agreement with Bank Handlowy S.A. (overdraft facility, limit of PLN 10m):

- Registered pledge on fixed assets of PLN 8.3 million,

In the reporting period Apator S.A. performed the obligations resulting from the concluded credit agreements.

7.11. Provisions for liabilities

Information on provisions for liabilities is presented in the table below.

| SPECIFICATION | PROVISIONS FOR EMPLOYEE BENEFITS | | | OTHER PROVISIONS | | TOTAL |
|--|--|--------------|---------------|------------------|------------|---------------|
| | RETIREMENT SEVERANCE PAY, JUBILEE AWARDS | BONUSES | ANNUAL LEAVES | GUARANTEES | OTHER | |
| Provisions as at 01.01.2020 | 5 797 | 2 760 | 1 261 | 13 978 | 160 | 23 956 |
| Increase - creation of a provision charged to the current result (+) | - | 4 306 | 1 000 | 1 427 | 380 | 7 113 |
| Decrease - write-down of unused amounts in revenues (-) | - | (433) | - | (100) | - | (533) |
| Use of the provision - settlement of costs (-) | - | (2 934) | - | (947) | - | (3 881) |
| Value of provisions as at 30.06.2020, including: | 5 797 | 3 699 | 2 261 | 14 358 | 540 | 26 655 |
| - long term provisions | 4 894 | - | - | - | - | 4 894 |
| - short-term provisions | 903 | 3 699 | 2 261 | 14 358 | 540 | 21 761 |

| | | | |
|---|--|---------------------|--------------------|
| Entity name: | Apator SA | | Page 21 |
| Period covered by the financial statements: | 01.01.2020 – 30.06.2020 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

7.12. Income tax

The specificity of income tax and deferred tax for the reporting period is presented in the tables below.

| SPECIFICATION | in the period | |
|---|-----------------|-----------------|
| | from 01.01.2020 | from 01.01.2019 |
| | till 30.06.2020 | till 30.06.2019 |
| Profit and loss statement | | |
| Current income tax | 1 947 | 1 637 |
| Current income tax expense | 1 947 | 1 637 |
| Deferred income tax | 1 187 | 1 350 |
| Related to the creation and reversal of temporary differences | (829) | 71 |
| Tax relief on account of operations in SEZ | 2016 | 1 279 |
| Tax burden disclosed in the statement of comprehensive income | 3 134 | 2 987 |
| Other comprehensive income | | |
| Deferred income tax | (14) | (76) |
| Deferred net income tax on cash flow hedges settled during the financial year | (14) | (76) |
| Tax advantage (burden) disclosed in the equity capital | (14) | (76) |

| SPECIFICATION | Assets | | Provisions | |
|--|---------------|---------------|--------------|--------------|
| | 30.06.2020 | 31.12.2019 | 30.06.2020 | 31.12.2019 |
| Tangible fixed assets | - | - | 1 668 | 1 624 |
| Financial assets | 268 | 268 | - | - |
| Derivative instruments | 1 | 46 | 67 | 187 |
| Stocks | 664 | 586 | - | - |
| Liabilities arising from employee benefits | 2 264 | 1 872 | - | - |
| Provisions | 2 878 | 2 721 | - | - |
| Write-downs on receivables | 219 | 142 | - | - |
| Tax relief to be accounted for in future periods | 12 189 | 14 205 | - | - |
| Other | 283 | 220 | 114 | 159 |
| Total | 18 766 | 20 060 | 1 849 | 1 970 |
| Netting of assets and reserves | (1 849) | (1 970) | - | - |
| Deferred tax assets/provisions disclosed in the statement of financial position | 16 917 | 18 090 | - | - |

On 28 December 2010, the Company obtained Permit No. 69/PSSEZ for conducting business activities within the Pomeranian Special Economic Zone. As of business starting date the PSSE recognized deferred tax assets in the amount of PLN 20,357 thousand on account of a possible impairment of the Group's financial assets tax relief (the value of the asset on this account as at 30 December 2020 amounts to PLN 12,189 thousand).

On June 3rd 2020, the Company received the Decision on support No. PSSE.DW.11.2020 for the implementation of a new investment consisting in increasing production capacity (extension of the existing plant). The decision assumes incurring eligible costs of at least PLN 30 million (not more than PLN 39 million) until the end of 2025 and will allow to take advantage of the tax exemption for conducting business in the Special Economic Zone. The decision was made for fixed period of 15 years.

| | | | |
|---|--|---------------------|--------------------|
| Entity name: | Apator SA | | Page 22 |
| Period covered by the financial statements: | 01.01.2020 – 30.06.2020 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

Presentation of the effective tax rate:

| SPECIFICATION | in the period | |
|--|-----------------|-----------------|
| | from 01.01.2020 | from 01.01.2019 |
| | till 30.06.2020 | till 30.06.2019 |
| Tax base | 44 842 | 53 856 |
| Applied tax rate | 19.00% | 19.00% |
| Income tax calculated at the applicable rate | 8 520 | 10 233 |
| Tax on income exempt from taxation (fixed differences) | (5 580) | (7 553) |
| - of which on dividends from affiliated companies | (5 580) | (7 455) |
| Tax on non-deductible costs (fixed differences) | 198 | 309 |
| Other tax deductions | (4) | (2) |
| Income tax | 3 134 | 2 987 |
| Effective tax rate | 6.99% | 5.55% |

7.13. Revenue

Revenue from the sale of goods

The Company recognizes all revenues from sales "in a point in time", at the moment of taking control over a given good by the recipient.

Revenues from sales are recognized at fair value of received or due payments and represent receivables for products, goods and services provided in the normal course of business, net of rebates, value added tax and other sales-related taxes. Revenue is recognized in the amount in which it is probable that the Company will obtain economic benefits related to a given transaction and when the amount of revenue can be reliably estimated.

Revenues from the sales of services

Revenues from the provision of services related to short-term orders are recognized "in point in time" at the moment of finishing the service, after confirming the performance of the contractual bond (after receiving the acceptance protocol).

Determination of the transaction price

In the case of contracts covering several obligations to perform, a transaction price based on the unit selling price is assigned to each of these obligations. If these prices cannot be established on the basis of direct observation, they are estimated on the basis of expected costs plus a mark-up.

Estimates of revenues, costs or the degree of completion of works are verified when circumstances have changed. The resulting increase or decrease in estimated revenue or expense is recognised in profit or loss in the period in which management becomes aware of the circumstances underlying the verification of estimates.

In the case of fixed price contracts the customer pays a fixed amount according to the payment schedule. If the value of services rendered by the Company exceeds the value of payment, assets under the contract with customers are recognized. If the value of the payment exceeds the value of the services provided, a liability under the contract with customers is recognised.

Price and payment terms

As a rule, in Apator SA the payment terms between 30 and 90 days are used. In the switching equipment business line they are generally 30-90 days, while in the electricity metering line they are 30 days.

| | | | |
|---|--|---------------------|--------------------|
| Entity name: | Apator SA | | Page 23 |
| Period covered by the financial statements: | 01.01.2020 – 30.06.2020 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

As a rule, performance bonds are granted for a period of 1-1.5 years, and after their expiry, warranty bonds are valid for the next 2-5 years (depending on the contract).

The activity of Apator Group is concentrated in three basic segments:

- Water and heating,
- Gas,
- Electric power,

whereas the activity of Apator S.A. is focused on the Electricity segment. The analysis of the segments was performed in the abbreviated semi-annual consolidated financial statement of Apator Group.

7.14. Financial revenues and costs

| SPECIFICATION | in the period | |
|--|-----------------|-----------------|
| | from 01.01.2020 | from 01.01.2019 |
| | till 30.06.2020 | till 30.06.2019 |
| Financial revenues | 30 668 | 40 501 |
| Dividends and shares in profits | 29 369 | 39 236 |
| Interest on loans | 8 | 61 |
| Interest on bank accounts | 4 | 3 |
| Interest on receivables | 62 | 34 |
| Positive exchange rate differences | 100 | - |
| Revenues from foreign exchange transactions (including derivative instruments) | 1 103 | 1 167 |
| Guarantees issued | 22 | - |
| Financial costs | (689) | (1 149) |
| Interest on loans and borrowings | (423) | (685) |
| Interest on lease liabilities | (106) | (120) |
| Other interest | (14) | (16) |
| Negative exchange rate differences | - | (210) |
| Commissions on loans and borrowings | (29) | (48) |
| Decrease in the discount on liabilities | (1) | (2) |
| Bank guarantees and commissions (except credit commissions) | (116) | (68) |
| Net financial revenues | 29 979 | 39 352 |

7.15. Explanations concerning the cash flow statement

Apator SA prepares the condensed individual statement on cash flows in the part concerning operating activity using the indirect method by which the profit is adjusted by the effects of non-cash transactions, changes in inventories, receivables and liabilities and other items where the cash effects are cash flows from financial or investment activity.

The table below presents explanations of inconsistencies between the changes in the balance of the condensed unconsolidated statement of financial position and the changes in the balance of these items disclosed in the statement of cash flows.

| | | | |
|---|--|---------------------|--------------------|
| Entity name: | Apator SA | | Page 24 |
| Period covered by the financial statements: | 01.01.2020 – 30.06.2020 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

| SPECIFICATION | in the period | |
|--|-----------------|-----------------|
| | from 01.01.2020 | from 01.01.2019 |
| | till 30.06.2020 | till 30.06.2019 |
| Movement in receivables | | |
| Change in trade receivables | (32 789) | (3742) |
| Change in other taxes, customs duties and social security receivables | 817 | 810 |
| Change in other receivables | (14 600) | (7 219) |
| Adjustment for receivables from the sale of shares | (4 184) | - |
| Adjustment for dividend receivables | 19 002 | 6 500 |
| Adjustment for income tax receivables | - | - |
| Adjustment for investment receivables | (18) | (4) |
| Change in the balance as disclosed in the statement of cash flows | (31 772) | (3655) |
| Change in liabilities | | |
| Change in long-term liabilities | - | (150) |
| Change in long-term liabilities due to the right to use assets under lease | (350) | 7 951 |
| Change in trade liabilities | 24 878 | (4 851) |
| Change in liabilities due to corporate income tax | 190 | 547 |
| Change in liabilities due to other taxes, customs duties and social security | 2 199 | 1 097 |
| Change in other liabilities | (3 408) | (4 391) |
| Change in short-term liabilities due to the right to use assets under lease | (221) | 795 |
| Adjustment for dividend liabilities | - | 1 |
| Adjustment for financial lease liabilities | 571 | (8 745) |
| Adjustment for derivative liabilities | 233 | (182) |
| Adjustment for income tax liabilities | (190) | (547) |
| Adjustment for investment liabilities | 2 778 | 3 837 |
| Change in the balance as disclosed in the statement of cash flows | 26 680 | (4 638) |

| SPECIFICATION | in the period | |
|---|-----------------|-----------------|
| | from 01.01.2020 | from 01.01.2019 |
| | till 30.06.2020 | till 30.06.2019 |
| Expenses related to acquisition of property, plant and equipment | | |
| Purchase of property, plant and equipment | (3 485) | (3 796) |
| Change in inventories due to own works (internal projects) | (655) | 94 |
| Advances for property, plant and equipment settled with BO | 955 | 384 |
| Leasing exclusion | 152 | 601 |
| Change in net investment liabilities | (2 894) | (3 916) |
| Total | (5 927) | (6 633) |

7.16. Financial instruments

In APATOR S.A. the agreements on currency derivatives are concluded within the hedging policy against foreign exchange risk. The Company hedges export receipts in excess of expenditure on account of imports (EUR) and import outflows exceeding export inflows (USD).

The table below presents details of the hedging relationship in cash flow hedge accounting.

| | |
|---------------------------|---|
| Type of protection | Security for volatility of cash flows due to future cash flows in EUR and USD. |
|---------------------------|---|

| | | |
|---|--|--|
| Entity name: | Apator SA | Page 25 |
| Period covered by the financial statements: | 01.01.2020 – 30.06.2020 | Reporting currency: Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | |

| | |
|--|--|
| Hedged item | The hedged item is part of the future highly probable cash flows from sales denominated in EUR and purchases denominated in USD. |
| Hedging instruments | FX forward transactions, in which the Company undertakes to sell EUR and buy USD for PLN, are a hedging instrument. |
| Hedged risk | The Company hedges the variability of cash flows due to currency risk. |
| Recognition in the financial statements | The part of the change in fair value measurement of hedging instruments corresponding to the effective hedge is recognised in the hedge accounting (statement of changes in equity). The ineffective portion of the change in fair value measurement of hedging instruments is recognised in financial income or expenses. |
| Period during which cash flows are expected to occur | The hedged item is expected to generate cash flows in the period up to 1 March 2021. |
| Nominal value | EUR 2.504 thousand and USD 4.500 thousand |

The table below presents the fair value of financial instruments as at the reporting date.

| SPECIFICATION | as of | |
|-------------------------------|------------|------------|
| | 30.06.2020 | 31.12.2019 |
| Long-term assets | - | 64 |
| Hedging instruments | - | 64 |
| Short-term assets | 354 | 921 |
| Hedging instruments | 354 | 921 |
| Total assets | 354 | 985 |
| Short-term liabilities | 3 | 236 |
| Hedging instruments | 3 | 236 |
| Total liabilities | 3 | 236 |

The table below presents an analysis of financial instruments measured at fair value, grouped according to a three-level hierarchy, where:

- Level 1 - fair value is based on stock exchange prices (unadjusted);
- Level 2 - fair value is determined on the basis of values observable on the market, but not being a direct market quotation;
- Level 3 - fair value is determined on the basis of various valuation techniques, not based on any observable market data.

| SPECIFICATION | as of 30.06.2020 | | | as of 31.12.2019 | | |
|--------------------------------------|------------------|------------|----------|------------------|------------|----------|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| Derivative instruments (assets) | - | 354 | - | - | 985 | - |
| Derivative instruments (liabilities) | - | (3) | - | - | (236) | - |
| Total | - | 351 | - | - | 749 | - |

There were no transfers between levels.

The Company measures FX forward derivatives at fair value using financial instrument measurement models, using generally available exchange rates and volatility curves for currencies. Fair value of these instruments is determined based on future cash flows from the concluded transactions, calculated based on the difference between the forward price and the transaction price. FX forward rates are not modelled as a separate risk factor, but are derived from the spot rate for a foreign currency against PLN.

| | | | |
|---|--|---------------------|--------------------|
| Entity name: | Apator SA | | Page 26 |
| Period covered by the financial statements: | 01.01.2020 – 30.06.2020 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

7.17. Information on subsidiaries

Information on benefits for management personnel is presented in the table below.

| SPECIFICATION | for period |
|------------------------------|------------------------------------|
| | from 01.01.2020 till 30.06.2020 |
| Short-term employee benefits | 2 903 |
| Total | 2 903 |

Transactions with related parties were carried out on market terms.

Data on transactions with related parties and information on unsettled balances are presented in the table below.

| | | |
|---|--|--|
| Entity name: | Apator SA | Page 27 |
| Period covered by the financial statements: | 01.01.2020 – 30.06.2020 | Reporting currency: Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | |

| SPECIFICATION | Apator GmbH | Apator Metrix S.A. | George Wilson Industries Ltd. | Apator Mining Sp. z o. o. | Apator Powogaz S.A. | Apator Telemetry Sp. z o. o. | Apator Rector Sp.z o.o. | Apator Elkomtech S.A. | FAP Pafal SA | TOTAL |
|--|-------------|--------------------|-------------------------------|---------------------------|---------------------|------------------------------|-------------------------|-----------------------|--------------|---------------|
| Sell of products and services | 14 270 | 1 925 | 136 | 40 | 6 987 | 46 | 598 | 2 049 | 914 | 26 965 |
| Sales of goods and materials | 44 | 5 | - | - | - | 8 | - | 3 | 68 | 128 |
| Cost of transactions for the sale of products and services | 10 811 | 252 | 236 | 32 | 2 939 | 14 | 180 | 947 | 924 | 16 335 |
| Cost of sales of goods and materials | 34 | 5 | - | - | - | 8 | - | 2 | 64 | 113 |
| Commercial receivables | 6 671 | 123 | 214 | - | 1 244 | 8 | 805 | 205 | 199 | 9 469 |
| Other receivables | - | 5 001 | - | - | 10 000 | - | - | 2 000 | 2 000 | 19 001 |
| Receivables from loans granted | - | - | - | - | - | - | 26 | - | - | 26 |
| Received repayments of loans granted | - | - | - | - | - | - | 2 500 | - | - | 2 500 |
| Interest received on loans granted | - | - | - | - | - | - | 101 | - | - | 101 |
| Financial revenue from dividends | - | 10 002 | - | 2 367 | 10 000 | - | - | 4 000 | 3 000 | 29 369 |
| Purchase of products, services, goods and materials | 267 | 78 | - | - | 75 | 121 | 113 | 151 | 4 081 | 4 886 |
| Purchase of fixed assets and intangible assets | - | - | - | - | 48 | - | 95 | - | - | 143 |
| Commercial liabilities | - | 29 | - | - | 61 | 18 | 11 | 27 | 1 873 | 2 019 |
| Investment liabilities | - | - | - | - | - | - | 117 | - | - | 117 |

| | | | |
|---|--|---------------------|--------------------|
| Entity name: | Apator SA | | Page 28 |
| Period covered by the financial statements: | 01.01.2020 – 30.06.2020 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

7.18. Contingent items and other items not included in the condensed stand-alone statement of financial position

Guarantees

As at 30 June 2020. Apator SA had active guarantees issued by TU Hermes SA:

- On account of the performance bond in the amount of PLN 4297 thousand until March 31st at the latest year 2021;
- On account of warranty and quality guarantee in the amount of PLN 4242 thousand, until January 15th 2025 at the latest,
- On account of the deposit of PLN 1550 thousand, until August 18th 2020 at the latest.

and ING Bank Śląski S.A.:

- Under performance bonds in the amount of PLN 4762 thousand, until 4 July at the latest year 2021;
- On account of warranty and quality guarantee in the amount of PLN 425 thousand, until January 15th 2025 at the latest,
- On account of execution of payments under the lease agreement in the amount of PLN 48 thousand, by January 8th 2022;

As of 30 June 2020. Apator S.A. was the guarantor of return of advance payment by Apator Metrix S.A. in the amount of EUR 1,200 thousand (PLN 5.5m) towards Flonidan A/S, effective until June 30th 2022.

During the first half of 2020, Apator S.A. granted to Apator Rector Sp. z o.o. two sureties of lease contracts for the total amount of 504.0 k PLN with the date till 15th March 2023 at the latest.

Moreover, at the 30th June 2020 Apator S.A. was the beneficiary of the payment guarantee for the amount of 200 k PLN issued by Bank Millennium S.A. till 30th October 2020 and guarantee of return of advance payment in amount of 525.4 k PLN (2,256.0 k PLN) issued by mBank till 30th September 2020.

Moreover, Apator S.A. made 6 blank promissory notes to secure the contract with TU Euler Hermes S.A. for granting contract guarantees within the revolving limit (limit for the Group 20 million PLN).

7.19. Employment structure

Employment in Apator S.A. is presented in the table below.

| SPECIFICATION | period | |
|---|-----------------|-----------------|
| | from 01.01.2020 | from 01.01.2019 |
| | till 30.06.2020 | till 31.12.2019 |
| Average employment in full-time jobs for the period | 690 | 759 |
| Manual workers | 439 | 496 |
| Intellectual workers | 251 | 263 |
| Employment in full-time equivalents at the end of the period | 684 | 716 |
| Manual workers | 435 | 460 |
| Intellectual workers | 249 | 256 |

Apart from the employees employed in Apator S.A. on the basis of the contract of employment, the Company also uses services of temporary work agencies. On average, in the first half of 2020, 67 people were employed on a temporary basis.

| | | | |
|---|--|---------------------|--------------------|
| Entity name: | Apator SA | | Page 29 |
| Period covered by the financial statements: | 01.01.2020 – 30.06.2020 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

7.20. Remuneration of the entity authorized to conduct the audit

On 24th July 2017 Apator S.A. signed with PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt sp. k. (former PricewaterhouseCoopers Sp. z o.o.) contract for audit of separate interim financial statements, review of consolidated interim financial statements and audit of annual separate and consolidated financial statements for 2018-2020.

The auditor's remuneration is presented in the table below.

| SPECIFICATION | VALUE | |
|--|-----------|-----------|
| | year 2020 | year 2019 |
| Audit/review of abbreviated semi-annual financial statements | 50 | 50 |

Apart from the above mentioned remuneration, APATOR S.A. covers also documented costs of the audit team's stay outside the Auditor's seat (travels, accommodation).

7.21. Transformation of comparative data

In this abbreviated semi-annual separate financial statement Apator S.A. changed the presentation of comparative data. Due to a change in accounting policy regarding the recognition of costs of provisions for warranty repairs, in the comparative periods costs were transferred from other operating activities to the cost of core activities.

The reclassification is presented in the table below.

| ITEMS OF THE REPORT / CHANGE TITLE | Change in accounting policy | |
|------------------------------------|------------------------------------|------------------------------------|
| | from 01.04.2019 till 30.06.2019 | from 01.01.2019 till 30.06.2019 |
| Cost of goods sold | (131) | (305) |
| Cost of products and services sold | (131) | (305) |
| - other entities | (131) | (305) |
| Gross loss on sales | (131) | (305) |
| Loss on sales | (131) | (305) |
| Other operating costs | 131 | 305 |

| | | |
|---|--|--|
| Entity name: | Apator SA | Page 30 |
| Period covered by the financial statements: | 01.01.2020 – 30.06.2020 | Reporting currency: Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | |

8. Events after the balance sheet date

On 2nd July 2020 the Ordinary General Shareholders Meeting of Apator SA was held. (WZA), on which the net profit for the financial year 2019 was distributed (note 7.9).

On 2nd July 2020 (during General Shareholders Meeting of Apator S.A.) the resolution was also adopted concerning the creation of the fund for redemption of shares in amount of 10 m PLN (separated from supplementary capital) to be used for the settlement of the purchase of own shares by Apator S.A. under the Programme of repurchase of own shares.

On 7th August 2020 Apator S.A. concluded with Pomeranian Special Economic Zone the agreement on transfer of the property right (Rep. A 4609/2020) located in Ostaszewo, an undeveloped property of 2 hectares (in connection with the decision on support received on 3 June 2020 for the implementation of a new investment). Buying price PLN 2.6 million net.

On 10 August 2020, an annex to the Multi-Product Agreement concluded with ING Bank Śląski S.A. was signed. The annex extended the term of the agreement by another 2 years and increased the Group's exposure limit from PLN 140m to PLN 160m. The guarantees to the contract have also been changed:

- Contractual mortgage on real estate of Apator SA in Ostaszewo to the amount of PLN 35.9 million,
- Registered pledge on inventories owned by Apator S.A., Apator Telemetria Sp. z o.o., Apator Powogaz S.A., FAP Pafal S.A., Apator Elkomtech S.A. with book value 77,5 m PLN,
- Pledge on machines and equipment and means of transport owned by Apator S.A., Apator Powogaz S.A., Apator Metrix S.A., Apator Elkomtech S.A. The net value of the pledge is PLN 22.1 million,
- Registered pledge on receivables under current and future bank account agreements maintained by the bank for the Group companies,
- Blank promissory notes together with promissory notes declarations submitted by 6 borrowers' companies (joint and several liability of Group's companies),
- Assignment of rights under the property insurance policy against all risks.

| | | | |
|---|--|---------------------|--------------------|
| Entity name: | Apator SA | | Page 31 |
| Period covered by the financial statements: | 01.01.2020 – 30.06.2020 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

9. Signatures

The Executive Board

2020-08-27

Mirosław Klepacki

The President of the Executive Board, Director-General

Arkadiusz Chmielewski

Member of the Executive Board, Director for Business Development of the Apator Group

Person responsible for the book-keeping

2020-08-27

Małgorzata Mazurek

FEO

| | | |
|---|--|--|
| Entity name: | Apator SA | Page 32 |
| Period covered by the financial statements: | 01.01.2020 – 30.06.2020 | Reporting currency: Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | |