

RS-2021



Consolidated financial statements

Table of contents

| | | |
|---------|--|----|
| 1. | General information | 4 |
| 1.1. | Information about the group | 4 |
| 1.1.1. | Information about the parent company..... | 4 |
| 1.1.2. | Subject of activity of the parent company and the capital group | 4 |
| 1.1.3. | Composition of the Capital Group | 4 |
| 1.1.4. | Composition of the Management Board and Supervisory Board | 8 |
| 2. | Information about the basis of preparation of the consolidated financial statements, reporting currency and the level of rounding used | 9 |
| 2.1. | Basis for preparation of the annual consolidated financial statements | 9 |
| 2.2. | Accounting principles..... | 9 |
| 2.3. | Applied International Financial Accounting Standards | 9 |
| 2.4. | Reporting and functional currency and the applied level of rounding | 11 |
| 2.5. | Duration of the activity of the group..... | 11 |
| 2.6. | Approval of the financial statement | 11 |
| 3. | Consolidated financial statement of the capital group Apator | 12 |
| 3.1. | Consolidated statement of financial position | 12 |
| 3.2. | Consolidate statement of profit or loss and other comprehensive income | 14 |
| 3.3. | The consolidated statement of changes in equity | 16 |
| 3.4. | Consolidated cash flow statement..... | 20 |
| 4. | Accounting principles applied | 22 |
| 4.1. | Basis for preparation (general principles)..... | 22 |
| 4.2. | Consolidation | 22 |
| 4.2.1. | Consolidation rules | 22 |
| 4.2.2. | Investments in associated entities..... | 22 |
| 4.2.3. | Goodwill of the company | 23 |
| 4.3. | Detailed rules of valuation of assets and liabilities applied in the capital group..... | 23 |
| 4.3.1. | Intangible assets..... | 23 |
| 4.3.2. | Tangible fixed assets | 24 |
| 4.3.3. | Leasing | 24 |
| 4.3.4. | Investment property | 26 |
| 4.3.5. | Fixed assets and groups of net assets held for sale | 26 |
| 4.3.6. | Stocks | 26 |
| 4.3.7. | External financing costs..... | 27 |
| 4.3.8. | Financial instruments..... | 28 |
| 4.3.9. | Provisions | 31 |
| 4.3.10. | Employee benefits | 31 |
| 4.3.11. | Revenues..... | 32 |
| 4.3.12. | Transactions denominated in foreign currencies..... | 34 |
| 4.3.13. | Taxes | 34 |
| 4.3.14. | Subsidies | 35 |
| 4.3.15. | Zone relief resulting from operating in the Special Economic Zone | 35 |
| 4.3.16. | Own assets | 35 |

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 2 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

| | | |
|-------|--|----|
| 5. | Segment reporting..... | 35 |
| 6. | Basic judgments and bases for estimating uncertainty..... | 36 |
| 7. | Information on the seasonality of activities..... | 37 |
| 8. | Notes to the accounts | 38 |
| 8.1. | Alternative performance measures..... | 38 |
| 8.2. | Operating segments | 38 |
| 8.3. | Revenue | 39 |
| 8.4. | Intangible assets..... | 42 |
| 8.5. | Value of subsidiaries entities..... | 44 |
| 8.6. | Tangible fixed assets..... | 45 |
| 8.7. | Right to use assets, lease liabilities..... | 49 |
| 8.8. | Investment property..... | 52 |
| 8.9. | Investments in associated entities consolidated using the equity method..... | 52 |
| 8.10. | Other financial assets | 54 |
| 8.11. | Stocks..... | 54 |
| 8.12. | Trade receivables and other receivables | 55 |
| 8.13. | Fixed assets intended for sale..... | 56 |
| 8.14. | Cash and cash equivalents | 56 |
| 8.15. | Prepayments and accruals | 57 |
| 8.16. | Capital stock | 58 |
| 8.17. | Other capitals..... | 59 |
| 8.18. | Undistributed financial result | 59 |
| 8.19. | Non-controlling interest..... | 60 |
| 8.20. | Credits and loans..... | 60 |
| 8.21. | Provisions for liabilities | 67 |
| 8.22. | Liabilities | 69 |
| 8.23. | Income tax | 70 |
| 8.24. | Generic costs..... | 71 |
| 8.25. | Other operating income and costs | 72 |
| 8.26. | Financial revenue and costs..... | 73 |
| 8.27. | Explanations concerning the cash flow statement | 73 |
| 8.28. | Financial instruments..... | 76 |
| 8.29. | Derivative financial instruments, hedge accounting | 79 |
| 8.30. | Objectives and principles of financial risk management | 81 |
| 8.31. | Information on subsidiaries..... | 86 |
| 8.32. | Contingent items and other items not recognised in the statement of financial position | 88 |
| 8.33. | Employment structure..... | 89 |
| 8.34. | The amount of remuneration of the entity authorized to audit financial statements..... | 89 |
| 8.35. | Transformation of comparative data..... | 90 |
| 8.36. | COVID-19 impact on Group activities | 90 |
| 8.37. | Events after the balance sheet date | 90 |
| 9. | Signatures..... | 92 |

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 3 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

1. General information

1.1. Information about the Group

Apator Capital Group consists of the parent company Apator S.A. and its direct and indirect subsidiary and jointly controlled entities.

1.1.1. Information about the parent company

The parent company Apator Spółka Akcyjna with the seat in Toruń (ul. Gdańska 4a lok C4) was established by the employees of liquidated state enterprise operating under the name Pomorskie Zakłady Aparatury Elektrycznej Apator in Toruń. Registration in the District Court in Toruń (Poland), V Commercial Division, took place on January 14, 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 dominant entity, Apator S.A, operates in the territory of Poland pursuant to the provisions of the Commercial Companies Code.

Address of the registered office of the entity - ul. Gdańska 4a lok. C4, 87-100 Toruń

Principal place of business - Ostaszewo 57C, 87-148 Łysomice

Explanation of changes in reporting entity name or other identifying information since the end of the previous reporting period - not applicable.

1.1.2. Subject of activity of the parent company and the capital group

According to the articles of association of the parent company, the basic subject of activity is production and service activity in the field of switchgear and controlgear of electricity, as well as sale of measurement equipment and systems. Shares of APATOR S.A. are listed on the basic market - sector according to classification of the Warsaw Stock Exchange "electrical machinery industry".

Entities within the capital group are generally focused on activities related to the production and sale of measuring instruments and devices, control and measurement, distribution and control equipment, SCADA class IT systems and cooperating with them telemechanical devices, protections and other network devices for distributed systems, providing the possibility of remote control and supervision of the power network in the full range of voltages and devices reading and transmitting data.

1.1.3. Composition of the Capital Group

The Capital Group Apator in 2021 consisted of Apator S.A. and the following subsidiaries:

Apator Mining Sp. z o. o. (Katowice) - subsidiary of Apator SA

FAP Pafal SA (Świdnica) - subsidiary of Apator SA

Apator Metrix S.A. (Tczew) - subsidiary of Apator SA

Apator GmbH (Berlin, Germany) – subsidiary of Apator S.A.

Apator Rector Sp. z o. o. (Zielona Góra) - subsidiary of Apator SA

Apator Powogaz S.A. (Poznań) - subsidiary of Apator SA

Apator Elkomtech S.A. (Łódź) - subsidiary of Apator SA

Apator Telemetria Sp. z o. o. (Słupsk) - Apator Powogaz S.A. (61.8% share); Apator S.A. has 20,8% shares in Apator Telemetria Sp. z o.o.

Apator Metra s. r. o. (Sumperk, Czech Republic) - subsidiary of Apator Powogaz S.A.

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 4 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

Apator Miitors ApS. (Aarhus, Denmark) – subsidiary of Apator Powogaz S.A.
George Wilson Industries Ltd. (Coventry, UK) – subsidiary of Apator Metrix S.A.

Apator Group had the share in the following associated entities:

ZAO Teplovodomer (Mytishi, Russia) - associated entity with Apator Powogaz S.A.
Inda d.o.o. (Slovenia) - associated entity with George Wilson Industries Ltd.

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 5 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

Entities within the capital group subject to full consolidation

| Company | Office | Core business activity | Competent Court/ the authority keeping the registers | Share in capital | Method of consolidatio n | Comments |
|---------------------------------|---------------------------|---|--|---------------------|--------------------------------|---|
| APATOR MINING Sp. z o.o. | Katowice | Manufacture of switchgear and controlgear, electricity, electrical equipment, lifting equipment, pumps and compressors and related service activities | District Court in Katowice, 8th Commercial Division of the National Court Register; KRS 0000047770 | 100.00% | Full | Subsidiary |
| APATOR METRIX S.A. | Tczew | Manufacture of instruments and appliances for measuring, checking, navigating and other purposes | District Court in Gdansk, IX Commercial Division of the National Court Register; KRS 0000046259 | 100.00% | Full | Subsidiary |
| FAP PAFAL SA | Świdnica | Manufacture of measuring and control equipment, electrical and electronic equipment, trading activities, maintenance services | District Court for Wrocław-Fabryczna in Wrocław, IX Division of the National Court Register Number: KRS 0000057162 | 100.00% | Full | Subsidiary |
| APATOR RECTOR Sp. z o.o. | Zielona Góra | Computer science, publishing, printing and reproduction of recorded media | District Court in Zielona Góra, VIII Commercial Division of the National Court Register; KRS 0000297413 | 100.00% | Full | Subsidiary |
| APATOR POWOGAZ S.A. | Poznań | Manufacture of instruments and appliances for measuring, checking, testing, navigating and other general purpose machinery | District Court of Poznań - Nowe Miasto and Wilda in Poznań, VIII Commercial Division of the National Court Register KRS 0000028129 | 100.00% | Full | Subsidiary |
| APATOR ELKOMTECH S.A. | Łódź | Manufacture of SCADA class IT systems and associated telemechanics, security and other network equipment for distributed systems | District Court for Łódź - Śródmieście in Łódź, XX Economic Division of the National Court Register; KRS 0000009308 | 100.00% | Full | Subsidiary |
| APATOR GmbH | Berlin | Sale of prepayment systems of electricity and gas meters | HRB 123670B Charlottenburg | 100.00% | Full | Subsidiary |
| APATOR TELEMETRIA Sp. z o.o. | Słupsk | Manufacture of devices reading and transmitting data, production of system IT applications | District Court Gdańsk - North in Gdańsk, 8th Commercial Division of the National Court Register; KRS 0000290726 | 82.60% | Full | Subsidiary Direct and indirect participation |
| APATOR METRA S. R. O. | Sumperk Czech Republic | Production of cost allocator system, thermometers and thermostats | Krajský soud v Ostravě, 268 34 073 | 100.00% | Full | Subsidiary Indirect share |

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 6 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

| Company | Office | Core business activity | Competent Court/ the authority keeping the registers | Share in capital | Method of consolidation | Comments |
|------------------------------|----------------------------|--|---|------------------|-------------------------|------------------------------|
| GEORGE WILSON INDUSTRIES Ltd | Coventry United Kingdom | Manufacture and sale of household and industrial gas meters; smart metering for gas metering | Companies House, 02873275 | 100.00% | Full | Subsidiary Indirect share |
| APATOR Miitors ApS. | Aarhus Denmark | Design and development of ultrasonic technologies in the area of water and heat metering | The Central Business Register, 32763286 | 100.00% | Full | Subsidiary Indirect share |

Associated entities included in consolidation:

| Company | Office | Core business activity | Competent Court/ the authority keeping the registers | Share in capital | Method of consolidation | Comments |
|------------------|-------------------|---|---|------------------|-----------------------------------|---------------------------------------|
| Inda d.o.o. | Slovenia | Development work on electronic counters and communication technologies used in smart metering | Okrožno sodišče v Ljubljani, 1413554 | 35.00% | Valuation using the equity method | Associated entities Indirect share |
| ZAO Teplovodomer | Mytishi Russia | Manufacture and sale of water meters and heat meters, as well as their legalization and service | EGRUL, 1025003516603 | 50.00% | Valuation using the equity method | Associated entities Indirect share |

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|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 7 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

1.1.4. Composition of the Management Board and Supervisory Board

The Management Board

Arkadiusz Chmielewski - President of the Management Board (from 25 November 2021, Member of the Management Board until 24 November year 2021);

Mirosław Klepacki - President of the Management Board (until November 24, 2021)

Tomasz Łątka - Management 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

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|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 8 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

2. Information about the basis of preparation of the consolidated financial statements, reporting currency and the level of rounding used

2.1. Basis for preparation of the annual consolidated financial statements

The presented annual consolidated financial statement of Apator S.A. on the day and for the year ending on 31st December 2021 was prepared in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of regulations of the European Commission.

The annual consolidated financial statement of Apator SA covers the year 2021 and contains comparative data for the year 2020.

2.2. Accounting principles

The annual consolidated financial statements have been prepared in accordance with the historical cost principle (concept), except for the valuation of certain non-current assets (investment property) and financial instruments (derivatives) that are measured at fair value. In preparing the annual consolidated financial statements for the period from January 1, 2021 to December 31, 2021, substantially the same accounting policies and methods of computation were applied as in the most recent separate financial statements for the year ended December 31, 2020. The recognition of inventory write-down costs and inventory scrapping costs, as well as employee benefit reserve costs from actuarial valuation has changed. These are currently presented in core expenses (inventory write-downs and inventory scrap costs) or in general and administrative expenses (actuarial valuation provisions for employee benefits). Previously, they were charged to other operating expenses.

In connection with this change, the presentation of the comparative period has been adjusted accordingly (Note 8.35).

2.3. Applied International Financial Accounting Standards

AMENDMENTS TO INTERNATIONAL FINANCIAL ACCOUNTING STANDARDS AND THEIR IMPACT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Standards that became effective on January 1, 2021 but do not have a material impact in the preparation of the Group's annual consolidated financial statements are:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 related to the IBOR reform,
- Amendment to IFRS 4: Application of IFRS 9 "Financial Instruments"

STANDARDS PUBLISHED BY THE INTERNATIONAL ACCOUNTING STANDARDS COUNCIL, WHICH ARE NOT ALREADY ENFORCED OR APPLIED BY THE GROUP

The Group did not decide to apply in this report 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 31 December 2021 and have not been applied in the financial statements:

- IFRS 17 "Insurance Contracts" and amendments to IFRS 17,

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 9 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

- Amendments to IAS 1, “Presentation of Financial Statements”,
- Amendments to IFRS 3 “Business Combinations”,
- Amendments to IAS 16, “Property, Plant and Equipment”,
- Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”,
- Annual Amendment to IFRS 2018 - 2020,
- Amendments to IAS 1 “Presentation of Financial Statements” and the IFRS Board's guidance on accounting policy disclosures in practice,
- Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”,
- Amendments to IFRS 16 “Leases”,
- Amendments to IAS 12 “Income Taxes”.
- IFRS 14 “Regulatory Accruals”,
- Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associates or joint ventures.

The Group estimates that the introduction of these standards will not have a material impact on the Group.

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|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 10 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| 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 annual consolidated financial statements is the Polish zloty, and all amounts are expressed in thousands of PLN (unless stated otherwise).

The functional currencies of foreign subsidiaries are respectively:

- Apator GmbH - EUR,
- Apator Metra - CZK,
- George Wilson Industries Ltd. - GBP,
- Miitors ApS. – DKK.

As at the reporting date, the assets and liabilities of these foreign subsidiaries are translated into the reporting currency of the Group at the exchange rate applicable at that date, and their statements of comprehensive income are translated at the weighted average exchange rate for a given financial year. Foreign exchange differences arising on such translation are recognised directly in equity as a separate component of equity. The functional currency of other companies is Polish zloty.

2.5. Duration of the activity of the group

The duration of the activity of the parent company Apator SA and the entities covered by consolidation is indefinite.

The consolidated 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 annual consolidated financial statements were approved and signed by the Management Board of the parent company on 28 April 2022.

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 11 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

3. Consolidated financial statement of the capital group Apator

3.1. Consolidated statement of financial position

| SPECIFICATION | NOTE | as of | |
|--|------|----------------|----------------|
| | | 31.12.2021 | 31.12.2020 |
| Fixed assets | | 533 186 | 496 611 |
| Intangible assets | 8.4 | 111 294 | 103 038 |
| Value of subsidiaries entities | 8.5 | 125 777 | 125 546 |
| Tangible fixed assets | 8.6 | 222 014 | 187 895 |
| Right to use assets | 8.7 | 34 099 | 38 587 |
| Other fixed assets | 8.3 | - | 1 625 |
| Investment property | 8.8 | 1 733 | 1 441 |
| Investments in jointly controlled entities consolidated with the equity method | 8.9 | 2 242 | 2 048 |
| Other long-term financial assets | 8.10 | 247 | - |
| - <i>in other entities</i> | | 247 | - |
| Long-term receivables | 8.12 | 4 429 | 5 777 |
| - <i>from other entities</i> | | 4 429 | 5 777 |
| Long-term accruals and prepayments | 8.15 | 96 | 78 |
| Assets by virtue of deferred income tax | 8.23 | 31 255 | 30 576 |
| Current assets | | 466 074 | 378 338 |
| Stocks | 8.11 | 238 934 | 155 074 |
| Other current assets | 8.3 | 1 626 | 1 626 |
| Commercial receivables | 8.12 | 145 998 | 147 374 |
| - <i>from related entities</i> | | 4 657 | 4 219 |
| - <i>from other entities</i> | | 141 341 | 143 155 |
| Receivables from corporate income tax | 8.12 | 1 367 | 4 518 |
| Receivables from other taxes, customs duties and social security | 8.12 | 9 759 | 7 299 |
| Other short-term liabilities | 8.12 | 24 833 | 4 748 |
| - <i>from other entities</i> | | 24 833 | 4 748 |
| Other short-term financial assets | 8.10 | 226 | 69 |
| - <i>in other entities</i> | | 226 | 69 |
| Cash and cash equivalents | 8.14 | 36 832 | 29 251 |
| Cash and cash equivalents with limited disposability | 8.14 | 556 | 779 |
| Short-term interim settlements | 8.15 | 5 920 | 4 399 |
| Non-current assets classified as held for sale | 8.13 | 23 | 23 201 |
| TOTAL ASSETS | | 999 260 | 874 949 |

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|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 12 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

| SPECIFICATION | NOTE | as of | |
|--|------|----------------|----------------|
| | | 31.12.2021 | 31.12.2020 |
| Equity capital | | 551 275 | 517 574 |
| Equity capital attributable to equity holders of the parent company | | 547 345 | 510 089 |
| Share capital | 8.16 | 3 278 | 3 281 |
| Own shares | | (3 972) | (3 823) |
| Other capitals | 8.17 | 553 460 | 522 191 |
| Capital from the revaluation of a defined benefit plan | | (86) | (253) |
| Capital from valuation of hedging transactions and foreign exchange differences from consolidation | | 1 684 | (4 022) |
| Undistributed financial result | 8.18 | (7 019) | (7 285) |
| Non-controlling interest | 8.19 | 3 930 | 7 485 |
| Liabilities | | 447 985 | 357 375 |
| Long-term liabilities and provisions | | 71 501 | 46 456 |
| Long-term loans and borrowings | 8.20 | 35 980 | 4 183 |
| - from other entities | | 35 980 | 4 183 |
| Other long-term liabilities | | 3 518 | 2 105 |
| - towards other entities | | 3 518 | 2 105 |
| Contractual liabilities | 8.3 | - | 976 |
| Long-term liabilities due to the right to use assets | 8.7 | 19 642 | 22 690 |
| Deferred income tax provision | 8.23 | 4 432 | 7 151 |
| Long-term liabilities arising from employee benefits | 8.21 | 7 227 | 8 354 |
| Other long-term provisions | | 702 | 997 |
| Short-term liabilities and provisions | | 376 484 | 310 919 |
| Short-term loans and borrowings | 8.20 | 175 448 | 125 218 |
| - from other entities | | 175 448 | 125 218 |
| Commercial liabilities | 8.22 | 95 974 | 74 006 |
| - towards affiliated entities | | 611 | 142 |
| - towards other entities | | 95 363 | 73 864 |
| Contractual liabilities | 8.22 | 976 | 977 |
| Corporate income tax liabilities | 8.22 | 12 589 | 5 392 |
| Liabilities due to other taxes, customs duties and social security | 8.22 | 14 646 | 15 910 |
| Other short-term liabilities | 8.22 | 38 519 | 46 123 |
| - towards other entities | | 38 519 | 46 123 |
| Short-term liabilities due to the right to use assets | 8.7 | 8 974 | 10 133 |
| Short-term liabilities arising from employee benefits | 8.21 | 17 608 | 17 195 |
| Other short-term provisions | 8.21 | 11 727 | 15 965 |
| Liabilities related to fixed assets classified as held for sale | 8.13 | 23 | - |
| LIABILITIES TOTAL | | 999 260 | 874 949 |

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 13 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

3.2. Consolidate statement of profit or loss and other comprehensive income

| SPECIFICATION | | for period | |
|---|------|------------------|------------------|
| | | from 01.01.2021 | from 01.01.2020 |
| | | till 31.12.2021 | till 31.12.2020* |
| Revenue from sales and services | 8.3 | 940 083 | 934 850 |
| - to related entities | | 20 478 | 17 239 |
| - other entities | | 919 605 | 917 611 |
| Cost of goods sold | 8.24 | (726 506) | (705 240) |
| - to related entities | | (13 014) | (10 895) |
| - other entities | | (713 492) | (694 345) |
| Gross sales profit (loss) | | 213 577 | 229 610 |
| Sales costs | | (36 552) | (32 238) |
| General administrative costs | | (128 285) | (126 134) |
| Sales profit | | 48 740 | 71 238 |
| Other operating revenues (costs), including: | | 44 425 | 6 001 |
| Revenues | 8.25 | 46 042 | 13 270 |
| Costs | 8.25 | (1 617) | (7 269) |
| - including result on impairment of receivables | | 2 203 | (2 568) |
| Share in profits of companies consolidated using the equity method | | 1 636 | 1 352 |
| Profit (loss) from operating activities | | 94 801 | 78 591 |
| Financial revenues (costs), including: | | (9 557) | 3 326 |
| Revenues | 8.26 | 1 307 | 8 080 |
| Costs | 8.26 | (10 864) | (4 754) |
| - including net impairment losses on financial assets | | (24) | (54) |
| Profit before tax | | 85 244 | 81 917 |
| Current income tax | 8.23 | (24 929) | (15 479) |
| Deferred income tax | 8.23 | 3 021 | (4 201) |
| Net profit | | 63 336 | 62 237 |

* - restated - Note 8.35

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 14 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

| SPECIFICATION | NOTE | for period | |
|---|------|-------------------|-------------------|
| | | from 01.01.2021 | from 01.01.2020 |
| | | till 31.12.2021 | till 31.12.2020 |
| <i>Other comprehensive income / (expenses)</i> | | | |
| Other comprehensive income / (expenses) net | | 5 873 | (2 644) |
| Items that may be reclassified to profit or loss in the future: | | | |
| Foreign exchange rate differences on translation of foreign operations | | 2 961 | 5 434 |
| Result on hedge accounting with tax effect | | 2 745 | (8 095) |
| Items that will not be reclassified to profit or loss in the future: | | | |
| Actuarial gains and losses with tax effect | | 167 | 17 |
| Total comprehensive income | | 69 209 | 59 593 |
| Net profit, of which attributable: | | 63 336 | 62 237 |
| shareholders of the parent company | | 62 201 | 60 234 |
| non-controlling shareholders | | 1 135 | 2 003 |
| Total comprehensive income, including accrued income: | | 69 209 | 59 593 |
| shareholders of the parent company | | 68 074 | 57 590 |
| non-controlling shareholders | | 1 135 | 2 003 |
| Net income per ordinary share: | | | |
| from continued operations | | | |
| - basic | | 2.13 | 2.06 |
| - diluted | | 2.13 | 2.06 |
| Weighted average number of shares | | 29 178 619 | 29 204 907 |

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 15 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

3.3. The consolidated statement of changes in equity

| SPECIFICATION | CAPITAL FOR THE SHAREHOLDERS OF PARENT ENTITY | | | | | | | NON-CONTROLLING INTERESTS | TOTAL EQUITY CAPITAL |
|--|---|------------|----------------|--|--|--------------------------------|----------|---------------------------|----------------------|
| | Capital stock | Own shares | Other capitals | Capital from the revaluation of a defined benefit plan | Capital from valuation of hedging transactions and foreign exchange differences from consolidation | Undistributed financial result | Total | | |
| Balance as at 01.01.2020 | 3 286 | (4 576) | 487 906 | (270) | (1 361) | 1 537 | 486 522 | 6 700 | 493 222 |
| Changes in equity during the period from 01.01.2020 to 31.12.2020 | | | | | | | | | |
| Comprehensive income: | | | | | | | | | |
| Net profit for the period from 01.01.2020 to 31.12.2020 | - | - | - | - | - | 60 234 | 60 234 | 2 003 | 62 237 |
| Distribution of result to supplementary capital | - | - | 35 512 | - | - | (35 512) | - | - | - |
| Other comprehensive income: | | | | | | | | | |
| Items that can be reclassified in the future: | | | | | | | | | |
| Result on hedge accounting with tax effect | - | - | - | - | (8 095) | - | (8 095) | - | (8 095) |
| Net exchange differences translated from financial statement to currency presented | - | - | - | - | 5 434 | - | 5 434 | - | 5 434 |
| Items that will not be reclassified to profit or loss in the future: | | | | | | | | | |
| Revaluation of a provision for a defined benefit plan with tax effect | - | - | - | 17 | - | - | 17 | - | 17 |
| Total other comprehensive income | - | - | - | 17 | (2 661) | - | (2 644) | - | (2 644) |
| Total comprehensive income recognised in the period from 01.01.2020 to 31.12.2020 | - | - | 35 512 | 17 | (2 661) | 24 722 | 57 590 | 2 003 | 59 593 |
| Transactions with owners recorded directly in shareholder equity | | | | | | | | | |
| Dividends | - | - | - | - | - | (18 984) | (18 984) | (573) | (19 557) |
| Advances paid for dividends | - | - | - | - | - | (13 136) | (13 136) | (573) | (13 709) |
| Purchase of treasury shares | - | (479) | - | - | - | - | (479) | - | (479) |
| Redemption of own shares | (5) | 1 232 | (1 227) | - | - | - | - | - | - |

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 16 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

| SPECIFICATION | CAPITAL FOR THE SHAREHOLDERS OF PARENT ENTITY | | | | | | | NON-CONTROLLING INTERESTS | TOTAL EQUITY CAPITAL |
|---------------------------------|---|----------------|----------------|--|--|--------------------------------|----------------|---------------------------|----------------------|
| | Capital stock | Own shares | Other capitals | Capital from the revaluation of a defined benefit plan | Capital from valuation of hedging transactions and foreign exchange differences from consolidation | Undistributed financial result | Total | | |
| Other changes in capital | - | - | - | - | - | (1 424) | (1 424) | (72) | (1 496) |
| Balance as at 31.12.2020 | 3 281 | (3 823) | 522 191 | (253) | (4 022) | (7 285) | 510 089 | 7 485 | 517 574 |

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 17 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

| SPECIFICATION | CAPITAL FOR THE SHAREHOLDERS OF PARENT ENTITY | | | | | | | NON-CONTROLLING INTERESTS | TOTAL EQUITY CAPITAL |
|--|---|----------------|----------------|--|--|--------------------------------|-----------------|---------------------------|----------------------|
| | Capital stock | Own shares | Other capitals | Capital from the revaluation of a defined benefit plan | Capital from valuation of hedging transactions and foreign exchange differences from consolidation | Undistributed financial result | Total | | |
| Balance as at 01.01.2021 | 3 281 | (3 823) | 522 191 | (253) | (4 022) | (7 285) | 510 089 | 7 485 | 517 574 |
| Changes in equity during the period from 01.01.2021 to 31.12.2021 | | | | | | | | | |
| Comprehensive income: | | | | | | | | | |
| Net profit for the period from 01.01.2021 to 31.12.2021 | - | - | - | - | - | 62 201 | 62 201 | 1 135 | 63 336 |
| Distribution of result to supplementary capital | - | - | 31 926 | - | - | (31 926) | - | - | - |
| Other comprehensive income: | | | | | | | | | |
| Items that can be reclassified in the future: | | | | | | | | | |
| Result on hedge accounting with tax effect | - | - | - | - | 2 745 | - | 2 745 | - | 2 745 |
| Net exchange differences translated from financial statement to currency presented | - | - | - | - | 2 961 | - | 2 961 | - | 2 961 |
| Items that will not be reclassified to profit or loss in the future: | | | | | | | | | |
| Revaluation of a provision for a defined benefit plan with tax effect | - | - | - | 167 | - | - | 167 | - | 167 |
| Total other comprehensive income | - | - | - | 167 | 5 706 | - | 5 873 | - | 5 873 |
| Total comprehensive income recognised in the period from 01.01.2021 to 31.12.2021 | - | - | 31 926 | 167 | 5 706 | 30 275 | 68 074 | 1 135 | 69 209 |
| Transactions with owners recognised directly in equity: | | | | | | | | | |
| Dividends | - | - | - | - | - | (21 883) | (21 883) | (573) | (22 456) |
| Purchase of treasury shares | - | (809) | - | - | - | - | (809) | - | (809) |
| Redemption of own shares | (3) | 660 | (657) | - | - | - | - | - | - |

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 18 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

| SPECIFICATION | CAPITAL FOR THE SHAREHOLDERS OF PARENT ENTITY | | | | | | | NON-CONTROLLING INTERESTS | TOTAL EQUITY CAPITAL |
|--|---|----------------|----------------|--|--|--------------------------------|----------------|---------------------------|----------------------|
| | Capital stock | Own shares | Other capitals | Capital from the revaluation of a defined benefit plan | Capital from valuation of hedging transactions and foreign exchange differences from consolidation | Undistributed financial result | Total | | |
| Result on the transaction of purchasing additional shares recognized in equity | - | - | - | - | - | (8 126) | (8 126) | (4 117) | (12 243) |
| Balance as at 31.12.2021 | 3 278 | (3 972) | 553 460 | (86) | 1 684 | (7 019) | 547 345 | 3 930 | 551 275 |

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 19 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

3.4. Consolidated cash flow statement

| SPECIFICATION | NOTE | for period | |
|---|----------|-----------------|-----------------|
| | | from 01.01.2021 | from 01.01.2020 |
| | | till 31.12.2021 | till 31.12.2020 |
| Cash flow from operating activities | | | |
| Profit before tax (continued operations) | | 85 244 | 81 917 |
| Adjustments: | | 24 953 | 51 209 |
| Depreciation of intangible assets | 8.4 | 14 803 | 14 559 |
| Depreciation of property, plant and equipment | 8.6, 8.7 | 40 969 | 37 950 |
| Impairment losses on property, plant and equipment | | - | (2 363) |
| Profit on sale of property, plant and equipment and intangible assets | | (37 017) | (2 025) |
| Loss on sale of available-for-sale financial assets | | - | 537 |
| (Profits) losses on investment property valuation at fair value | 8.8 | (257) | 81 |
| Losses on change in fair value of derivatives | | 3 678 | 177 |
| Cost of interest | | 2 411 | 2 191 |
| Shares in the profits of jointly controlled entities | | (1 636) | (1 352) |
| Interest revenue | | (187) | (146) |
| Other adjustments | 8.27 | 2 189 | 1 600 |
| Cash flows from operating activities before changes in working capital | | 110 197 | 133 126 |
| Change in inventories | 8.11 | (83 860) | (3 376) |
| Change in contract assets | 8.3 | 1 625 | 11 945 |
| Change in receivables | 8.27 | 1 552 | 19 072 |
| Change in liabilities | 8.27 | 25 245 | (21 440) |
| Changes in provisions | 8.27 | (7 063) | 851 |
| Change in cash and cash equivalents with restricted use | 8.14 | 223 | (347) |
| Changes in prepayments and accruals | 8.27 | (1 629) | 764 |
| Cash generated in the course of operating activity | | 46 290 | 140 595 |
| Income tax paid | | (14 726) | (15 574) |
| Net cash flows from operating activities | | 31 564 | 125 021 |
| Cash flows from investing activities | | | |
| Expenses related to acquisition of intangible assets | 8.27 | (22 931) | (22 147) |
| Expenditures for the acquisition of property, plant and equipment and lease assets | 8.27 | (68 986) | (51 029) |
| Proceeds from the sale of fixed assets | 8.27 | 35 192 | 14 444 |
| Investments in subsidiaries, acquisition of assets, acquisition of organized part of enterprise | | (7 127) | (2 705) |
| Interest received | | 50 | - |
| Dividends received | | 1 109 | 1 237 |
| Other inflows (expenses) | 8.27 | (3 776) | 299 |
| Net cash provided by investing activities | | (66 469) | (59 901) |
| Cash flows from financing activities | | | |
| Purchase of own shares | | (810) | (479) |
| Inflows from loans and borrowings taken out | | 130 422 | 24 293 |
| Repayment of loans and credits | | (49 589) | (50 373) |
| Interest paid | | (1 983) | (1 750) |
| Dividends paid | | (22 347) | (33 048) |
| Repayment of liabilities under financial lease | | (12 630) | (8 215) |

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 20 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

| SPECIFICATION | NOTE | for period | |
|---|------|-----------------|-----------------|
| | | from 01.01.2021 | from 01.01.2020 |
| | | till 31.12.2021 | till 31.12.2020 |
| Other expenses | 8.27 | (577) | (619) |
| Net cash from financial operations | | 42 486 | (70 191) |
| Net increase (decrease) in cash and cash equivalents | | 7 581 | (5 071) |
| Opening balance of cash and cash equivalents | 8.14 | 29 251 | 34 322 |
| Closing balance of cash and cash equivalents | 8.14 | 36 832 | 29 251 |

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 21 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

4. Accounting principles applied

4.1. Basis for preparation (general principles)

The consolidated financial statement has been prepared in accordance with the historical cost convention, except for the measurement of certain fixed assets (investment property) and financial instruments (derivatives), which are measured at fair value.

The most significant accounting principles applied by the Group are presented in items 4.2.1 to 4.3.16.

The accounting principles and policies presented below were applied to all periods presented in the consolidated financial statements by the Group.

4.2. Consolidation

4.2.1. Consolidation rules

The consolidated financial statement covers the financial statement of the parent company Apator SA and subsidiaries.

As at the date of acquisition of a subsidiary (taking control), the assets and liabilities of the acquired entity are measured at their fair value. The surplus of the purchase price over the fair value of identifiable acquired net assets of the entity is recognized in the assets of the statement of financial position as goodwill. If the purchase price is lower than the fair value of identifiable net acquired assets of the entity, the difference is recognized in the result of the period in which the purchase took place. Non-controlling interests are disclosed at their fair value of net assets.

In the case of acquisition of non-controlling shares, i.e. acquisition of additional shares, having control, the new fair value of the purchased assets and liabilities is not determined. This operation is recognized as a transfer in equity between non-controlling interests and the parent company's share in the value determined based on the fair value of net assets as at the date of obtaining control.

Subsidiaries over which the parent company lost control during the year are subject to consolidation from the beginning of the financial year until the date of losing control. The financial results of entities acquired during the year are recognised in the consolidated financial statements from the date of acquisition of control.

Where necessary, adjustments are made in the financial statements of subsidiaries or associates in order to unify the accounting principles applied by the entity with those applied by the parent company.

All transactions, balances, income and expenses were excluded from the consolidated financial statements. and costs between related parties included in the consolidation.

4.2.2. Investments in associated entities

Associates are entities over whose operating and financial policies the Group has significant influence but not control.

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control and both parties are entitled to the net assets of the joint venture.

The consolidated financial statements include the Group's share in the profits or losses of associates and joint ventures accounted for using the equity method, from the moment of obtaining significant influence or joint control until its expiry.

The Group also measures the impairment of its interest in the net assets of associates and joint ventures and makes appropriate write-downs. If the Group's share in losses exceeds the balance

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 22 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

sheet value of the associate or joint venture, this value is reduced to zero and no further losses are recognised if the Group is not obliged to cover them.

4.2.3. Goodwill of the company

Goodwill is an asset representing the future economic benefits embodied in the assets acquired in a business combination that are not individually identifiable and separately recognised.

Goodwill is recognised as an asset and is tested for impairment at least once a year. The effects of impairment are recognized in the result and are not subject to reversal in subsequent periods.

4.3. Detailed rules of valuation of assets and liabilities applied in the capital group

4.3.1. Intangible assets

Research and development

Expenditure incurred in the research stage with a view to acquiring new scientific or technical knowledge is recognised as a profit or loss as incurred.

Expenditures incurred on development work, the effects of which are applied in the development or production of a new or significantly improved product, are subject to activation if the production of a new product (or process) is technically possible and economically justified and the Group has technical, financial and other resources necessary to complete the development work. Activated costs include: costs of materials, salaries of employees directly involved in development works, a reasonable part of costs indirectly related to the production of an intangible asset and activated costs of external financing. Other development costs are recognised as profit or loss when incurred.

Development costs are recognised as intangible assets based on their purchase price less accumulated amortisation and impairment losses.

Other intangible assets

Other intangible assets acquired by the Group with a definite period of economic useful life are disclosed at their purchase price less amortisation and impairment losses.

Expenditure incurred at a later date

Subsequent expenditures on existing intangible assets are subject to activation only when they increase future economic benefits related to a given asset. Other expenditure, including expenditure on internally generated trademarks and brands, is recognised in profit or loss as incurred.

Depreciation

Depreciation write-offs are made in relation to the purchase price of an asset or its equivalent value less its residual value.

Depreciation expense is recognised as profit or loss on a straight-line basis over the estimated useful life of an intangible asset other than goodwill, from the date when it is determined that the asset is available for use, reflecting, as far as possible, the manner in which the future economic benefits embodied in the use of the asset will be realised.

The Group assumes the following useful lives for particular categories of intangible assets:

- Patents and licences from 2 to 5 years
- Development work from 3 to 5 years
- Computer software from 3 to 5 years
- Customer relations up to 10 years

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 23 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

- Other intangible assets up to 5 years (except for a non-depreciable trademark)

4.3.2. Tangible fixed assets

Property, plant and equipment are property, plant and equipment held by the Group for the purpose of using to manufacture, supply or service goods or services, to supply them to third parties for valuable consideration or for administrative purposes for which they are expected to be used for more than 12 months. They are valued according to the purchase price or production costs decreased by depreciation or amortization write-offs and write-offs due to loss of value. Under the component-based approach, the Group adopts different depreciation rates for significant components of property, plant and equipment. Depreciation begins when it is put for use. The annual depreciation rates are determined taking into account the useful life of property, plant and equipment. The correctness of the application of depreciation periods and rates by the entity is periodically verified by the managers of production departments. For the purpose of depreciation of property, plant and equipment, the straight-line method is used. The useful lives of the individual assets are as follows:

- Buildings and structures from 3 to 40 years
- Machines and Equipments from 2 to 25 years
- Means of transport from 3 to 10 years
- Other property, plant and equipment from 2 to 10 years

If there are circumstances indicating that the reporting value of property, plant and equipment may not be recoverable, the assets are reviewed for impairment. If there are indications that an impairment loss may have occurred and the reporting value exceeds the estimated recoverable amount, then the value of those assets or cash-generating units to which the assets belong is reduced to the recoverable amount. The recoverable amount is the higher of the following two values: fair value less costs to sell or value in use. In determining value in use, estimated future cash flows are discounted to present value using a gross discount rate that reflects current market assessments of the time value of money and the associated risk with a particular asset. In the case of an asset that does not generate cash inflows in a significantly independent manner, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Profits or losses resulting from sale/liquidation or cessation of use of tangible fixed assets are defined as the difference between sales revenues and the net value of these assets and are recognized in the result of the period in which the sale took place.

Property, plant and equipment under construction relate to assets under construction or assembly and are recognised at cost. Property, plant and equipment under construction are not depreciated until their completion and commissioning.

The Group has property, plant and equipment used in social activities, which it administers. These assets together with the right of perpetual usufruct of land as at the date of transition to IFRS were measured at fair value by a property expert.

4.3.3. Leasing

The lease is classified in accordance with IFRS 16.

Recognition of whether an arrangement contains the characteristics of a lease depends on the substance of the arrangement at the time it is entered into, indicating whether implementation of the arrangement depends on the use of a particular asset or whether the arrangement gives rise to an effective right to use a particular asset, even if that right is not specifically included in the arrangement.

Contracts may contain leasing and non-leasing elements. The Group allocates contractual consideration to lease and non-lease elements, respectively, based on their relative fair values. However, in the case of

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 24 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

property leases where a Group company is the lessee, it was elected not to separate the non-lease elements from the lease elements and to account for them as a single lease element.

Lease assets and liabilities are measured at initial recognition at present value. Lease obligations include the net present value of the following lease payments:

- fixed lease payments (including substantially fixed lease payments) less any lease incentives payable,
- variable lease payments that depend on an index or rate, initially measured using that index or rate according to their value on the inception date,
- amounts expected to be paid under the guaranteed residual value,
- the exercise price of the call option if it can be assumed with reasonable certainty that the Group will exercise the option, and
- monetary penalties for terminating a lease if the lease terms provide that the option to terminate the lease may be exercised.

Lease payments are discounted using the lease interest rate. In most cases, this rate is directly derived from the terms of the contract. If this rate cannot be easily determined, the lessee's marginal interest rate, which is the interest rate the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value, in a similar economic environment, for a similar term and with similar collateral, is used.

To determine the marginal interest rate, the Group uses a borrowing cost consisting of a prime rate and a margin.

If a readily observable credit rate is available to an individual lessee (based on recent financial or market data) who has a similar payment profile to the lease, then the Group uses that rate as the starting point for determining the marginal interest rate.

The Group is exposed to potential future increases in variable index or rate-based lease payments that are not included in the lease liability until they are implemented. When adjustments to index or rate-based lease payments become effective, the lease liability is reassessed and adjusted in conjunction with the right-of-use asset.

Lease payments are allocated between principal and finance charges. Finance costs are charged to profit or loss over the term of the lease so as to produce a constant periodic interest rate on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost, which includes:

- the amount of the initial measurement of the lease liability,
- any lease payments made on or before the inception date, less lease incentives received,
- any initial direct costs.

Right-of-use assets are depreciated on a straight-line basis over the useful lives of the assets, not to exceed the lease term. If a Group company is reasonably certain that it will exercise its call option, the right-of-use asset is depreciated over the useful life of the asset.

The Group assumes the following useful lives for the lease assets:

- perpetual usufruct of land - perpetual usufruct,
- lease of office space and production building - 3 to 6 years,
- machinery and equipment - 4 - 16 years;
- computer equipment - 3 years
- instruments, tools - 4 years,
- means of transportation - 3 - 4 years.

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 25 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

Payments related to short-term leases and leases of low-value assets are recognized as expenses on a straight-line basis in the income statement. Short-term leases mean leases for a period of 12 months or less. The Group has taken advantage of an exemption allowing low value assets not to be classified as leases. The materiality threshold was set at PLN 20 thousand for the value of the right to use a single asset under lease.

Lease terms are individually negotiated and include a wide range of varying terms. Lease agreements do not impose any special conditions (covenants) other than collateral on the leased assets for the benefit of the lessor. Leased assets cannot serve as collateral for loans and borrowings.

The Group's lease agreements do not, in principle, contain renewal options, which, however, do not preclude renewal for a further period. These agreements, however, generally contain termination clauses used to provide the greatest operational flexibility with respect to the management of assets used in the Group's operations. Most lease termination options can be exercised by both the Group and the lessor.

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

- in case of perpetual usufruct of land - perpetual usufruct is established,
- in the case of term contracts - the maximum period that can generate a liability is assumed,
- in case of contracts concluded for indefinite period of time - their individual business analysis is performed determining the assumed period of use,
- discount rate - determined in accordance with the adopted rules.

4.3.4. Investment property

Investment property includes real estate which is treated as a source of income from rents and/or are held due to the expected increase in their value. Investment properties are measured at fair value at the reporting date, which is based on historical experience and market assumptions and judgments about their potential. Gains and losses arising from changes in the fair value of investment property are recognized in profit or loss in the period in which they arise.

4.3.5. Fixed assets and groups of net assets held for sale

Fixed assets classified as held for sale and a group of net assets held for sale are measured at the lower of the following two values: the reporting value or fair value less costs to sell.

Fixed assets and groups of net assets are classified as held for sale if their reporting value will be recovered as a result of a sale transaction rather than as a result of their further use. This condition is considered fulfilled only if the asset component (or a group of net assets held for sale) is available in its present state for immediate sale and the occurrence of the sale transaction is highly probable within a year from the date of reclassification.

4.3.6. Stocks

Materials and goods are valued at purchase price (purchase price plus transport costs, border fees, customs duty, unloading and loading costs). Expenditure on materials and merchandise is valued at weighted average.

Products are priced on an ongoing basis at production cost, and the stock of products and goods is valued according to production costs not higher than their net sales prices, possible to obtain if the sale took place on the reporting date. The production cost includes the sum of direct costs (materials, wages) and a justified part of indirect costs related to the production of the product, including indirect production costs and a part of fixed indirect costs corresponding to the level of these costs with the normal use of production capacity.

Inventories are verified at the end of each reporting period. A 100% impairment loss is recognised on inventories that are not economically useful. In addition, for the purpose of making the value of inventory more realistic, an analysis of the age structure is carried out, the decisive factor of which is the date of arrival and

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 26 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

departure from the warehouse. This method of statistically calculating write-downs includes an estimation component that affects the reporting value of inventory. Allowance for inventories is recognized in the costs of core operations.

4.3.7. External financing costs

The Group activates borrowing costs (interest and other costs incurred by the Group in connection with the launch of financing) that can be directly attributed to the acquisition or construction of property, plant and equipment. Activation rules are not applied to investment property and stocks produced in a repeatable manner, with a short production cycle.

To the extent that the Group borrows funds specifically to finance the acquisition of an asset, the amount of borrowing costs that can be activated is the difference between the actual borrowing costs in a given period and the units' revenues from temporary investments of such borrowed funds.

If the Group borrows funds for general purpose and then uses them to obtain an asset, then the capitalisation rate (weighted average of borrowing costs, including all credits and loans remaining to be settled in this period) is applied to expenses incurred in a given period.

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 27 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

4.3.8. Financial instruments

The Group classifies as a financial instrument any agreement that results in the simultaneous creation of a financial asset by one of the parties and a financial liability or equity instrument in the other party, provided that the contract between the two or more parties gives rise to unequivocal economic effects. The classification of financial assets depends on the financial asset management model adopted by the Group and the contractual terms of the cash flows.

Financial assets are classified into one of the following categories:

- assets measured at amortised cost - debt instruments held to collect contractual cash flows, which include only principal and interest repayments. In this category, the Company classifies and presents in the statement of financial position in particular:
 - investment, trade receivables,
 - loans granted
 - cash;
 - cash equivalents;
- assets at fair value through other comprehensive income - debt instruments whose flows represent solely payments of principal and interest and which are held for the purpose of collecting contractual cash flows and for sale; they are measured at fair value through other comprehensive income, except for impairment gains and losses, interest income and foreign exchange gains and losses, which are recognized in earnings (in particular forward contracts),

As at 1 January 2021 and 31 December 2021, the Group did not hold any debt instruments classified in this category. With respect to equity instruments held that do not give control, joint control or significant influence over entities, after initial recognition the Group measures such investments in equity instruments at fair value with presentation of gains and losses due to changes in fair value in other comprehensive income.

- assets measured at fair value through profit or loss - assets that do not meet the criteria to be measured at amortised cost or at fair value through profit or loss are measured at fair value through profit or loss. The Group classifies derivatives into this category (in particular, swap and forward contracts).

Financial liabilities are classified into one of the following two categories:

- presented at fair value through profit or loss - are recognized in "Trade and other current liabilities" and include derivatives held by the Group (in particular swap and forward contracts),
- measured at amortized cost - financial liabilities not classified as "carried at fair value through profit or loss"; they are recognized primarily under "Trade and other current liabilities".

Recognition and measurement of financial assets and financial liabilities at the time of recognition and derecognition

The Group recognises a financial asset or a financial liability in its statement of financial position when, and only when, it becomes a party to the instrument's contract.

They are initially measured at fair value. Transaction costs directly attributable to the purchase or issue of financial assets and liabilities (except for financial assets and liabilities measured at fair value through profit or loss) are added to or deducted from the fair value of financial assets and liabilities at initial recognition, as appropriate. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities measured at fair value through profit or loss are recognised directly in profit or loss.

Financial assets are derecognised from the accounting books when the rights to receive cash flows expired or were transferred on account of them, and the Group transferred substantially all the risk and rewards of ownership. If the Group neither transfers all risks and rewards of ownership nor retains control

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 28 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

over the transferred asset, it shall recognise the retained interest in the transferred asset and the associated liabilities that it will have to pay.

If the Group retains all the risks and rewards of ownership of the transferred asset, it continues to recognise the transferred asset and the hedged external financing for the benefits received.

The Group ceases to recognise financial liabilities only in the event of their fulfillment, cancellation or expiration. The difference between the carrying amount of a derecognised financial liability and the consideration paid or receivable is recognised in profit or loss.

Valuation after initial recognition

Assets measured at amortised cost are disclosed (after initial recognition) at amortised cost using the effective interest rate method.

Financial liabilities other than those measured at fair value through profit or loss are carried at amortised cost using the effective interest rate method.

Financial assets and liabilities classified into categories measured at fair value through profit or loss (including derivative instruments) are revalued to fair value with the recognition of the effects of measurement in profit or loss.

Impairment of financial assets

The Group applies the expected credit losses ("ECL") model to the following categories of financial assets measured at amortised cost:

- trade receivables - are amounts due from customers for goods sold or services rendered in the ordinary course of business. If the repayment can be expected within one year (or the normal business cycle of the enterprise, if longer), the receivables are classified as current assets. Otherwise, they are recorded as fixed assets.
- loans granted
- cash and cash equivalents.

The Group assesses expected credit losses related to financial assets measured at amortised cost, regardless of whether there is any indication of impairment.

Write-off for impairment of trade receivables

In the case of short-term trade receivables, the Group applies a simplified approach (consistent with the following IFRS 9) and measures impairment losses in the amount of credit losses expected over the life of the receivable from its initial recognition.

The impairment write-off is created for current receivables, past due (doubtful), in debt collection and disputed in the gross amount (including VAT). A write-down for impairment of past due receivables is created after taking into account the accumulated write-down for disputable receivables and in debt collection.

Impairment losses are recognised on the basis of the probability of recoverability of assets, based on historical data. Moreover, the Group creates specific write-offs for receivables threatened with uncollectibility (being the subject of disputable cases, covered by bankruptcy proceedings).

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 29 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

Assets valued at fair value through other comprehensive income

The Group assesses expected credit losses related to assets measured at fair value through other comprehensive income, regardless of whether there is any indication of impairment.

Bank loans

Bank loans are initially recognised at fair value plus directly attributable transaction costs. After initial recognition, such liabilities are measured at amortised cost using the effective interest rate method.

Trade and other payables

After initial recognition, all liabilities, except for liabilities measured at fair value, are measured at adjusted acquisition cost using the effective interest rate method.

Hedge accounting

Cash flow hedges

The Group has decided to stay with the hedge accounting requirements in IAS 39 instead of the requirements in IFRS 9. Derivative financial instruments, such as fx forward contracts, are used to hedge the risk of changes in foreign exchange rates. The level of hedging adopted in a given period cannot exceed 50% of the annual foreign currency exposure for import hedging, while for export hedging the level of hedging is between 50-80% of the annual foreign currency exposure. Being based on planned exposure is a type of estimation that affects the value of instruments.

To hedge against the risk of rising interest rates, the Group uses IRS (Interest Rate Swap) hedging transactions. The IRS transactions enable the management of interest rate risk, allowing, among other things, the conversion of the loan interest rate from a variable to a fixed rate, giving the possibility to hedge against the increase in the loan cost.

Due to the fact that future planned payments due to sales or purchases are not recognised in the Company's financial statements, whereas hedging instruments hedging FX forward without hedge accounting are measured at fair value through profit or loss, a potential accounting mismatch arises. In order to eliminate it, the Group has introduced hedge accounting since 1 July 2011.

If a derivative financial instrument is designated as a hedge of the volatility of cash flows attributable to a specific risk associated with a recognised asset, with a recognised liability or a highly probable planned transaction that could affect the profit or loss of the current period, the part of profits or losses related to the hedging instrument that constitutes an effective hedge is recognised in other comprehensive income and presented, as a separate item on account of the hedge, in equity. Profits or losses previously recognized in equity are transferred to profit or loss in the same period and in the same item, in which the hedged cash flows are recognised in profit or loss. The ineffective portion of the change in the fair value of a derivative shall be recognised immediately in profit or loss.

If a hedging instrument no longer meets the criteria for hedge accounting, expires, is sold, terminated, exercised or its designation is changed, the Group discontinues the application of hedge accounting. Cumulative gains or losses previously recognised in other comprehensive income and presented in equity are retained in equity until the transaction is completed and recognised as profit or loss. Where an item is hedged with a non-financial asset, gains or losses previously recognised in other comprehensive income adjust the reporting value of that asset at the time of its recognition. If a forecast transaction is not expected to occur, any gain or loss recognised in the statement of financial position shall be recognised immediately in profit or loss. In other cases, amounts previously recognised in other comprehensive income are recognised in profit or loss in the same period or periods in which the hedged planned transaction affects the profit or loss of the current period.

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 30 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

At the inception of the hedge, the Group formally determines and documents the hedging relationship as well as the risk management objective and strategy for establishing the hedge. The documentation shall include identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the effectiveness of the hedging instrument has been assessed in compensating for the threat of changes in the fair value of the hedged item or cash flows related to the hedged risk. The hedge is expected to be highly effective in offsetting changes in fair value or cash flows arising from of the risk being hedged. The hedge effectiveness is constantly assessed to determine whether it is highly effective within all the reporting periods for which it was established.

4.3.9. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Costs related to a given provision are disclosed in the financial result in the net value (reduced by expected revenues).

A provision for onerous contracts is created when the economic benefits expected by the Group from the contract are lower than the unavoidable costs of meeting contractual obligations. Where the effect of the time value of money is material, the provision is determined by discounting the forecast future cash flows to their present value using a gross discount rate that reflects current market assessments of the time value of money and the risks, if any, associated with the liability. If the discounting method is used, any increase in the provision due to the passage of time is recognised as financial expense. Provisions are also recognised for future liabilities due to restructuring if the Group is required by separate regulations to carry out the restructuring or if binding agreements have been entered into on the matter and the restructuring plans make it possible to reliably estimate the value of such future liabilities.

The Group also creates a provision for warranty repairs. This provision is estimated on the basis of historical data concerning the share of defective products in revenues from sales of these products (statistical provision) and on the basis of actually reported claims concerning realized contracts (individual provision). The statistical reserve is calculated using an index based on a cost basis less the cost of using the individual reserve. The provision for warranty repairs is created as a special cost related to the production of the product.

4.3.10. Employee benefits

According to the remuneration systems, employees are entitled to retirement severance pay and in some companies of the Group are entitled to jubilee awards. Jubilee awards are paid to employees after they have worked for a specified number of years. Retirement severance pays are paid once, at the moment of retirement. The amount of retirement severance pays and jubilee awards depends on the length of service and a fixed basis specified in the company's collective agreements. The companies create a provision for future liabilities due to retirement benefits and jubilee awards in order to allocate costs to the periods to which they relate. According to IAS 19, jubilee awards are other long-term employee benefits, while retirement benefits are post-employment defined benefit plans.

Provisions for jubilee awards and retirement severance payments are determined using the projected unit credit method using actuarial techniques. The basis for a reliable estimation of the amount of provisions is as follows:

- the criteria for entitlement to such benefits,
- actuarial assumptions.

In accordance with IAS 19, the cost of a defined benefit plan (provision for retirement and disability benefits) comprises the following components:

- costs of employee benefits - recognised in profit or loss (other operating costs);
- net interest on liabilities due to specified net benefits - recognised in the result (other operating costs);

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 31 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

- revaluation of liabilities due to specified net benefits (Actuarial gains/losses) - recognized in other comprehensive income (capital from the revaluation of a defined benefit plan).

Costs of other long-term employee benefits (jubilee awards) - are charged to other operating costs.

The Group creates a provision for the costs of cumulative compensated absences, which will have to be incurred by as a result of unused rights, which are vested at the reporting date. The provision for cumulative compensated absences is recognised as a liability after deducting any amounts already paid. The provision for the costs of cumulative compensated absences is a short-term provision, is not discounted and is recognised as an expense in the income statement.

4.3.11. Revenues

Revenue from the sale of goods

The Group recognizes the vast majority of revenue from the sale of goods at a point in time when the customer takes control of the good.

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. Revenues are recognised to the extent that it is probable that the Group will obtain the economic benefits associated with the transaction, and the amount of revenues can be reliably measured.

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 time of finalization of the service, after confirmation of performance of the contractual obligation (upon receipt of the acceptance protocol).

Revenue from long-term contracts is recognized over time when control of the goods or services is transferred to the customer at the transaction price. Revenue shall be recognised in such a way as to reflect the transfer of the promised goods or services to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

In addition, according to IFRS 15, the costs incurred to acquire and secure a contract with a customer are capitalised and settled over time over the period of consuming the benefits from that contract.

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 32 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

Recognition of contract revenue

Under the principles of IFRS15, revenue is recognized when control of goods or services is transferred to the customer, at the transaction price. The standard's requirements for revenue recognition from contracts with customers based on the so-called 5-step model are met:

1. Contract identification,
2. identifying performance obligations,
3. determining the transaction price,
4. assigning a transaction price to performance obligations,
5. fulfilment of performance obligations.

Revenue is recognised to reflect the transfer of promised goods or services to the customer in an amount equal to the consideration to which the Group will be entitled in exchange for those goods or services. In addition, under IFRS15, costs incurred to obtain and secure a contract with a customer are capitalized and deferred over the period of consuming the benefits of the contract.

Price and payment terms

As a general rule, the Group's payment terms do not exceed 90 days and there is no significant financing component.

As a rule, performance bonds are granted for periods of 1-2 years, and after their expiration, for the next 2-5 years (depending on the contract), warranty bonds apply.

In the case of IT systems, guarantees are granted for a standard period of 12 months.

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 the services provided by the Group exceeds the value of the consideration, assets under the contract are recognised with customers, If the value of the payment exceeds the value of the services provided, a liability shall be recognised on account of contracts with customers.

The fixed element of the remuneration is the product of the price (according to the offered price list) and the number of goods sold. The variable element of remuneration consists of discounts. They are granted periodically, in the case of contracts with regular customers, upon completion of the agreed volume of purchases or they are determined individually, in accordance with the provisions of the applicable contracts. Discounts are calculated as a percentage of turnover (using established turnover thresholds).

Other revenues

Interest

Interest income is recognized successively as it accrues, in relation to the net reporting value of a given financial asset, according to the effective interest rate method.

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 33 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

Dividends

Dividends are recognised when the shareholders' rights to receive them are established.

4.3.12. Transactions denominated in foreign currencies

In financial statements of entities being part of Apator Group transactions in a foreign currency are translated at the exchange rate prevailing at the date of the transaction. As at the reporting date, monetary assets and liabilities are disclosed at the exchange rate of the leading bank prevailing at the end of the reporting period. Foreign currency translation gains and losses are recognized directly in the statement of comprehensive income in financial result

The functional currency of foreign subsidiary of Apator GmbH is EUR, subsidiary of Apator Metra - CZK and the functional currency of foreign subsidiary of Apator Metroteks is UAH, subsidiary of Miitors ApS. - DKK and the subsidiary GEORGE WILSON INDUSTRIES Ltd. - GBP. As at the reporting date, the assets and liabilities of these foreign subsidiaries are translated into the Group's presentation currency at the exchange rate applicable at the reporting date, and their statements of comprehensive income are translated at the weighted average exchange rate for a given financial year. Foreign exchange differences arising on such translation are recognised directly in equity as a separate component of equity.

Upon disposal of a foreign operation, the accumulated deferred foreign exchange differences recognised in equity relating to that foreign operation are recognised in profit or loss.

4.3.13. Taxes

Income tax comprises current and deferred tax. Current and deferred income tax is recognised as profit or loss, except when it relates to a business combination and items recognised directly in equity or other comprehensive income.

Current tax is the expected amount of tax payable or receivable in respect of taxable profit for the year, using tax rates enacted or substantively enacted at the reporting date and adjusting the tax liability for prior years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities and their values for tax purposes. Deferred income tax is not recognised for the following temporary differences: initial recognition of assets or liabilities resulting from a transaction that is not a business combination and affects neither profit or loss nor taxable profit, differences associated with investments in subsidiaries and jointly controlled entities to the extent that it is not probable that they will be disposed of in the foreseeable future. In addition, deferred tax is not recognised for temporary differences arising from the initial recognition of goodwill. Deferred tax is measured at using tax rates that are expected to be applied when the temporary differences reverse, based on tax laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and deferred income tax liabilities on account of deferred income tax are compensated if the Group has a legally enforceable right to set off current tax liabilities and assets and provided that the deferred income tax assets and liabilities relate to income tax imposed by the same tax authority on the same taxpayer or on different taxpayers who intend to settle income tax liabilities and receivables net or realise the receivables and settle the liability simultaneously.

Deferred tax assets related to unused tax loss, unused tax relief and negative temporary differences are recognised to the extent that it is probable that taxable profit will be available against which they can be utilised. Deferred tax assets are reassessed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The entities of Apator Group apply tax rates in accordance with binding regulations of the country in which they conduct business activity (Czech Republic 19%, Ukraine 18%, Germany 15%, Great Britain 19%, Denmark 22%).

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 34 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

4.3.14. Subsidies

Government subsidies are government assistance that take the form of a transfer of funds to an entity in exchange for the entity's past or future compliance with certain conditions related to its operations.

In accordance with IAS 20, government grants are recognized in the books at the moment when there is reasonable assurance that the entity will comply with the conditions attached to the grant and that the grant will be received.

As a general rule, when a subsidy relates to a cost item, it is recognized as a reduction of the corresponding cost. However, if the funds relate to an asset, then their fair value is deducted from the initial value of that asset.

In individual cases, the grant may also be recognized as other operating income.

4.3.15. Zone relief resulting from operating in the Special Economic Zone

The parent entity - Apator S.A. enjoys the exemption from income tax due to costs of a new investment under the permit to conduct business activity in the area of Pomeranian Special Economic Zone obtained on 28th December 2010. The exemption applies to the zone income, i.e. income earned from business activity conducted in the area of the PSSE, within the framework of the permit obtained.

Apator S.A. recognizes tax relief resulting from conducting business activity in the Special Economic Zone (exemption from corporate income tax) in accordance with IAS 12, i.e. it recognizes it as deferred tax assets up to the amount possible to obtain public aid. The maximum amount of aid that may be granted is calculated by multiplying the aid intensity applicable to the province by the value of expenditure incurred as part of investments recognised as eligible expenditure. Deferred tax assets related to unused tax relief are recognised to the extent that it is probable that taxable profit will be available against which they can be utilised. These assets are reassessed at each reporting date and are reduced as follows to the extent that it is not probable that the related benefits will be realised in income tax.

4.3.16. Own assets

The Group's equity includes: share capital, other capital, capital from the revaluation of the defined benefit plan, capital from the valuation of hedging transactions and exchange rate differences consolidation, retained earnings from previous years, current year's result. Items reducing the amount of equity capital are deductions from the current year's financial result, constituting advance payments on account of dividends.

5. Segment reporting

An operating segment is a part of the Group engaged in business activity, in relation to which it may generate revenues and incur costs, including revenues and costs related to transactions with other parts of the Group. The operating results of each operating segment are regularly reviewed by the Group's chief operating decision maker, who decides on the allocation of resources to the segment and assesses its performance, with separate financial information available for each segment (see Note 8.2). Data concerning revenues and costs in particular segments are submitted to the Management Board for analysis after elimination of revenues between segments. Management analyzes the results of each segment at the level of specific performance, i.e., gross profit

sales, operating profit and EBITDA (the method of EBITDA calculation is presented in Note 8.1). Another factor influencing strategic and operational decisions is the share of particular segments in generating the Group's operating margin (at the EBITDA level). Revenues and costs of segments are analysed after elimination of mutual transactions between segments. While making operational decisions, balance sheet items related to

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 35 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

particular segments are not subject to analysis. Balance sheet data are analysed at the level of individual companies of the Group.

The results of segments include the results of the following companies:

- Electricity - results of Apator S.A. in the part concerning the measurement of electricity and switchgear, results of Apator Elkomtech S.A., results of Apator Rector Sp. z o.o., results of FAP Pafal S.A., some results of Apator GmbH;
- Gas - results of Apator Metrix S.A. with controlled entities, results of Apator S.A. in the part concerning gas metering, part of results of Apator GmbH;
- Water and Heat - results of Apator Powogaz S.A. together with controlled and associated entities, results of Apator S.A. in part concerning water and heat metering;

Internal turnover between the companies of the Capital Group is eliminated for the purpose of reporting of operating segments.

6. Basic judgments and bases for estimating uncertainty

Preparation of consolidated financial statements in accordance with IFRS requires the Management Board of the Parent Company to make estimates, judgments and assumptions that affect the adopted principles and presented values of assets, liabilities, income and expenses.

The estimates and related assumptions are based on historical experience and various factors that are considered reasonable under the circumstances. The results of these estimates provide a basis for professional judgement as to the book value of assets and liabilities. In significant issues, the Management Board bases its estimates on opinions of independent experts. The actual value may differ from the estimated value.

Estimates and related assumptions are subject to ongoing verification. Changes in accounting estimates are recognised in the period in which the change is made.

The following areas require significant estimation and subjective evaluation:

- revenue recognition and transaction price allocation for agreements with several contractual obligations under which revenue is recognized over time,
- recognition of deferred tax assets on tax losses from prior periods,
- uncertainty in estimates and subjective judgments made with respect to lease transactions,
- goodwill impairment,
- estimated useful lives of intangible assets,
- estimated useful life of property, plant and equipment,
- estimated valuation of investment properties,
- estimate of the pension liability for the defined benefit plan,
- estimation of other reserves,
- impairment of financial and non-financial assets,
- inventory impairment,
- impairment of receivables,
- value of derivative instruments resulting from the adopted level of future cash flow hedges.

Estimates and assumptions that have a significant effect on the values disclosed in the Group's consolidated financial statements are included in the following notes:

- Intangible assets (note 4.3.1, note 8.4),
- Goodwill of subsidiaries (Note 4.2.3, Note 8.5),
- Property, plant and equipment (Note 4.3.2, Note 8.6),
- Right-of-use assets, lease obligations (Note 4.3.3, Note 8.7),

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 36 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

- Investment properties (Note 4.3.4, Note 8.8),
- Other financial assets (note 4.3.8, note 8.10),
- Stocks (note 4.3.6, note 8.11),
- Trade and other receivables (Note 4.3.8, Note 8.12),
- Provisions for liabilities (notes: 4.3.9, 4.3.10; note 8.21),
- Deferred income tax (notes: 4.3.13, 4.3.15; note 8.23),
- Derivative instruments (note 4.3.8, note 8.29).

7. Information on the seasonality of activities

The phenomenon of seasonality in activity of Apator Group is not significant (we do not observe any repeatability in this range).

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 37 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

8. Notes to the accounts

8.1. Alternative performance measures

EBITDA is a measure showing the net profit achieved by the Group after eliminating the impact of income taxes, financing costs and depreciation and amortization. The Company's management considers it an important additional performance measure. As a result, EBITDA is presented alongside the measures defined by IFRS. EBITDA is not a measure defined by IFRS and is not a standardized measure, so this indicator should not be analyzed separately or as a substitute for measures defined by IFRS.

The calculation of EBITDA is presented in the table below.

| SPECIFICATION | 2 021 | 2020 |
|--|----------------|----------------|
| Net profit for the financial period | 63 336 | 62 237 |
| (+) Income tax | 21 908 | 19 680 |
| Gross profit | 85 244 | 81 917 |
| (+) Financial costs | (10 864) | (4 754) |
| (-) Financial revenues | 1 307 | 8 080 |
| (+) Depreciation | 55 772 | 52 509 |
| EBITDA | 150 573 | 131 100 |
| Non-recurring events - sale of real estate | (34 079) | - |
| Adjusted EBITDA | 116 494 | 131 100 |

8.2. Operating segments

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

- ✓ Electricity
- ✓ Gas
- ✓ Water and heating

The Management Board analyses the results of each segment at the level of individual results, i.e. gross sales result, sales result, operating result and EBITDA. Activities conducted outside these segments are presented as other.

| SPECIFICATION | Electricity | Gas | Water and heating | Unallocated | Total |
|---|----------------|---------------|-------------------|----------------|----------------|
| <i>Financial results of operating segments for the period from 01.01.2021 to 31.12.2021</i> | | | | | |
| Sales revenue | 375 043 | 269 627 | 295 413 | - | 940 083 |
| Cost of goods sold | 312 624 | 215 424 | 198 458 | - | 726 506 |
| Gross sales profit | 62 419 | 54 203 | 96 955 | - | 213 577 |
| Sales costs | 14 060 | 8 981 | 13 202 | 309 | 36 552 |
| General administrative costs | 51 923 | 26 560 | 46 087 | 3 715 | 128 285 |
| Sales profit | (3 564) | 18 662 | 37 666 | (4 024) | 48 740 |
| Other operating income (costs) | 5 156 | 2 259 | 37 010 | - | 44 425 |
| Share in profits of associated companies | - | - | 1 636 | - | 1 636 |
| Operating income | 1 592 | 20 921 | 76 312 | (4 024) | 94 801 |
| Other financial income and expense | (2 629) | (1 540) | (5 388) | - | (9 557) |
| Gross profit | (1 037) | 19 381 | 70 924 | (4 024) | 85 244 |

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 38 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

| SPECIFICATION | Electricity | Gas | Water and heating | Unallocated | Total |
|---|---------------|---------------|-------------------|----------------|----------------|
| Depreciation | 27 112 | 17 280 | 11 380 | - | 55 772 |
| EBITDA | 28 704 | 38 201 | 87 692 | (4 024) | 150 573 |
| Impact of non-recurring transactions | - | - | (34 079) | - | (34 079) |
| Adjusted EBITDA | 28 704 | 38 201 | 53 613 | - | 116 494 |
| <i>Financial results of operating segments for the period from 01.01.2020 to 31.12.2020</i> | | | | | |
| Sales revenue | 444 319 | 250 975 | 239 556 | - | 934 850 |
| Cost of goods sold | 344 720 | 196 103 | 164 417 | - | 705 240 |
| Gross sales profit | 99 599 | 54 872 | 75 139 | - | 229 610 |
| Sales costs | 13 727 | 5 493 | 12 575 | 443 | 32 238 |
| General administrative costs | 54 630 | 26 550 | 41 247 | 3 707 | 126 134 |
| Sales profit | 31 242 | 22 829 | 21 317 | (4 150) | 71 238 |
| Other operating income (costs) | 2 945 | (417) | 3 473 | - | 6 001 |
| Share in profits of associated companies | - | - | 1 352 | - | 1 352 |
| Operating income | 34 187 | 22 412 | 26 142 | (4 150) | 78 591 |
| Other financial income and expense | 849 | 1 781 | 696 | 0 | 3 326 |
| Gross profit | 35 036 | 24 193 | 26 838 | (4 150) | 81 917 |
| Depreciation | 26 596 | 15 595 | 10 318 | - | 52 509 |
| EBITDA | 60 783 | 38 007 | 36 460 | (4 150) | 131 100 |

8.3. Revenue

The following table presents the specification of sales revenue.

| SPECIFICATION | for period | |
|--|-----------------|-----------------|
| | from 01.01.2021 | from 01.01.2020 |
| | till 31.12.2021 | till 31.12.2020 |
| Sales revenue | 940 083 | 934 850 |
| Revenue from sales of products and services | 883 241 | 888 359 |
| Revenues from the sales of goods and materials | 56 842 | 46 491 |

Settlement of contracts

The valuation of the Group's contracts as of December 31, 2021 and in the comparative period is presented below.

| SPECIFICATION | from 01.01.2020 | from 01.01.2020 |
|--|-----------------|-----------------|
| | till 31.12.2020 | till 31.12.2020 |
| Contract revenue recognized of which: | 940 083 | 934 850 |
| - revenue recognized at a point in time | 939 106 | 933 395 |
| - revenue recognized over time | 977 | 1 455 |

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 39 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

Contract assets and liabilities

The specification of contract assets as of December 31, 2021 is presented in the following table.

| SPECIFICATION | as of | |
|-----------------------------|--------------|--------------|
| | 31.12.2021 | 31.12.2020 |
| Other fixed assets | | |
| Apator Rector Sp. z o. o. | - | 1 625 |
| Other current assets | | |
| Apator Rector Sp. z o. o. | 1 626 | 1 626 |
| Total | 1 626 | 3 251 |

Other assets relate to the settlement of license execution costs arising as a result of adjustments to revenue recognition (and commensurate costs) under IFRS 15. They refer to the contract concluded between Tauron Dystrybucja S.A. and Consortium where Apator Rector Sp. z o.o. was included. Contract assets due to licenses are settled evenly in time during the term of the contract, i.e., by the end of December 2022.

The contractual liabilities in the years 2020-2021, specified in the table below, are the liabilities related to Apator Rector Sp. z o.o.

| SPECIFICATION | as of | |
|-------------------------------|------------|--------------|
| | 31.12.2021 | 31.12.2020 |
| Long-term liabilities | - | 976 |
| Apator Rector Sp. z o. o. | - | 976 |
| Short-term liabilities | 976 | 977 |
| Apator Rector Sp. z o. o. | 976 | 977 |
| Total | 976 | 1 953 |

Contractual liabilities of Apator Rector Sp. z o.o. refer to outstanding licenses, warranties and optional service on the balance sheet date, which are settled equally in time for the period of duration of these services under the contractual provisions. These settlements result in a change in the contract liability balance.

Contract receivables and impairment losses are presented in Note 8.12.

The value of revenue recognized in 2021 resulting from contractual obligations recognized on the balance sheet as of December 31, 2020 amounted to PLN 977 thousand.

Cumulative changes in the amount of revenue recognized that would result from changes in the estimate of the stage of completion or changes in the estimate of the transaction price were immaterial in 2021.

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 40 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

Geographical information

Capital Group Apator distinguishes three following areas of activity:

- Country - including domestic sales
- European Union - sales in European Union countries
- Export - sales in other countries

| SPECIFICATION | Country | Exports outside the EU | European Union | TOTAL |
|--|----------------|------------------------|----------------|----------------|
| <i>Sales revenues in geographical segments since 01.01.2021 till 31.12.2021</i> | | | | |
| Total revenue | 497 696 | 115 963 | 326 424 | 940 083 |
| Sales outside | 497 696 | 95 485 | 326 424 | 919 605 |
| Sales to subsidiaries | - | 20 478 | - | 20 478 |
| <i>Sales revenues in geographical segments since 01.01.2020 till 31.12.2020</i> | | | | |
| Total revenue | 553 402 | 94 718 | 286 730 | 934 850 |
| Sales outside | 553 399 | 77 482 | 286 730 | 917 611 |
| Sales to subsidiaries | 3 | 17 236 | - | 17 239 |

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 41 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

8.4. Intangible assets

Data concerning intangible assets are presented in the tables below.

| SPECIFICATION | CUSTOMER RELATIONS | PATENTS AND LICENSES, COMPUTER SOFTWARE | DEVELOPMENT COSTS | OTHER INTANGIBLE ASSETS | ADVANCES FOR INTANGIBLE ASSETS | TOTAL |
|--|--------------------|---|-------------------|-------------------------|--------------------------------|----------------|
| Net value as at 01.01.2020 | 11 390 | 13 082 | 62 377 | 8 547 | 10 | 95 406 |
| Change due to acquisition / exclusion of the entity | 3 009 | - | - | 372 | - | 3 381 |
| Increases on account of | - | 1 335 | 2 985 | 18 | - | 4 338 |
| Increase on account of own production | - | - | 14 194 | 108 | - | 14 302 |
| Advance payments for tangible fixes assets | - | - | - | - | 1 308 | 1 308 |
| Decrease due to liquidation | - | (1 046) | (1 720) | - | - | (2 766) |
| Decrease due to abandonment of investment | - | - | (1 223) | - | - | (1 223) |
| Decrease due to reclassification - other | - | - | (813) | - | - | (813) |
| Settlement of prepayments for intangible assets | - | - | - | - | (1 059) | (1 059) |
| Depreciation | (2 680) | (2 752) | (8 857) | (270) | - | (14 559) |
| Decrease in the current depreciation due to liquidation | - | 1 019 | 1 541 | - | - | 2 560 |
| Net exchange differences translated from financial statement to currency presented | - | 246 | 1 706 | 211 | - | 2 163 |
| Net value as at 31.12.2020 | 11 719 | 11 884 | 70 190 | 8 986 | 259 | 103 038 |
| Net value as at 01.01.2021 | 11 719 | 11 884 | 70 190 | 8 986 | 259 | 103 038 |
| Increases on account of | - | 1 356 | - | 91 | 5 | 1 452 |
| Increase on account of own production | - | - | 17 363 | 106 | - | 17 469 |
| Increase due to reclassification - other | - | 1 132 | - | - | - | 1 132 |
| Advance payments for tangible fixes assets | - | - | - | - | 3 921 | 3 921 |
| Decrease due to disposal | - | - | - | - | (339) | (339) |
| Decrease due to liquidation | - | (281) | (29) | - | - | (310) |
| Decrease due to abandonment of investment | - | - | - | - | (4) | (4) |
| Decrease due to reclassification - other | - | - | (1 444) | (265) | - | (1 709) |
| Settlement of prepayments for intangible assets | - | - | - | - | (74) | (74) |
| Depreciation | (2 981) | (3 183) | (8 236) | (403) | - | (14 803) |
| Decrease in the current depreciation due to liquidation | - | 281 | 10 | - | - | 291 |
| Decrease in current write-offs due to reclassification – other | - | - | - | 70 | - | 70 |
| Net exchange differences translated from financial | - | (4) | 626 | 538 | - | 1 160 |

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 42 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

| SPECIFICATION | CUSTOMER RELATIONS | PATENTS AND LICENSES, COMPUTER SOFTWARE | DEVELOPMENT COSTS | OTHER INTANGIBLE ASSETS | ADVANCES FOR INTANGIBLE ASSETS | TOTAL |
|-----------------------------------|--------------------|---|-------------------|-------------------------|--------------------------------|----------------|
| statement to currency presented | | | | | | |
| Net value as at 31.12.2021 | 8 738 | 11 185 | 78 480 | 9 123 | 3 768 | 111 294 |

| SPECIFICATION | CUSTOMER RELATIONS | PATENTS AND LICENSES, COMPUTER SOFTWARE | DEVELOPMENT COSTS | OTHER INTANGIBLE ASSETS | ADVANCES FOR INTANGIBLE ASSETS | TOTAL |
|---|--------------------|---|-------------------|-------------------------|--------------------------------|----------------|
| Status as of 31.12.2020 | | | | | | |
| Gross value | 29 809 | 29 641 | 113 117 | 16 479 | 259 | 189 305 |
| Total depreciation and revaluation write-offs to date | (18 090) | (17 757) | (42 927) | (7 493) | - | (86 267) |
| Net value | 11 719 | 11 884 | 70 190 | 8 986 | 259 | 103 038 |
| Status as of 31.12.2021 | | | | | | |
| Gross value | 29 809 | 31 844 | 129 633 | 16 949 | 3 768 | 212 003 |
| Total depreciation and revaluation write-offs to date | (21 071) | (20 659) | (51 153) | (7 826) | - | (100 709) |
| Net value | 8 738 | 11 185 | 78 480 | 9 123 | 3 768 | 111 294 |

| SPECIFICATION | as of | |
|---|------------|------------|
| | 31.12.2021 | 31.12.2020 |
| Gross value of all fully amortised intangible assets still in use | 27 381 | 25 324 |
| Value of research and development expenditures recognized as cost in the period | 8 362 | 8 942 |
| Amount of borrowing costs activated in a given period | 12 | 62 |

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 43 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

8.5. Value of subsidiaries entities

Data concerning the company's value are presented in the tables below.

| NAME OF SUBSIDIARY | | as of | |
|---------------------------|-------------------------------|----------------|----------------|
| | | 31.12.2021 | 31.12.2020 |
| Network Automation Center | Apator Rector Sp.z o.o. | 43 106 | 43 106 |
| | Apator Elkomtech S.A. | 34 506 | 34 506 |
| Water and heating | Apator Powogaz S.A. | 17 855 | 17 855 |
| Water and heating | Apator Telemetria Sp.z o.o. | 5 546 | 5 546 |
| Water and heating | Apator Metra s. r. o. | 755 | 716 |
| Gas | George Wilson Industries Ltd. | 3 903 | 3 653 |
| Water and heating | Miitors ApS | 20 106 | 20 164 |
| Net goodwill | | 125 777 | 125 546 |

| SPECIFICATION | in the period | |
|--|-----------------|-----------------|
| | from 01.01.2021 | from 01.01.2020 |
| | till 31.12.2021 | till 31.12.2020 |
| Gross goodwill at the beginning of the period | 125 881 | 124 251 |
| Net exchange differences translated from financial statement to currency presented | 231 | 1 630 |
| Gross goodwill at the end of the period | 126 112 | 125 881 |
| Impairment loss at the beginning of the period | (335) | (466) |
| Change due to derecognition of an entity | - | 131 |
| Impairment loss at the end of the period | (335) | (335) |
| Net goodwill at the end of the period | 125 777 | 125 546 |

As of December 31, 2021, the Company's management performed a goodwill impairment test. We assumed a weighted average cost of capital of 8.8% (previously 7.8%) and a five-year forecast period based on the companies' financial plans for 2022 - 2026, with the caveat that 2022 assumes the most realistic situation for the companies in a very volatile and currently difficult to predict reality due to the geopolitical situation. In the following years, economies are assumed to recover from the economic crisis caused by the pandemic and the war in Ukraine.

Based on the tests carried out no impairment of assets within particular centres generating cash in Apator Group (CGU) was found. The value impairment test the company was carried out on the basis of estimating the present value of the sum of future free cash flows generated by particular cash-generating units, taking into account tax, change in current assets balances as well as expenditures on fixed assets and intangible assets (i.e., the recoverable amount of goodwill was estimated using the value-in-use method). The residual value was determined using a 2% growth rate in subsequent years after 2026.

In Apator Group, the centres generating cash are the direct subsidiaries of Apator S.A. except Apator Elkomtech S.A. and Apator Rector Sp. z o.o. which are hereinafter referred to collectively as the Network Automation Centre.

In the case of the Network Automation Centre, the impairment test was conducted under the assumption, that the companies' assets constitute a single cash-generating unit. The justification for such approach is first of all high level of operational integration resulting from complementary offer of the two entities and consolidation of hardware and ICT solutions segment planned in business strategy of Apator Group and fuller exploitation of new market opportunities in RES and energy efficiency areas. Although due to uncertain situation caused by COVID-19, the order of integration activities of the segment was temporarily changed (in the first stage, Apator Elkomtech was merged with Apator S.A., whereas the merger of subsidiaries planned still in 2019: Apator Rector Sp. z o.o. and Apator Elkomtech SA. The integration of Apator Rector Sp. z o.o. with Apator Elkomtech SA will be performed in the next stage by merger of Apator Rector with Apator S.A.),

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 44 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

essential purposes and activities remain current and will be consequently performed in the following periods. At the same time, irrespective of formal legal and organizational changes, Apator Group conducts systematic optimization of organizational structures and actions aimed at the increase of synergy of the segment, but all the initiatives taken include both present subsidiaries of Apator SA. being the Network Automation Centre. Under these initiatives both entities among other things perform jointly projects, where Apator Elkomtech S.A. so far takes advantage of knowledge and experience of Apator Rector Sp. z o.o. in management and performance of IT projects. In this sense the merger of Apator Elkomtech with Apator S.A. performed earlier than originally planned did not affect in any degree the weakening of current and target level of integration of the Network Operation Automation Centre.

As a result of the test, the Group did not identify any impairment of goodwill. For the Network Automation Centre, a sensitivity analysis was carried out to the change in WACC caused by a change in the degree of financing with foreign capital, changes in the cost of equity and changes in operating result. It was estimated that a 3.8 p.p. increase in WACC or a 38.6% EBIT decrease in each of the forecast years could cause the recoverable amount to equal the carrying amount (both factors were analyzed separately). Therefore, changes in the value of the discount rate and the degree of decrease in operating profit do not materially affect the result of the test performed.

8.6. Tangible fixed assets

The most significant expenditures for property, plant and equipment during 2021 were investments in machinery and equipment and other property, plant and equipment (tools, tooling and workstations).

There were no indications of impairment of property, plant and equipment.

Data on property, plant and equipment, grouped according to the classification of fixed assets, are presented in the following tables.

| 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 | 66 256 | 51 552 | 1 382 | 36 292 | 12 485 | 2 947 | 170 914 |
| Change due to acquisition / exclusion of the entity | - | 136 | 1 | 5 | - | - | 142 |
| Increases on account of | 2 728 | 10 807 | 704 | 10 264 | - | - | 24 503 |
| Increase in the balance due to modernisation | 1 476 | 1 949 | - | 2 612 | - | - | 6 037 |
| Increase on account of own production | - | 348 | - | 1 574 | - | - | 1 922 |
| Increase resulting from reclassification - from the right to use assets under lease to property, plant and equipment | - | 896 | 1 673 | - | - | - | 2 569 |
| Increase due to expenditures on tangible fixed assets under construction and advances on tangible fixed assets | - | - | - | - | 50 601 | 8 568 | 59 169 |
| Decrease due to disposal | (2 766) | (3 609) | (917) | (941) | (3 407) | - | (11 640) |
| Decrease due to liquidation | (11) | (2 691) | - | (9 180) | - | - | (11 882) |
| Decrease due to abandonment of investment | - | - | - | - | (44) | - | (44) |

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 45 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | 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 CONSTRUCTIO N | ADVANCES ON PROPERTY, PLANT AND EQUIPMENT | TOTAL |
|--|---|-------------------------------|-----------------------|---------------------------------|--|---|-----------------|
| Settlement of outlays for tangible fixed assets under construction (acceptance) and advances for tangible fixed assets | - | - | - | - | (32 462) | (10 779) | (43 241) |
| Other impairment losses on assets | 2 151 | 212 | - | - | - | - | 2 363 |
| Depreciation | (3 136) | (14 242) | (878) | (10 933) | - | - | (29 189) |
| Increase in the current depreciation due to reclassification - from the right to use assets under lease to property, plant and equipment | - | (364) | (1 322) | - | - | - | (1 686) |
| Reduction of the existing disposal write-offs | 393 | 3 585 | 823 | 750 | - | - | 5 551 |
| Decrease in the current depreciation due to liquidation | 8 | 2 450 | 60 | 9 351 | - | - | 11 869 |
| Net exchange differences translated from financial statement to currency presented | 328 | 212 | 1 | (41) | 10 | 32 | 542 |
| Settlement of subsidies for property, plant and equipment from deferred income | - | - | - | - | - | - | - |
| Other changes – amortization | - | (1) | - | (3) | - | - | (4) |
| Net value as at 31.12.2020 | 67 427 | 51 240 | 1 527 | 39 750 | 27 183 | 768 | 187 895 |

| SPECIFICATION | LAND, BUILDINGS AND STRUCTURES | MACHINERY AND EQUIPMENT | MEANS OF TRANSPORT | OTHER NON- CURRENT ASSETS | PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTIO N | ADVANCES ON PROPERTY, PLANT AND EQUIPMENT | TOTAL |
|--|---|-------------------------------|-----------------------|---------------------------------|--|---|----------------|
| Net value as at 01.01.2021 | 67 427 | 51 240 | 1 527 | 39 750 | 27 183 | 768 | 187 895 |
| Increases on account of | 19 | 15 397 | 520 | 10 511 | - | - | 26 447 |
| Increase in the balance due to modernisation | 740 | 873 | - | 1 380 | - | - | 2 993 |
| Increase on account of own production | 31 | 542 | - | 1 428 | - | - | 2 001 |
| Increase resulting from reclassification - from the right to use assets under lease to property, plant and equipment | - | 3 249 | 1 990 | 1 291 | - | - | 6 530 |
| Increase due to reclassification - other | - | - | - | 37 | - | - | 37 |
| Increase due to expenditures on tangible fixed assets under construction and | - | - | - | - | 65 371 | 4 029 | 69 400 |

| | | | | | | |
|---|--|---------------------|--------------------|---------------|--|--|
| Name of the Group: | Apator Capital Group | | | Page 46 of 92 | | |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | 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 |
|--|---|-------------------------------|-----------------------|---------------------------------|--|---|-----------------|
| advances on tangible fixed assets | | | | | | | |
| Decrease due to disposal | (313) | (4 803) | (616) | (361) | - | - | (6 093) |
| Decrease due to liquidation | - | (2 710) | (711) | (3 480) | - | - | (6 901) |
| Decrease due to abandonment of investment | - | - | - | - | (19) | - | (19) |
| Decrease resulting from reclassification - to assets held for sale | (9) | - | - | - | (1 280) | - | (1 289) |
| Decrease due to reclassification - other | - | (37) | - | - | - | - | (37) |
| Settlement of outlays for tangible fixed assets under construction (acceptance) and advances for tangible fixed assets | | | | | (31 442) | (3 942) | (35 384) |
| Depreciation | (3 166) | (15 749) | (851) | (11 951) | - | - | (31 717) |
| Increase in the current depreciation due to reclassification - from the right to use assets under lease to property, plant and equipment | - | (2 146) | (1 475) | (422) | - | - | (4 043) |
| Reduction of the existing disposal write-offs | 38 | 3 559 | 590 | 243 | - | - | 4 430 |
| Decrease in the current depreciation due to liquidation | - | 2 640 | 711 | 3 425 | - | - | 6 776 |
| Decrease in the current depreciation due to reclassification - to assets held for sale | 9 | - | - | - | - | - | 9 |
| Decrease in current write-offs due to reclassification – other | - | 35 | - | (35) | - | - | - |
| Net exchange differences translated from financial statement to currency presented | 424 | 523 | 2 | 4 | 11 | 15 | 979 |
| Net value as at 31.12.2021 | 65 200 | 52 613 | 1 687 | 41 820 | 59 824 | 870 | 222 014 |

| 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 |
|---|---|-------------------------------|-----------------------|---------------------------------|--|---|------------------|
| Status as of 31.12.2020 | | | | | | | |
| Gross value | 100 239 | 159 434 | 15 410 | 157 535 | 27 183 | 768 | 460 569 |
| Total depreciation and revaluation write-offs to date | (32 812) | (108 194) | (13 883) | (117 785) | - | - | (272 674) |
| Net value | 67 427 | 51 240 | 1 527 | 39 750 | 27 183 | 768 | 187 895 |

| | | | | |
|---|--|---------------------|--------------------|---------------|
| Name of the Group: | Aparator Capital Group | | | Page 47 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) | |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | | |

| Status as of 31.12.2021 | | | | | | | |
|---|---------------|---------------|--------------|---------------|---------------|------------|------------------|
| Gross value | 101 131 | 172 468 | 16 595 | 168 345 | 59 824 | 870 | 519 233 |
| Total depreciation and revaluation write-offs to date | (35 931) | (119 855) | (14 908) | (126 525) | - | - | (297 219) |
| Net value | 65 200 | 52 613 | 1 687 | 41 820 | 59 824 | 870 | 222 014 |

As at 31 December 2021, the following collaterals were established for property, plant and equipment:

- Contractual mortgage on the real property of Apator S.A. in Ostaszewo to the amount 35,9 M PLN as the collateral of Multiproduct Contract concluded between the companies of Apator Group and ING Bank Śląski S.A.
- Mortgage in the amount of CZK 50 million (with assignment of rights under the insurance contract), established on the real estate of subsidiary Apator Metra in the Czech Republic, in connection with the concluded loan contract,
- Mortgage in the amount of 23,3 m PLN (with assignment of rights under insurance contract) established on properties of Apator Metrix S.A. as collateral of repayment of liabilities resulting from the credit agreement concluded with Bank Millenium,
- Transfer of fixed assets of the value of 2.4 m PLN as the security of payment of liabilities of Apator Metrix S.A. resulting from the credit agreement concluded with Millennium bank,
- Registered pledge on fixed assets (with assignment of insurance policy) with the value of PLN 22.1 million (machinery and equipment) being the property of Apator S.A., Apator Powogaz S.A., Apator Metrix S.A., Apator Elkomtech S.A., due to the Multi-product Contract concluded with ING Bank Śląski S.A,
- Registered pledge on fixed assets of Apator S.A. of the value of PLN 2.8 million (with assignment of the insurance policy), in relation to the contract concluded with CITI Bank Handlowy S.A. on long-term credit to finance the purchase of shares of Apator Telemetria Sp. z o.o. in the amount of PLN 13 million,
- Registered pledge on fixed assets of Apator S.A. of the value of 8,3 m PLN (with assignment of the insurance policy), in relation to the contract concluded with CITI Bank Handlowy S.A. on credit on the current account with the limit of 10 m PLN;

As at 31 December 2021 there were no indications of impairment of significant property, plant and equipment.

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 48 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

8.7. Right to use assets, lease liabilities

The Group's capitalized leased assets include:

- the right of perpetual usufruct of land,
- lease of office space and production building,
- machinery and equipment;
- computer hardware,
- instruments, tools,
- means of transport.

The discount rate for property leases was determined in accordance with the adopted rules. Due to the significant systematic increase in interest rates, a discount rate of 2.9% was assumed for contracts entered into through the end of 2021. For other lease liabilities, the discount rate results directly from the terms of the contract.

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

| SPECIFICATION | as of | |
|--|---------------|---------------|
| | 31.12.2021 | 31.12.2020 |
| Land, buildings and structures | 18 090 | 19 260 |
| Machinery and equipment | 7 743 | 10 676 |
| Means of transport | 1 819 | 3 059 |
| Other non-current assets | 5 995 | 5 587 |
| Property, plant and equipment under construction | 452 | 5 |
| Value at the end of the period | 34 099 | 38 587 |

| SPECIFICATION | LAND, BUILDINGS AND STRUCTURES | MACHINERY AND EQUIPMENT | MEANS OF TRANSPORT | OTHER NON-CURRENT ASSETS | PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION | TOTAL |
|--|--------------------------------|-------------------------|--------------------|--------------------------|--|-----------------|
| Net value as at 01.01.2020 | 18 249 | 7 349 | 3 762 | 4 164 | 696 | 34 220 |
| Increase due to leasing acceptance | 5 865 | 5 793 | 1 500 | 2 217 | - | 15 375 |
| Increase due to expenditures on tangible fixed assets under construction and advances on tangible fixed assets | - | - | - | - | 14 683 | 14 683 |
| Decrease due to disposal | - | - | (713) | - | - | (713) |
| Decrease due to liquidation | (440) | - | (62) | - | - | (502) |
| Decrease resulting from reclassification - from the right to use assets under lease to property, plant and equipment | - | (896) | (1 673) | - | - | (2 569) |
| Decrease due to reclassification - other | (219) | - | - | - | - | (219) |
| Settlement of outlays for tangible fixed assets under construction (acceptance) and advances for tangible fixed assets | - | - | - | - | (15 374) | (15 374) |
| Depreciation | (4 386) | (1 934) | (1 647) | (794) | - | (8 761) |
| Reduction of the existing disposal write-offs | - | - | 534 | - | - | 534 |
| Decrease in the current depreciation due to liquidation | 191 | - | 36 | - | - | 227 |
| Decrease in current depreciation resulting from reclassification - from the right to use assets under lease to property, plant and equipment | - | 364 | 1 322 | - | - | 1 686 |
| Net value as at 31.12.2020 | 19 260 | 10 676 | 3 059 | 5 587 | 5 | 38 587 |

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 49 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | 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 | TOTAL |
|--|---|-------------------------------|-----------------------|---------------------------------|--|----------------|
| Net value as at 01.01.2021 | 19 260 | 10 676 | 3 059 | 5 587 | 5 | 38 587 |
| Increase due to leasing acceptance | 2 682 | 293 | 688 | 1 978 | - | 5 641 |
| Increases - contract modifications | 224 | - | - | - | - | 224 |
| Increase due to expenditures on tangible fixed assets under construction and advances on tangible fixed assets | - | - | - | - | 7 731 | 7 731 |
| Decrease due to disposal | - | - | (64) | - | - | (64) |
| Decrease due to liquidation | - | - | (741) | - | - | (741) |
| Decrease resulting from reclassification - to assets held for sale | (23) | - | - | - | - | (23) |
| Decrease resulting from reclassification - from the right to use assets under lease to property, plant and equipment | - | (3 249) | (1 990) | (1 291) | - | (6 530) |
| Settlement of outlays for tangible fixed assets under construction (acceptance) and advances for tangible fixed assets | - | - | - | - | (7 284) | (7 284) |
| Depreciation | (5 049) | (2 122) | (1 380) | (701) | - | (9 252) |
| Reduction of the existing disposal write-offs | - | - | 31 | - | - | 31 |
| Decrease in the current depreciation due to liquidation | - | - | 741 | - | - | 741 |
| Decrease in current depreciation resulting from reclassification - from the right to use assets under lease to property, plant and equipment | - | 2 145 | 1 475 | 422 | - | 4 042 |
| Reduction of the existing amortization due to settlement of useful life | 677 | - | - | - | - | 677 |
| Net exchange differences translated from financial statement to currency presented | 319 | - | - | - | - | 319 |
| Net value as at 31.12.2021 | 18 090 | 7 743 | 1 819 | 5 995 | 452 | 34 099 |

| SPECIFICATION | LAND, BUILDINGS AND STRUCTURES | MACHINERY AND EQUIPMENT | MEANS OF TRANSPORT | OTHER NON- CURRENT ASSETS | PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION | TOTAL |
|---|---|-------------------------------|-----------------------|---------------------------------|--|-----------------|
| Status as of 31.12.2020 | | | | | | |
| Gross value | 27 813 | 15 476 | 6 502 | 7 332 | 5 | 57 128 |
| Total depreciation and revaluation write-offs to date | (8 553) | (4 800) | (3 443) | (1 745) | - | (18 541) |
| Net value | 19 260 | 10 676 | 3 059 | 5 587 | 5 | 38 587 |
| Status as of 31.12.2021 | | | | | | |
| Gross value | 31 015 | 12 520 | 4 395 | 8 019 | 452 | 56 401 |
| Total depreciation and revaluation write-offs to date | (12 925) | (4 777) | (2 576) | (2 024) | - | (22 302) |
| Net value | 18 090 | 7 743 | 1 819 | 5 995 | 452 | 34 099 |

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 50 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

| SPECIFICATION | as of | |
|---|---------------|---------------|
| | 31.12.2021 | 31.12.2020 |
| Long-term liabilities due to the right to use assets | 19 642 | 22 690 |
| Short-term liabilities due to the right to use assets | 8 974 | 10 133 |
| Total finance lease liabilities | 28 616 | 32 823 |

| SPECIFICATION | as at 31.12.2021 | | as at 31.12.2020 | |
|---|------------------|-------------------|------------------|-------------------|
| | Fees | Current fees fees | Fees | Current fees fees |
| Payable over 1 year | 9 345 | 8 974 | 10 541 | 10 111 |
| Payable over 1 and 5 years | 14 029 | 13 477 | 15 245 | 14 383 |
| Payable over 5 years | 10 209 | 6 165 | 13 932 | 8 329 |
| Future minimum lease payments at nominal value | 33 583 | 28 616 | 39 718 | 32 823 |
| Compensatory amount | (4 967) | - | (6 895) | - |
| Current value of minimum lease fees | 28 616 | 28 616 | 32 823 | 32 823 |

The following lease amounts are reported in the statement of profit or loss and other comprehensive income:

| SPECIFICATION | 2 021 | 2020 |
|---|--------------|--------------|
| Amortization of right-of-use assets | | |
| Buildings | 5 049 | 4 386 |
| Machinery and equipment; other assets | 2 823 | 2 728 |
| Means of transport | 1 380 | 1 647 |
| Depreciation total | 9 252 | 8 761 |
| Interest expense (included in financial expenses) | 650 | 860 |
| Cost associated with short-term leases (included in cost of products sold and general and administrative expenses) | 36 | 40 |
| Cost associated with leases of low-value assets that were not reported above as short-term leases (included in general and administrative expenses) | 25 | 27 |

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 51 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

8.8. Investment property

To investment real estate the Capital Group Apator qualified the purchased land together with with the buildings it leased to unrelated parties.

| SPECIFICATION | in the period | |
|--|-----------------|-----------------|
| | from 01.01.2021 | from 01.01.2020 |
| | till 31.12.2021 | till 31.12.2020 |
| Value at the beginning of the period | 1 441 | 1 502 |
| Net exchange differences translated from financial statement to currency presented | 35 | 20 |
| Increase in fair value | 257 | - |
| Decrease in fair value | - | (81) |
| Value at the end of the period | 1 733 | 1 441 |

These properties were valued at fair value by an independent property valuer.

Income and costs on account of investment property are presented in the table below.

| SPECIFICATION | in the period | |
|--|-----------------|-----------------|
| | from 01.01.2021 | from 01.01.2020 |
| | till 31.12.2021 | till 31.12.2020 |
| Rent income recognised in the current result | 76 | 141 |
| Direct operating expenses relating to investment property that generated rental income during the period | 22 | 32 |

As at 31 December 2021, the Group measured investment properties by reference to market transaction prices for similar properties. Due to low revaluation value, revaluation is performed once a year.

The Group classifies investment properties to level II of the fair value hierarchy.

8.9. Investments in associated entities consolidated using the equity method

Data concerning associated entities are presented in the tables below.

| SPECIFICATION | TEPLOVODOMER | INDA d.o.o. |
|--|-----------------|-----------------|
| Percentage of shares held as at 31.12.2021 | 50.00% | 35.00% |
| Percentage of shares held as at 31.12.2020 | 50.00% | 35.00% |
| Percentage of votes held as at 31.12.2021 | 50.00% | 35.00% |
| Percentage of votes held as at 31.12.2020 | 50.00% | 35.00% |
| Method of consolidation | property rights | property rights |

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 52 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

| SPECIFICATION | COMPANY NAME | | |
|--|--------------|-------------|--------------|
| | TEPLOVODOMER | INDA d.o.o. | TOTAL |
| Value as at 01.01.2021 | 1 822 | 226 | 2 048 |
| Changes in equity due to dividend payment | (1 342) | - | (1 342) |
| Share in profits (losses) of jointly controlled entities | 1 636 | 19 | 1 655 |
| Net exchange differences translated from financial statement to currency presented | 114 | 15 | 129 |
| Change due to unrealized margin on sales | (230) | - | (230) |
| Other changes | - | (18) | (18) |
| Value as at 31.12.2021 | 2 000 | 242 | 2 242 |
| Value as at 01.01.2020 | 2 320 | 220 | 2 540 |
| Changes in equity due to dividend payment | (1 508) | - | (1 508) |
| Share in profits (losses) of jointly controlled entities | 1 352 | - | 1 352 |
| Net exchange differences translated from financial statement to currency presented | (305) | 6 | (299) |
| Change due to unrealized margin on sales | 79 | - | 79 |
| Other changes | (116) | - | (116) |
| Value as at 31.12.2020 | 1 822 | 226 | 2 048 |

| SPECIFICATION | TEPLOVODOMER | INDA d.o.o. | TOTAL |
|---|--------------|-------------|----------------|
| Value as at 31.12.2021 | | | |
| Fixed assets | 88 | 231 | 319 |
| Current assets | 11 802 | 819 | 12 621 |
| Long-term liabilities | (1) | (106) | (107) |
| Short-term liabilities | (5 610) | (334) | (5 944) |
| Net assets | 6 279 | 610 | 6 889 |
| Adjustment for the margin retained in inventories | (2 304) | - | (2 304) |
| Other adjustments | 24 | 82 | 106 |
| Net assets for the calculation of the share | 3 999 | 692 | 4 691 |
| Group's share in net assets | 2 000 | 242 | 2 242 |
| Total revenue | 30 866 | 4 076 | 34 942 |
| Net profit (loss) | 3 272 | 53 | 3 325 |
| Total comprehensive income | 3 272 | 53 | 3 325 |
| Group's share in net profit | 1 636 | 19 | 1 655 |
| Value as at 31.12.2020 | | | |
| Fixed assets | 137 | 302 | 439 |
| Current assets | 9 546 | 344 | 9 890 |
| Short-term liabilities | (4 217) | (467) | (4 684) |
| Net assets | 5 466 | 179 | 5 645 |
| Adjustment for the margin retained in inventories | (1 822) | - | (1 822) |
| Other adjustments | - | (179) | (179) |
| Net assets for the calculation of the share | 3 644 | - | 3 644 |
| Group's share in net assets | 1 822 | - | 1 822 |
| Total revenue | 24 602 | 4 136 | 28 738 |
| Net profit (loss) | 2 704 | 145 | 2 849 |
| Total comprehensive income | 2 704 | 145 | 2 849 |
| Other adjustments | - | (51) | (51) |
| Group's share in net profit | 1 352 | (0) | 1 352 |

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 53 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

8.10. Other financial assets

Data concerning other financial assets are presented in the table below.

| SPECIFICATION | as of | |
|---|------------|------------|
| | 31.12.2021 | 31.12.2020 |
| Other long-term financial assets | 247 | - |
| Derivative instruments | 247 | - |
| Other short-term financial assets, of which: | 226 | 69 |
| Derivative instruments | 224 | 68 |
| Total other financial assets, including: | 473 | 69 |
| - in other entities | 473 | 69 |

Data on revaluation write-downs are presented in the table below.

| SPECIFICATION | as of | |
|---|-----------------|-----------------|
| | from 01.01.2021 | from 01.01.2020 |
| | till 31.12.2021 | till 31.12.2020 |
| Value of write-offs at the beginning of the period | 191 | 191 |
| Use of write-off- write-down | (1) | - |
| Value of write-offs at the end of the period | 190 | 191 |

8.11. Stocks

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

| SPECIFICATION | as of | |
|-----------------------------------|----------------|----------------|
| | 31.12.2021 | 31.12.2020 |
| Materials | 148 378 | 87 612 |
| Production in progress | 47 712 | 36 877 |
| Finished products | 32 828 | 23 858 |
| Goods | 6 355 | 2 593 |
| Advances for deliveries | 3 661 | 4 134 |
| Total value of inventories | 238 934 | 155 074 |

Changes in the value of revaluation write-downs on inventories are presented below.

| SPECIFICATION | in the period | |
|--|-----------------|-----------------|
| | from 01.01.2021 | from 01.01.2020 |
| | till 31.12.2021 | till 31.12.2020 |
| Revaluation write-off on total inventories | | |
| Value of write-offs at the beginning of the period | 18 616 | 12 897 |
| Increase - creation of a write-down on the current result | 6 433 | 8 051 |
| Decrease - decrease in costs due to unused amounts | (4 012) | (2 307) |
| Use of write-off- write-down | (3 098) | - |
| Net exchange differences translated from financial statement to currency presented | 32 | (25) |
| Value of write-offs at the end of the period | 17 971 | 18 616 |

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 54 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

Additional information on inventories is presented in the table below.

| SPECIFICATION | as of | |
|--|------------|------------|
| | 31.12.2021 | 31.12.2020 |
| Value of inventories recognized as cost in the period | 654 862 | 647 590 |
| Value of inventories pledged as security for liabilities | 120 713 | 95 698 |

On the inventories being the property of Apator S.A., Apator Telemetria Sp. z o.o., Apator Powogaz S.A., FAP Pafal S.A., and Apator Elkomtech S.A., the registered pledge was established with the book value of the inventories not less than PLN 102.5 million (with the assignment of the insurance policy), in relation to the multi-product contract concluded with ING Bank Śląski S.A.

On the inventories being the property of Apator Metrix S.A. the registered pledge was established with the book value not less than PLN 18.2 million. Due to the limit granted by Bank Handlowy for granting bank guarantees.

8.12. Trade receivables and other receivables

| SPECIFICATION | as of | |
|---|----------------|----------------|
| | 31.12.2021 | 31.12.2020 |
| Long-term receivables | 4 429 | 5 777 |
| Deposits | 951 | 904 |
| Long-term trade receivables | 3 478 | 4 873 |
| Short-term receivables, including: | 181 957 | 163 939 |
| Commercial receivables | 145 998 | 147 374 |
| Receivables from corporate income tax | 1 367 | 4 518 |
| Receivables from other taxes, customs duties and social security | 9 759 | 7 299 |
| Other short-term liabilities | 24 833 | 4 748 |
| Receivables from sales of property, plant and equipment and intangible assets | 21 500 | 25 |
| Receivables from long-term agreements (contracts) | - | 300 |
| Deposits | 1 722 | 2 437 |
| Disputed claims | 82 | 81 |
| Prepayments - advances for the purchase of services | 1 283 | 1 466 |
| Other receivables | 342 | 528 |
| Write-off revaluing other short-term receivables | (96) | (89) |
| Total receivables, including: | 186 386 | 169 716 |
| - from related entities | 4 657 | 4 219 |
| - from other entities | 181 729 | 165 497 |

Data on the age structure and allowance for trade receivables is presented below.

| SPECIFICATION | 31.12.2021 | | 31.12.2020 | |
|------------------------------------|----------------|--|----------------|--|
| | Gross value | Impairment due to losses on financial assets | Gross value | Impairment due to losses on financial assets |
| Not required | 132 341 | 92 | 123 170 | 0 |
| Past due from 0 to 30 days | 8 522 | 0 | 16 508 | 9 |
| Past due from 31 to 180 days | 5 290 | 63 | 7 979 | 671 |
| Past due from 181 days to one year | 288 | 288 | 736 | 339 |
| Past due over a year | 4 071 | 4 071 | 3 975 | 3 975 |
| Total | 150 512 | 4 514 | 152 368 | 4 994 |

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 55 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

The impairment charge for unmatured receivables is immaterial.

The table below presents data on revaluation write-downs on total receivables.

| SPECIFICATION | in the period | |
|--|-----------------|-----------------|
| | from 01.01.2021 | from 01.01.2020 |
| | till 31.12.2021 | till 31.12.2020 |
| Revaluation write-off on total receivables | | |
| Value of write-offs at the beginning of the period | 7 708 | 6 279 |
| Creation of individual write-downs (level 3 of the impairment model) | 594 | 4 556 |
| Creation (reversal) of allowances according to the allowance matrix | - | 9 |
| Reversal of individual deductions | (2 773) | (1 943) |
| Use of individual allowances | (919) | (1 193) |
| Value of write-offs at the end of the period | 4 610 | 7 708 |
| Individual deduction | 4 591 | 7 689 |
| Write-off calculated on the basis of the matrix | 19 | 19 |

8.13. Fixed assets intended for sale

On the 12th January 2021 the company Apator Powogaz S.A. concluded with the entity from developer branch the promised contract of sale of the real property located at the street Klemensa Janickiego 23/25 in Poznań with total area of 3,3 ha where the present headquarters of Apator Powogaz S.A. is located. Under the above mentioned Contract the ownership right to the property was transferred to the Buyer at the price of 63,5 m PLN net. As of the day of conclusion of the Agreement transferring the ownership, the Buyer leased the property to the Company for the purpose of its current business activity until 28.02.2022, with a possibility of prolongation of the lease period until April 30, 2022. Release of the property will occur on the date of termination of the lease.

| SPECIFICATION | in the period | |
|---|-----------------|-----------------|
| | from 01.01.2021 | from 01.01.2020 |
| | till 31.12.2021 | till 31.12.2020 |
| Value at the beginning of the period | 23 201 | 24 775 |
| Increase due to retraining | 23 | - |
| Decrease due to disposal | (23 201) | (1 743) |
| Other | - | 169 |
| Value at the end of the period | 23 | 23 201 |

Non-current assets held for sale at the end of 2021 are non-current assets of FAP Pafal S.A., the sale of which is expected to take place in May 2022 (preliminary sale agreement was concluded on October 1, 2021). Liabilities related to assets classified as available for sale amount to PLN 23 thousand.

8.14. Cash and cash equivalents

The specification of cash and cash equivalents is presented in the table below.

| SPECIFICATION | as of | |
|--------------------------------------|------------|------------|
| | 31.12.2021 | 31.12.2020 |
| Cash in hand | 38 | 29 |
| Cash at bank accounts | 31 058 | 27 250 |
| Cash on VAT accounts (split payment) | 5 703 | 1 448 |
| Deposit | 33 | 31 |
| Other- cash on the way | - | 493 |

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 56 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

| | | |
|--|---------------|---------------|
| Cash and general cash equivalents | 36 832 | 29 251 |
|--|---------------|---------------|

Additional information on restricted cash is presented in the table below. This is part of the funds accumulated on VAT accounts which, due to the structure of purchases and sales, the Group cannot dispose of freely. The remaining part of funds accumulated on VAT accounts is presented as highly liquid asset due to the fact that they are used in the course of operating activities to settle current payments and their disposal is not materially restricted.

| SPECIFICATION | as of | |
|--|------------|------------|
| | 31.12.2021 | 31.12.2020 |
| Cash on VAT accounts (split payment) | 556 | 779 |
| Cash and general cash equivalents | 556 | 779 |

8.15. Prepayments and accruals

Information concerning prepayments and accruals is presented in the table.

| SPECIFICATION | as of | |
|---|--------------|--------------|
| | 31.12.2021 | 31.12.2020 |
| Long-term accruals and prepayments | 96 | 78 |
| Insurance | 3 | 6 |
| Other interim settlements | 93 | 72 |
| Short-term interim settlements | 5 920 | 4 399 |
| Insurance | 1 156 | 898 |
| IT services | 2 479 | 1 951 |
| Marketing services | 55 | 46 |
| Rent and utilities | 473 | 667 |
| Admin fees | 121 | - |
| Other interim settlements | 1 636 | 837 |

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 57 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

8.16. Capital stock

On 29 December 2021. The District Court in Toruń, VII Economic Division of the National Court Register registered the redemption of 29,100 bearer shares.

Therefore, the share capital amounts to PLN 3,277,722.80 and is divided into 32,777,228 shares, including:

- 7,337,001 registered shares preferred to voting at a ratio of 1:4,
- 25,440,227 bearer shares.

As at 31 December 2020, the above shares entitled to 54,788,231 votes at the General Meeting.

Information on share capital are presented in tables below.

| SPECIFICATION | as of | |
|----------------------|--------------|--------------|
| | 31.12.2021 | 31.12.2020 |
| Number of shares | 32 777 228 | 32 806 328 |
| Shares face values | 0.10 | 0.10 |
| Capital stock | 3 278 | 3 281 |

| SPECIFICATION | in the period | |
|--|-----------------|-----------------|
| | from 01.01.2021 | from 01.01.2020 |
| | till 31.12.2021 | till 31.12.2020 |
| Basic capital at beginning of period | 3 281 | 3 286 |
| Reduction in share capital in the period | (3) | (5) |
| Redemption of own shares | (3) | (5) |
| Basic capital at the end of the period | 3 278 | 3 281 |

The shareholders' structure as at 31 December 2021 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 | 1 122 624 | 2 310 000 | 5 872 128 | 7.05% | 10.72% |
| Tadeusz Sosgórnik with a person closely related to | 1 253 602 | 663 706 | 1 917 308 | 5 678 114 | 5.85% | 10.36% |
| Danuta Guzowska | 954 214 | 566 065 | 1 520 279 | 4 382 921 | 4.64% | 8.00% |
| Zbigniew Jaworski | 760 848 | 679 152 | 1 440 000 | 3 722 544 | 4.39% | 6.79% |
| Apator Mining Sp. z o. o. | 0 | 3 600 000 | 3 600 000 | 3 600 000 | 10.98% | 6.57% |
| Kazimierz Piotrowski with a person closely related | 664 774 | 159 181 | 823 955 | 2 818 277 | 2.51% | 5.14% |
| Aviva Otwarty Fundusz Emerytalny Aviva Santander SA | 0 | 3 338 000 | 3 338 000 | 3 338 000 | 10.18% | 6.09% |
| Others | 2 516 187 | 15 311 499 | 17 827 686 | 25 376 247 | 54.40% | 46.33% |
| TOTAL | 7 337 001 | 25 440 227 | 32 777 228 | 54 788 231 | 100.00% | 100.00% |

On 3.600 000 shares of Apator S.A. being in possession of Apator Mining Sp. z o.o. the registered pledge was established (under the contract concluded on 7th December 2020) by Apator Mining Sp. z o.o. with PKO Bank Polski S.A. up to the highest amount of insurance 61,5 m PLN (the registration of registered pledge in Pledge Register was made on 8th January 2021). Pledge is the collateral of investment credit granted to Apator Powogaz S.A.

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 58 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

8.17. Other capitals

Information on other capital is presented in the table below.

| SPECIFICATION | as of | |
|--|----------------|----------------|
| | 31.12.2021 | 31.12.2020 |
| Supplementary capital, including: | 524 090 | 492 821 |
| <i>Supplementary capital from the sale of own shares above their nominal value</i> | 15 142 | 15 142 |
| <i>Other reserve capital</i> | 508 948 | 477 679 |
| Reserve capitals | 29 370 | 29 370 |
| Other total capitals | 553 460 | 522 191 |

In accordance with the Resolution No 17/VI/2021 of the Ordinary General Shareholders Meeting of Apator S.A. dated

On June 29, 2021, net profit for the financial year 2020 in the amount of PLN 51,554,955.61 was distributed in following way:

- Dividend 39 339 333.60 PLN
- Supplementary capital PLN 12 215 622.01

On 31 December 2020, an advance payment of PLN 14,756,412.60, i.e. PLN 0.45 per share, was paid on account of the expected dividend from the profit for the financial year 2020. The remaining dividend of PLN 24,582,921.00, or PLN 0.75 per share, was paid on August 23, 2021.

Pursuant to Resolution 18/VI/2021, the Share Repurchase Program (adopted pursuant to Resolution 31/VII/2020) was closed and the related Share Redemption Fund (in the original amount of PLN 10 million) was liquidated. Unused Fund resources in the amount of PLN 9.34 million were transferred to supplementary capital.

At the same time, by virtue of resolution 23/VI/2021, a new Share Repurchase Program was opened with a Share Redemption Fund of PLN 10 million.

On 24th November 2021 the Management Board of Apator S.A. took the decision on payment of advance payment towards expected dividend from the profit in 2021 in gross amount of PLN 0.30 per share. 32,744,028 series A registered shares and series A, B and C bearer shares were entitled to the advance payment. 33,200 bearer shares acquired by the Company under the share buy-back program adopted at the General Meeting on 29 June 2021 did not participate in the advance payment.

The right to payment of advance payment towards the dividend from the profit for financial year 2021 obtained the shareholders holding the shares of Apator S.A. on 17th January 2022, but the payment was made on the 24th January 2022.

8.18. Undistributed financial result

Specification of retained earnings is included in the following table.

| SPECIFICATION | as of | |
|--|------------|------------|
| | 31.12.2021 | 31.12.2020 |
| Undistributed financial result | (7 019) | (7 285) |
| - <i>undistributed result from previous years</i> | (69 220) | (54 383) |
| - <i>result of the current period</i> | 62 201 | 60 234 |
| - <i>write-offs from the current year's result</i> | - | (13 136) |

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 59 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

8.19. Non-controlling interest

On 26th August 2021 Apator S.A. concluded contracts with four natural persons - partners of Apator Telemetry Sp. z o.o., whereby the Company acquired 512 shares for the total amount of PLN 12.1 million. The shares are 20.80% of share capital of Apator Telemetry sp. z o. o. and they entitle to make 20.80% of total number of votes. The payment for the shares was divided into two parts. The amount of PLN 7.1 million was paid upon execution of the agreement, while the remaining amount was paid in January 2022.

Information on non-controlling interests is presented in the table below.

| NAME OF SUBSIDIARY | as of | |
|--|--------------|--------------|
| | 31.12.2021 | 31.12.2020 |
| Apator Telemetry Sp. z o. o. | 3 930 | 7 485 |
| Total non-controlling interests | 3 930 | 7 485 |

| Specification | as of | |
|---|--------------|--------------|
| | 31.12.2021 | 31.12.2020 |
| Financial result attributable to non-controlling interests, including: | | |
| Apator Telemetry Sp. z o. o. | 1 135 | 2 003 |
| Total | 1 135 | 2 003 |
| Dividends | | |
| Apator Telemetry Sp. z o. o. | (573) | (573) |
| Total | (573) | (573) |
| Ownership interests / voting rights held by non-controlling interests | | |
| Apator Telemetry Sp. z o. o. | 17.4% | 38.2% |

8.20. Credits and loans

Information on loans and borrowings is presented below.

| SPECIFICATION | as of | |
|--|----------------|----------------|
| | 31.12.2021 | 31.12.2020 |
| Long-term loans and borrowings | 35 980 | 4 183 |
| payable over 1 to 2 years | 8 600 | 4 183 |
| payable over 2 to 5 years | 16 800 | - |
| payable over 5 years | 10 580 | - |
| Short-term loans and borrowings | 175 448 | 125 218 |
| Total loans and borrowings, including | 211 428 | 129 401 |
| - from other entities | 211 428 | 129 401 |

Parent Company Apator S.A.

At 31st December 2021 Apator S.A. had the debt due to loans in total amount of PLN 105.691 thousand (at 31st December 2020 50.742 000 PLN). The terms and conditions of the loan agreements are set out below.

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 60 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

Loan (1)

| | |
|--|--|
| Bank name | ING Bank Śląski SA |
| Date of contract and any addenda to the contract | June 22, 2016, Amendment No. 10 dated June 30, 2021 |
| Amount of loan granted | Limit up to PLN 110,000 thousand ¹ - this limit may be used in the form of working capital loans, bank guarantees and letters of credit. |
| Loan repayment date | 21 September 2022 |
| Type of security | Contractual mortgage on the property of Apator S.A. in Ostaszewo up to the amount PLN 35.9 million Registered pledge on inventories worth PLN 45.8 million, Registered pledge on fixed assets of PLN 17.3 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 kept in ING Bank Śląski, Blank promissory note together with a promissory note declaration. |
| Interest rate | WIBOR 1M + margin on an annual basis |

Loan (2)

| | |
|--|---|
| Bank name | CITI Bank Handlowy SA |
| Date of contract and any addenda to the contract | January 13, 2017, last addendum dated March 9, 2021 |
| Amount of loan granted | PLN 10 000 thousand |
| Loan repayment date | 25 March 2022 year |
| Type of security | Registered pledge on fixed assets of PLN 8.3 million, Registered pledge on receivables of Apator S.A. due to the contract of bank account in CITI Bank Handlowy S.A., Assignment of rights under the property insurance policy against all risks. |
| Interest rate | WIBOR 3M + margin on an annual basis |

Loan (3)

| | |
|--|---|
| Bank name | CITI Bank Handlowy SA. |
| Date of contract and any addenda to the contract | August 13, 2021, last addendum dated August 27, 2021 |
| Amount of loan granted | 13.000 000 PLN - long-term credit for purchase of shares in Apator Telemetria Sp. z o.o. |
| Loan repayment date | 9 August 2024 |
| Type of security | Registered pledge on the acquired shares with a value of PLN 12.1 million and on fixed assets with a value of PLN 2.8 million, Assignment of rights under the property insurance policy against all risks, Statement on submission to execution up to the amount of PLN 15.6 million. |
| Interest rate | WIBOR 3M + margin on an annual basis |

¹Maximum limit for Apator Group in total cannot exceed PLN 180.000 thousand

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 61 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

Apator Group Metrix S.A.

As at 31 December 2021, the Company had credit debt of PLN 44,305 thousand. (as at 31 December 2020 - PLN 34,061 thousand), under the credit agreements whose terms are presented below:

Loan (4) – Apator Metrix

| | |
|--|---|
| Bank name | Bank Millenium SA |
| Date of contract and any addenda to the contract | February 23, 2015, addendum dated September 21, 2017 |
| Amount of loan granted | PLN 22 145 thousand - investment loan for the acquisition of GWI |
| Loan repayment date | 31 December 2022 |
| Type of security | Mortgage on real estate up to PLN 23.3 million, Transfer of fixed assets up to not less than PLN 2.4 million, Statement on submission to execution up to the amount of PLN 31.7 million. Assignment of rights under the property insurance policy against all risks, Lien on bank accounts, |
| Interest rate | WIBOR 3M + margin on an annual basis |

Loan (5) – Apator Metrix

| | |
|--|---|
| Bank name | ING Bank Śląski SA |
| Date of contract and any addenda to the contract | June 22, 2016, Amendment No. 10 dated June 30, 2021 |
| Amount of loan granted | Limit up to PLN 30,000 thousand- this limit may be used in the form of working capital loans, bank guarantees and letters of credit. |
| Loan repayment date | 21 September 2022 |
| Type of security | Registered pledge on fixed assets of PLN 0.4 million, Assignment of rights under the property insurance policy against all risks, Registered pledge on receivables under bank account agreement with ING Bank Śląski, Blank promissory note together with a promissory note declaration. |
| Interest rate | WIBOR 1M + margin on an annual basis |

Loan (6) – GWI

| | |
|--|--|
| Bank name | CITI Londyn |
| Date of contract and any addenda to the contract | 28 September 2017 |
| Amount of loan granted | Limit to GBP 4,000 thousand |
| Loan repayment date | Rolled annually |
| Type of security | Surety of Apator Metrix S.A. in the form of bank guarantee |
| Interest rate | LIBOR + margin on an annual basis |

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 62 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

Aparator Group Powogaz

As at 31 December 2021, the Group had debt under credit agreements in the amount of 24,978 thousand PLN (as at 31 December 2020 - 33,822 thousand PLN):

Loan (7) – Apator Powogaz S.A.

| | |
|--|---|
| Bank name | ING Bank Śląski SA |
| Date of contract and any addenda to the contract | June 22, 2016, Amendment No. 10 dated June 30, 2021 |
| Amount of loan granted | Limit up to PLN 40,000 thousand - this limit may be used in the form of working capital loans, bank guarantees, letters of credit and discount transactions in the form of supplier financing, |
| Loan repayment date | 21 September 2022 |
| Type of security | Registered pledge on inventories worth PLN 34.9 million, Registered pledge on fixed assets of PLN 4.4 million, Assignment of rights under the property insurance policy against all risks, Registered pledge on receivables under bank account agreement with ING Bank Śląski, Blank promissory note together with a promissory note declaration. |
| Interest rate | WIBOR 1M + margin on an annual basis |

Loan (8) – Apator Powogaz S.A.

| | |
|--|--|
| Bank name | mBank S.A. |
| Date of contract and any addenda to the contract | August 6, 2018., addendum of August 2, 2021 |
| Amount of loan granted | PLN 10.000 thousand - overdraft in the current account |
| Loan repayment date | 11 August 2022 |
| Type of security | Blank promissory note together with a promissory note declaration. |
| Interest rate | WIBOR ON + margin on an annual basis |

Loan (9) – Apator Powogaz S.A.

| | |
|--|---|
| Bank name | PKO BP S.A. |
| Date of contract and any addenda to the contract | 4 December 2020 |
| Amount of loan granted | PLN 39,100 thousand with the possibility of increasing to PLN 41,000 thousand |
| Loan repayment date | July 31, 2022 through December 4, 2030 |
| Type of security | Registered pledge on 3.6 million bearer shares of Apator S.A. being in possession of Apator Mining Sp. z o.o. up to the highest security amount of 61.5 million PLN with blocking of shares of total value not less than 120% of value of the future property (pledge kept till the day of establishing the contractual mortgage), Obligation of Apator S.A. to grant the guarantee in case of infringement of conditions of the contract by Apator Powogaz S.A. |

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 63 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

Loan (9) – Apator Powogaz S.A.

| | |
|---------------|---|
| | Blank promissory note together with a promissory note declaration. |
| Interest rate | up to PLN 39,100 thousand - fixed interest rate of 1.3% p.a. + margin per annum, above the amount of PLN 39,100 thousand (maximum up to PLN 41,000 thousand) - WIBOR 1M + margin per annum |

Loan (10) – Apator Telemetry
Sp. z o.o.

| | |
|--|---|
| Bank name | ING Bank Śląski SA |
| Date of contract and any addenda to the contract | June 22, 2016, Amendment No. 10 dated June 30, 2021 |
| Amount of loan granted | Limit up to PLN 6,000 thousand- this limit may be used in the form of working capital loans, bank guarantees and letters of credit. |
| Loan repayment date | 21 September 2022 |
| Type of security | Registered pledge on inventories worth PLN 4.5 million, Assignment of rights under the property insurance policy against all risks, Registered pledge on receivables under bank account agreement with ING Bank Śląski, Blank promissory note together with a promissory note declaration. |
| Interest rate | WIBOR 1M + margin on an annual basis |

Loan (11) – Apator Metra s.r.o.

| | |
|--|---|
| Bank name | Raiffeisen Bank a.s. |
| Date of contract and any addenda to the contract | December 23, 2008, last addendum dated April 2, 2020 |
| Amount of loan granted | Limit up to CZK 30,000 thousand - overdraft facility |
| Loan repayment date | Contract for an indefinite period of time |
| Type of security | Mortgage on real estate with a value of CZK 50 million Assignment of rights under the property insurance policy against all risks. |
| Interest rate | PRIBOR 1D + margin on an annual basis |

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 64 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

Dependant entity of Apator Rector Sp. z o.o.

As at 31 December 2021, the Company had credit debt of PLN 10,388 thousand. (as at 31 December 2020 - PLN 10,775 thousand), under the loan agreement, the terms of which are presented below:

Loan (12)

| | |
|--|---|
| Bank name | ING Bank Śląski SA |
| Date of contract and any addenda to the contract | June 22, 2016, Amendment No. 10 dated June 30, 2021 |
| Amount of loan granted | Limit up to PLN 13,000 thousand- this limit may be used in the form of working capital loans, bank guarantees and letters of credit. |
| Loan repayment date | 21 September 2022 |
| Type of security | Registered pledge on receivables under bank account agreement with ING Bank Śląski, Blank promissory note together with a promissory note declaration. |
| Interest rate | WIBOR 1M + margin on an annual basis |

Dependant entity of Apator Elkomtech S.A.

As of December 31, 2021, the Company had loan indebtedness of \$4,563 thousand (no loan indebtedness as of December 31, 2020) under a loan agreement, the terms of which are set forth below:

Loan (13)

| | |
|--|---|
| Bank name | ING Bank Śląski SA |
| Date of contract and any addenda to the contract | June 22, 2016, Amendment No. 10 dated June 30, 2021 |
| Amount of loan granted | Limit up to PLN 8,000 thousand- this limit may be used in the form of working capital loans, bank guarantees and letters of credit |
| Loan repayment date | 21 September 2022 |
| Type of security | Registered pledge on inventories worth PLN 12.2 million, Registered pledge on fixed assets of PLN 0.1 million, Assignment of rights under the property insurance policy against all risks, Registered pledge on receivables under bank account agreement with ING Bank Śląski, Blank promissory note together with a promissory note declaration. |
| Interest rate | WIBOR 1M + margin on an annual basis |

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 65 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

Dependant entity of FAP Pafal S.A.

As at 31 December 2021 (as at 31 December 2020), the Company did not have any debt on account of the loans.

Loan (14)

| | |
|--|---|
| Bank name | ING Bank Śląski SA |
| Date of contract and any addenda to the contract | June 22, 2016, Amendment No. 10 dated June 30, 2021 |
| Amount of loan granted | Limit up to PLN 8,000 thousand- this limit may be used in the form of working capital loans, bank guarantees and letters of credit |
| Loan repayment date | 21 September 2022 |
| Type of security | Registered pledge on inventories worth PLN 5 million, Assignment of rights under the property insurance policy against all risks, Registered pledge on receivables under bank account agreement with ING Bank Śląski, Blank promissory note together with a promissory note declaration. |
| Interest rate | WIBOR 1M + margin on an annual basis |

In the reporting period the companies of Apator Group fulfilled their obligations resulting from concluded loan agreements.

The table below presents liabilities due to loans.

| SPECIFICATION | LIABILITIES | COSTS | LIABILITIES | COSTS |
|---------------|----------------|-----------------|----------------|-----------------|
| | as of | from | as of | from 01.01.2020 |
| | 31.12.2021 | till 31.12.2021 | 31.12.2020 | till 31.12.2020 |
| Loans | 211 428 | 2 087 | 129 401 | 1 726 |
| Total | 211 428 | 2 087 | 129 401 | 1 726 |

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 66 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

8.21. Provisions for liabilities

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

| SPECIFICATION | RESERVES / LIABILITIES | | | OTHER PROVISIONS | | TOTAL |
|--|--|---------------|---------------|------------------|--------------|-----------------|
| | RETIREMENT SEVERANCE PAY, JUBILEE AWARDS | BONUSES | ANNUAL LEAVES | GUARANTEES | OTHER | |
| Provisions as at 01.01.2020 | 9 570 | 7 513 | 4 771 | 17 695 | 1 948 | 41 497 |
| Increase - creation of a provision charged to the current result | 994 | 13 480 | 178 | 4 653 | - | 19 305 |
| Decrease - write-off in revenues / decrease in costs due to unused amounts | - | - | - | - | (796) | (796) |
| Use of the provision - settlement of costs | (963) | (9 714) | (280) | (6 512) | (42) | (17 511) |
| Revaluation of provisions recognised in other comprehensive income | (21) | - | - | - | - | (21) |
| Net exchange differences translated from financial statement to currency presented | - | 11 | 10 | 16 | - | 37 |
| Value of provisions as at 31.12.2020, including: | 9 580 | 11 290 | 4 679 | 15 852 | 1 110 | 42 511 |
| - long term provisions | 8 354 | - | - | 997 | - | 9 351 |
| - short-term provisions | 1 226 | 11 290 | 4 679 | 14 855 | 1 110 | 33 160 |
| Provisions as at 01.01.2021 | 9 580 | 11 290 | 4 679 | 15 852 | 1 110 | 42 511 |
| Increase - creation of a provision charged to the current result | - | 13 275 | 1 448 | 6 126 | 330 | 21 179 |
| Decrease - write-off in revenues / decrease in costs due to unused amounts | (605) | - | - | - | - | (605) |
| Use of the provision - settlement of costs | (536) | (13 089) | (1 025) | (10 715) | (296) | (25 661) |
| Revaluation of provisions recognised in other comprehensive income | (208) | - | - | - | - | (208) |
| Net exchange differences translated from financial statement to currency presented | - | 11 | 15 | 22 | - | 48 |
| Value of provisions as at 31.12.2021, including: | 8 231 | 11 487 | 5 117 | 11 285 | 1 144 | 37 264 |
| - long term provisions | 7 227 | - | - | 702 | - | 7 929 |
| - short-term provisions | 1 004 | 11 487 | 5 117 | 10 583 | 1 144 | 29 335 |

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 67 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

Employee benefits - actuarial assumptions

Main actuarial assumptions adopted as at the reporting date (expressed as weighted average values):

| | | |
|--|-------|------|
| Discount rate as at 31 December 2021 | 2.0% | |
| Rate of increase in salaries | | 2.8% |
| Future increase in the revaluation ratio of the basis for calculating jubilee awards | 0% | |
| Number of employees | 1.960 | |

Assumptions regarding future mortality and invalidity shall be based on published statistics and mortality tables.

Mobility parameters were also used:

| | |
|-----------------------------------|----|
| For persons up to 40 years of age | 5% |
| For persons aged 41 to 45 years | 4% |
| For persons aged 46 to 50 years | 3% |
| For persons above 50 years of age | 1% |

Retirement benefits and jubilees

In accordance with the remuneration regulations, the Group creates provisions for employee benefits, which are calculated by an independent actuary - Biuro Usług Aktuarialnych Michał Stańczuk.

Staff members in receipt of an invalidity or retirement pension shall be entitled to a single severance grant in the amount regulated by the Collective Labour Agreement. Employees who have not worked the minimum period of time required to obtain the severance pay in accordance with the AGA, are entitled to a severance pay of one month's salary.

However, jubilee bonuses are paid to employees who have worked for at least 25 years, with the minimum remuneration set forth in the collective bargaining agreement (ZUZP) as the basis for assessment for the period before taking up employment with the Group, and the basic remuneration for the period of employment with the Group. The above rules apply to employees employed on 01.04.2017. Employees who did not remain in employment on that day are not entitled to a jubilee award and a severance pay regulated in the collective bargaining agreement (ZUZP).

Bonuses

The Group creates provisions for benefits due to bonuses granted to the Group's employees on the basis of provisions in the remuneration regulations.

Guarantees

The provision for warranty repairs is mainly related to the sale of equipment manufactured by the Group in the reporting periods ending on 31 December 2019, 31 December 2020 and 31 December 2021. This provision is estimated on the basis of historical data on the proportion of defective products in the revenue from the sale of these products and based on actually reported complaints about completed contracts. The provision for warranty repairs is created as a special cost related to the production of the product.

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 68 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

8.22. Liabilities

| SPECIFICATION | as of | |
|---|----------------|----------------|
| | 31.12.2021 | 31.12.2020 |
| Long-term liabilities | 23 160 | 25 771 |
| Derivatives payables | 3 513 | 988 |
| Other liabilities | 5 | 1 117 |
| Contractual liabilities | - | 976 |
| Long-term liabilities due to the right to use assets under lease | 19 642 | 22 690 |
| Short-term liabilities, including: | 171 678 | 152 541 |
| Commercial liabilities | 95 974 | 74 006 |
| Current liabilities | 84 731 | 63 193 |
| Overdue liabilities | 11 243 | 10 813 |
| Corporate income tax liabilities | 12 589 | 5 392 |
| Liabilities due to other taxes, customs duties and social security | 14 646 | 15 910 |
| Other short-term liabilities | 38 519 | 46 123 |
| Payroll liabilities | 6 373 | 7 266 |
| Derivatives payables | 2 158 | 3 519 |
| Investment liabilities | 2 986 | 11 248 |
| Liabilities due to purchase of shares and stocks | 5 109 | - |
| Prepayments - advances received for deliveries | 631 | 9 561 |
| Payments and accrued income | 4 432 | 2 808 |
| Factoring | 14 549 | 8 517 |
| Other liabilities | 2 281 | 3 204 |
| Contractual liabilities | 976 | 977 |
| Short-term liabilities due to the right to use assets under lease | 8 974 | 10 133 |
| Total liabilities, including: | 194 838 | 178 312 |
| - towards affiliated entities | 611 | 142 |
| - towards other entities | 194 227 | 178 170 |

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 69 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

8.23. Income tax

The specificity of income tax for the reporting period is presented in the table below.

| SPECIFICATION | in the period | |
|---|-----------------|-----------------|
| | from 01.01.2021 | from 01.01.2020 |
| | till 31.12.2021 | till 31.12.2020 |
| Profit and loss statement | | |
| Current income tax | 24 929 | 15 479 |
| Current income tax expense | 25 878 | 14 760 |
| Adjustments concerning current tax from previous years (continued operations) | (949) | 719 |
| Deferred income tax | (3 021) | 4 201 |
| Related to the creation and reversal of temporary differences | (3 021) | 513 |
| Utilization of tax relief for activities in SEZ | - | 3 688 |
| Tax burden shown in the condensed consolidated statement of comprehensive income | 21 908 | 19 680 |
| Other comprehensive income | | |
| Deferred income tax | 212 | (1 422) |
| Deferred net income tax on cash flow hedges settled during the financial year | 171 | (1 427) |
| Deferred income tax on revaluation of actuarial reserve | 41 | 5 |
| Tax advantage (burden) disclosed in the equity capital | 212 | (1 422) |

| SPECIFICATION | Assets | | Provisions | |
|--|---------------|---------------|---------------|---------------|
| | 31.12.2021 | 31.12.2020 | 31.12.2021 | 31.12.2020 |
| Tangible fixed assets | 2 413 | 2 313 | 11 116 | 14 777 |
| Financial assets | - | - | 1 482 | 1 435 |
| Derivative instruments | 1 140 | 1 347 | 214 | 948 |
| Stocks | 3 359 | 3 439 | - | - |
| Liabilities arising from employee benefits | 4 783 | 4 888 | - | - |
| Provisions | 3 119 | 3 626 | - | - |
| Write-downs on receivables | 725 | 715 | - | - |
| Tax loss | 11 001 | 11 199 | - | - |
| Tax relief to be accounted for in future periods | 10 517 | 10 517 | - | - |
| Other | 3 093 | 3 117 | 515 | 576 |
| Total | 40 150 | 41 161 | 13 327 | 17 736 |
| Netting of assets and reserves | (8 895) | (10 585) | (8 895) | (10 585) |
| Deferred tax assets/provisions disclosed in the condensed statement of financial position | 31 255 | 30 576 | 4 432 | 7 151 |

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 31 December 2021 amounts to PLN 10,517 thousand).

Total value of tax losses for which the asset was not established in Grupa was PLN 39.1 million at 31st December 2021 (Apator S.A. – PLN 28.2 million, Apator Rector Sp. z o.o. - PLN 3.4 million, GWI Industries Ltd. – PLN 7.5 million).

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 70 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

The effective tax rate is presented in the table below.

| SPECIFICATION | in the period | |
|---|-----------------|-----------------|
| | from 01.01.2021 | from 01.01.2020 |
| | till 31.12.2021 | till 31.12.2020 |
| Tax base | 85 244 | 81 917 |
| Income tax calculated at the applicable rate | 16 540 | 15 302 |
| Adjustments: | 5 368 | 4 378 |
| Tax on income exempt from taxation (fixed differences) | (214) | (870) |
| Unrecognized loss asset | 5 361 | - |
| Tax on non-deductible costs (fixed differences) | 519 | 3 432 |
| Tax on internal transactions in the group (fixed differences) | 590 | 1 252 |
| Tax on items not included in financial result of the period | (72) | (240) |
| Adjustment of tax losses from previous years | (324) | 1 193 |
| Other tax additions | 50 | - |
| Other tax deductions | (542) | (389) |
| Income tax | 21 908 | 19 680 |
| Effective tax rate | 25.70% | 24.02% |

The maximum estimated value of the asset resulting from the relief related to the operations conducted within the territory of the PSSE is PLN 23,564 thousand.

8.24. Generic costs

| SPECIFICATION | for period | |
|----------------------------------|-----------------|-----------------|
| | from 01.01.2021 | from 01.01.2020 |
| | till 31.12.2021 | till 31.12.2020 |
| Depreciation | 55 772 | 52 509 |
| Materials and energy consumption | 442 899 | 427 993 |
| External services | 125 691 | 101 574 |
| Employee benefits | 228 783 | 214 155 |
| Other costs | 25 437 | 19 464 |
| Total | 878 582 | 815 695 |

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 71 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

8.25. Other operating income and costs

| SPECIFICATION | in the period | |
|--|-----------------|-----------------|
| | from 01.01.2021 | from 01.01.2020 |
| | till 31.12.2021 | till 31.12.2020 |
| Operating revenue | 46 032 | 13 270 |
| Result on sale of property, plant and equipment | 37 007 | 1 998 |
| Valuation of investment property | 257 | - |
| Reversal of revaluation write-downs on property, plant and equipment | - | 2 363 |
| Release of revaluation write-downs on receivables | 2 203 | - |
| Reversal of provisions for future liabilities | 719 | - |
| Inventory surpluses | 323 | - |
| Compensations received for property, plant and equipment | 211 | 422 |
| Compensations and contractual penalties received | 3 510 | 1 491 |
| Donations received | 37 | 217 |
| Subsidies | 1 074 | 5 671 |
| Other revenues | 691 | 1 108 |
| Operating expenses | (1 607) | (7 269) |
| Cost of liquidated property, plant and equipment | (120) | (316) |
| Cost of liquidated intangible assets | - | (206) |
| Valuation of investment property | - | (81) |
| Creation of revaluation write-offs on receivables | - | (2 568) |
| Creation of a reserve for liabilities | - | (1 471) |
| Inventory shortages | - | (234) |
| Random losses and other damage to assets | (429) | (277) |
| Discontinued investments | (18) | (1 266) |
| Donations made | (62) | (286) |
| Penalties, fines, damages paid | (665) | (216) |
| Other costs | (313) | (348) |
| Net operating income | 44 425 | 6 001 |

Subsidies represent salary subsidies received by the Group for employees not covered by either downtime or reduced hours following the occurrence of COVID-19.

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 72 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

8.26. Financial revenue and costs

Financial income and expenses are presented in the table below.

| SPECIFICATION | in the period | |
|--|-----------------|-----------------|
| | from 01.01.2021 | from 01.01.2020 |
| | till 31.12.2021 | till 31.12.2020 |
| Financial revenue | 1 307 | 8 080 |
| Interest on bank accounts | 15 | 31 |
| Interest on receivables | 151 | 234 |
| Other interest | 11 | 38 |
| Positive exchange rate differences | - | 3 388 |
| Revenue from foreign exchange transactions (including derivative instruments) | - | 3 195 |
| Decrease in receivables discount | 359 | 378 |
| Guarantees and warranties given | 501 | 97 |
| Other revenues | 270 | 719 |
| Financial costs | (10 864) | (4 754) |
| Interest on loans and borrowings | (1 906) | (1 548) |
| Interest payable to the budget | (6) | (36) |
| Interest from liabilities | (23) | (19) |
| Interest on lease liabilities | (650) | (860) |
| Other interest | (342) | (397) |
| Sale of shares and stocks according to purchase price | - | (537) |
| Negative exchange rate differences | (3 485) | - |
| Costs on account of foreign exchange transactions (including derivative instruments) | (2 972) | - |
| Creation of revaluation write-offs on receivables | (24) | (54) |
| Commissions on loans and borrowings | (196) | (178) |
| Decrease in the discount on liabilities | (131) | (299) |
| Bank guarantees and commissions (except credit commissions) | (1 000) | (443) |
| Other costs | (129) | (383) |
| Net financial income (expenses) | (9 557) | 3 326 |

8.27. Explanations concerning the cash flow statement

Apator Group SA prepares the statement of 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 statement of financial position and the changes in these items disclosed in the statement of cash flows.

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 73 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | 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 01.01.2021 | from 01.01.2020 |
| | till 31.12.2021 | till 31.12.2020 |
| Change in receivables | | |
| Change in long-term receivables | 1 348 | 1 550 |
| Change in trade receivables | 1 376 | 13 205 |
| Change in the balance of corporate income tax receivables | 3 151 | (1 967) |
| Change in other taxes, customs duties and social security receivables | (2 460) | 4 107 |
| Change in other receivables | (20 085) | 2 579 |
| Adjustment for income tax receivables | (3 151) | 1 967 |
| Adjustment for investment receivables | 21 353 | (2 369) |
| Other changes | 20 | - |
| Change in the balance as disclosed in the statement of cash flows | 1 552 | 19 072 |
| Change in liabilities | | |
| Change in long-term liabilities | 1 413 | (601) |
| Change in long-term contractual liabilities | (976) | (978) |
| Change in long-term liabilities due to the right to use assets under lease | (3 048) | 1 578 |
| Change in trade liabilities | 21 968 | (12 648) |
| Change in short-term contractual liabilities | (1) | (10 796) |
| Change in liabilities due to corporate income tax | 7 197 | 1 645 |
| Change in liabilities due to other taxes, customs duties and social security | (1 264) | (1 014) |
| Change in other liabilities | (7 603) | 8 740 |
| Change in short-term liabilities due to the right to use assets under lease | (1 159) | 1 297 |
| Adjustment for liabilities due to purchase of shares | (5 109) | - |
| Adjustment for lease liabilities | 4 207 | (2 875) |
| Adjustment for derivative liabilities | (1 164) | (4 050) |
| Adjustment for income tax liabilities | (7 197) | (1 645) |
| Adjustment for investment liabilities | 7 449 | 3 092 |
| Deposit on sale of fixed assets | 11 494 | - |
| Other changes | (962) | (3 185) |
| Change in the balance as disclosed in the statement of cash flows | 25 245 | (21 440) |
| Changes in provisions | | |
| Change in long-term provisions for employee benefits | (1 127) | 243 |
| Change in other long-term provisions | (295) | 4 |
| Change in short-term provisions for employee benefits | 413 | 3 452 |
| Change in other short-term provisions | (4 238) | (2 685) |
| Other changes | (1 816) | (163) |
| Change in the balance as disclosed in the statement of cash flows | (7 063) | 851 |
| Changes in prepayments and accruals | | |
| Change in long-term prepayments and accruals | (18) | (50) |
| Change in short-term prepayments and accruals | (1 521) | 384 |
| Change in prepayments and accrued income | (90) | 334 |
| Other changes | - | 96 |
| Change in the balance as disclosed in the statement of cash flows | (1 629) | 764 |

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 74 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | 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 01.01.2021 | from 01.01.2020 |
| | till 31.12.2021 | till 31.12.2020 |
| Other cash flow adjustments from operating activities | | |
| Liquidation of property, plant and equipment and intangible assets | 119 | 333 |
| Discontinued investments | 9 | 847 |
| (Profit) loss on settlement of derivative instruments | 30 | (1 240) |
| Write-downs on the value of shares | (1) | (538) |
| Commissions and fees on credits and loans | 178 | 199 |
| Unrealised inventory margin in associated companies | 230 | (79) |
| Foreign exchange gains/losses on consolidation | 2 020 | 2 142 |
| Other | (396) | (64) |
| Total | 2 189 | 1 600 |

| SPECIFICATION | in the period | |
|---|-----------------|-----------------|
| | from 01.01.2021 | from 01.01.2020 |
| | till 31.12.2021 | till 31.12.2020 |
| Proceeds from sales of fixed assets | | |
| Revenue from disposals of fixed assets | 65 537 | 12 133 |
| Change in net receivables due to sales of fixed assets | (21 353) | 2 369 |
| Costs incurred in the sale of fixed assets | - | (58) |
| Settlement of the deposit for the sale of tangible fixed assets | (9 000) | - |
| Other | 8 | - |
| Total | 35 192 | 14 444 |

| SPECIFICATION | in the period | |
|---|-----------------|-----------------|
| | from 01.01.2021 | from 01.01.2020 |
| | till 31.12.2021 | till 31.12.2020 |
| Expenditures for the acquisition of property, plant and equipment and lease assets | | |
| Purchase of property, plant and equipment | (72 840) | (64 368) |
| Change in inventories due to own works (internal projects) | (262) | (916) |
| Advances for property, plant and equipment settled with the opening balance sheet | 23 | 2 542 |
| Purchase of lease | 7 731 | 14 683 |
| Change in net investment liabilities | (3 908) | 145 |
| Other | 270 | (3 115) |
| Total | (68 986) | (51 029) |

| SPECIFICATION | in the period | |
|---|-----------------|-----------------|
| | from 01.01.2021 | from 01.01.2020 |
| | till 31.12.2021 | till 31.12.2020 |
| Expenses related to acquisition of intangible assets | | |
| Purchase of intangible assets | (4 368) | (6 123) |
| Change in the state of development work under construction | (14 553) | (12 518) |
| Advances for intangible assets settled with the opening balance | (4) | - |
| Change in net investment liabilities | (3 541) | (3 236) |
| Other | (465) | (270) |
| Total | (22 931) | (22 147) |

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 75 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | 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 01.01.2021 | from 01.01.2020 |
| | till 31.12.2021 | till 31.12.2020 |
| Other inflows (outflows) from investing activities | | |
| Advances on property, plant and equipment under construction | (783) | (18) |
| Advances for intangible assets | (2 956) | - |
| Revenue and expenditure relating to forward contracts and options | (30) | 1 240 |
| Other | (7) | (923) |
| Total | (3 776) | 299 |
| Other inflows (expenses) from financial activities | | |
| Leasing interest | (380) | (536) |
| Commissions and fees on credits and loans | (191) | (159) |
| Other | (6) | 76 |
| Total | (577) | (619) |

| SPECIFICATION | in the period | |
|--|-----------------|-----------------|
| | from 01.01.2021 | from 01.01.2020 |
| | till 31.12.2021 | till 31.12.2020 |
| Cash inflows / outflows from loans and borrowings | | |
| balance sheet change in long-term loans | 31 797 | (11 712) |
| balance sheet change in short-term loans | 50 230 | (14 043) |
| Other | (1 194) | (325) |
| Total | 80 833 | (26 080) |

8.28. Financial instruments

Under IFRS 9, the Group classifies financial instruments into the following categories:

- Financial assets and liabilities at fair value through profit or loss - derivatives,
- Financial assets measured at amortized cost - trade and other receivables, cash and cash equivalents, cash in the VAT account,
- Financial liabilities measured at amortized cost - trade and other payables, debt.

The table below shows the carrying amount of significant groups of financial assets and financial liabilities by category. The carrying amounts of the Company's financial assets and financial liabilities presented in the tables below did not differ materially from their fair values in all periods presented. The principles for determining fair values are described in Note 4.3.8.

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 76 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

| SPECIFICATION | NOTE | Financial assets valued at fair value through financial result | Assets valued at amortized cost | Liabilities at fair value through profit or loss | Liabilities measured at amortized cost | Leasing liabilities | Total |
|---|--------------|--|---------------------------------|--|--|---------------------|----------------|
| Carrying amount as of 31.12.2021 | | | | | | | |
| Derivative instruments | 8.10 | 471 | - | - | - | - | 471 |
| Trade and other receivables | 8.12 | - | 175 274 | - | - | - | 175 274 |
| Cash and cash equivalents | 8.14 | - | 36 832 | - | - | - | 36 832 |
| Cash in the VAT account | 8.14 | - | 556 | - | - | - | 556 |
| Derivatives payables | 8.22 | - | - | 5 671 | - | - | 5 671 |
| Trade and other payables | 8.22 | - | - | - | 121 689 | - | 121 689 |
| Debt | 8.7, 8.20 | - | - | - | 211 428 | 28 616 | 240 044 |
| TOTAL | | 471 | 212 662 | 5 671 | 333 117 | 28 616 | 580 537 |
| Carrying amount as of 31.12.2020 | | | | | | | |
| Derivative instruments | 8.10 | 68 | - | - | - | - | 68 |
| Trade and other receivables | 8.12 | - | 157 907 | - | - | - | 157 907 |
| Cash and cash equivalents | 8.14 | - | 29 251 | - | - | - | 29 251 |
| Cash in the VAT account | 8.14 | - | 779 | - | - | - | 779 |
| Derivatives payables | 8.22 | - | - | 4 507 | - | - | 4 507 |
| Trade and other payables | 8.22 | - | - | - | 112 269 | - | 112 269 |
| Debt | 8.7, 8.20 | - | - | - | 129 401 | 32 823 | 162 224 |
| TOTAL | | 68 | 187 937 | 4 507 | 241 670 | 32 823 | 467 005 |

The following items are presented below: revenues, costs, profits and losses recognised in the financial result by category of financial instruments.

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 77 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

| SPECIFICATION | Financial assets valued at amortized cost | Financial liabilities measured at amortised cost | Financial assets measured at the fair value through the financial result | TOTAL |
|--|---|--|---|----------------|
| Status as of 31.12.2021 | (657) | (4 506) | (4 498) | (9 661) |
| Interest income (expenses) | 169 | (2 926) | - | (2 757) |
| Foreign exchange gains (losses) | (466) | (736) | (2 284) | (3 486) |
| Revenues from exercise of derivative instruments | 9 | - | 1 465 | 1 474 |
| Costs of realisation of derivative instruments | - | (820) | - | (820) |
| Costs on account of derivative instruments valuation | - | - | (3 679) | (3 679) |
| Creation of revaluation write-offs | (529) | (24) | - | (553) |
| Reversal of revaluation write-offs | 108 | - | - | 108 |
| Gains (losses) on spot foreign exchange transactions | 52 | - | - | 52 |
| Status as of 31.12.2020 | 5 441 | (2 434) | 4 958 | 7 965 |
| Interest income (expenses) | 277 | (2 743) | - | (2 466) |
| Foreign exchange gains (losses) | 4 809 | 564 | 1 882 | 7 255 |
| Revenues from exercise of derivative instruments | 342 | - | 3 253 | 3 595 |
| Costs of realisation of derivative instruments | - | (234) | - | (234) |
| Costs on account of derivative instruments valuation | - | - | (177) | (177) |
| Creation of revaluation write-offs | (1 052) | (21) | - | (1 073) |
| Reversal of revaluation write-offs | 1 054 | - | - | 1 054 |
| Gains (losses) on spot foreign exchange transactions | 11 | - | - | 11 |

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

- Level 1 - fair value is based on quoted (unadjusted) prices;
- 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 at 31.12.2021 | | as at 31.12.2020 | |
|--------------------------------------|------------------|----------------|------------------|----------------|
| | Level 1 | Level 2 | Level 1 | Level 2 |
| Derivative instruments (assets) | - | 471 | - | 68 |
| Derivative instruments (liabilities) | - | (5 671) | - | (4 507) |
| Total | - | (5 200) | - | (4 439) |

There were no transfers between levels.

The fair value of the IRS instrument is the difference between the forecasted discounted cash flows of interest at a fixed interest rate and a variable interest rate based on WIBOR 6M.

The Group 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

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 78 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

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.

8.29. Derivative financial instruments, hedge accounting

As at 31 December 2021, the Group applies hedge accounting for cash flows. As of 1 July 2011, the Group designated FX forward derivatives to hedge accounting to hedge against the risk of cash flow volatility on account of future planned cash flows from sales denominated in foreign currencies.

As of 10 July 2015, the Group designated FX forward derivative instruments to hedge against the risk of volatility of cash flows from future planned cash flows from purchases denominated in foreign currencies.

The collaterals of foreign currency inflows are concluded within the time horizon encompassing consecutive 24 months (at the turn of the year the collaterals may refer to three calendar years), and the sum of collaterals for 24 months may not exceed the export plan for the current year.

Hedging of foreign currency outflows is concluded within the time horizon encompassing an incremental period of 12 months, and the level of hedges in the period may not exceed 50% of the annual foreign currency exposure.

The Group hedges its export receipts in excess of its import expenditure (EUR) and its import receipts in excess of its export receipts (USD).

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

| | |
|--|--|
| Type of security | Security for volatility of cash flows due to future cash flows in EUR and USD. |
| 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 | The hedging instrument are FX forward transactions in which the Group undertakes to sell EUR and buy USD for PLN. |
| Hedged risk | The Group 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 (note 8.27). |
| Period during which cash flows are expected to occur | The hedged items are expected to generate cash flows through a maximum of November 17, 2023. |
| Nominal value | EUR 44.364 thousand USD 2.500 thousand |

The Group 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.

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 79 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

The table below presents the fair value of derivatives.

| SPECIFICATION | as of | |
|-------------------------------|--------------|--------------|
| | 31.12.2021 | 31.12.2020 |
| Long-term assets | 247 | - |
| Hedging instruments | 247 | - |
| Short-term assets | 224 | 68 |
| Hedging instruments | 224 | 68 |
| Total assets | 471 | 68 |
| Long-term liabilities | 3 513 | 988 |
| Hedging instruments | 3 513 | 988 |
| Short-term liabilities | 2 158 | 3 519 |
| Hedging instruments | 2 158 | 3 519 |
| Total liabilities | 5 671 | 4 507 |

The table below presents the amounts due to cash flow hedge accounting recognised by the Group in 2021 in profit or loss and in equity:

| SPECIFICATION | as of | |
|--|----------------|----------------|
| | 31.12.2021 | 31.12.2020 |
| Valuation of instruments, including: | (5 200) | (4 439) |
| Capital from valuation of hedging transactions (changes in fair value measurement of hedging derivatives due to hedged risk, corresponding to effective hedging) | (3 441) | (6 357) |
| Financial result of the period (changes in valuation of derivative hedging instruments on account of hedged risk, corresponding to ineffective hedging) | (1 759) | 1 918 |

The table below presents changes in the capital from valuation of hedging transactions due to cash flow hedge accounting in 2021:

| SPECIFICATION | in the period | |
|--|-----------------|-----------------|
| | from 01.01.2021 | from 01.01.2020 |
| | till 31.12.2021 | till 31.12.2020 |
| At the beginning of the period | (6 357) | 3 165 |
| Reversal of valuation from the previous period | 6 357 | (3 165) |
| Valuation at the end of the period | (3 441) | (6 357) |
| Closing balance at the end of period | (3 441) | (6 357) |

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 80 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

8.30. Objectives and principles of financial risk management

Apart from derivatives, the main financial instruments used by the Group include bank loans, including overdrafts. The Group also holds financial assets such as trade receivables and cash and cash equivalents as well as other receivables and loans granted.

The companies of Apator Group conclude transactions with participation of derivatives, which include mainly currency forward contracts. The purpose of these transactions is to manage the currency risk arising in the course of the companies's operations. Contracts for futures contracts are concluded on the basis of forecasts of currency exchange rates, in accordance with the corporate guideline and the resolution of the Management Board of the parent company.

The risk to which the companies of Apator Group are exposed includes market risk (first of all currency risk and to a lesser extent interest rate risk), as well as credit risk and liquidity risk.

Items in currencies have been converted as follows:

- asset - the buying rate of the currency of the lead bank or the bank where the asset is located,
- liabilities - selling rate of the lead bank's currency.

Currency exchange risk

The Group is exposed to currency risk due to commercial transactions. Such a risk arises as a result of sales and purchases made by companies in currencies other than the functional currency. Foreign exchange risk is associated with volatility in the financial market and high variability of exchange rates and foreign exchange differences. A change in exchange rates can permanently affect the competitiveness and market value of a company (it can decide about a significant increase in costs or a decrease in planned income from foreign trade operations). In 2021, the unfavorable trend in the PLN/USD exchange rate affecting the costs of raw materials and consumables continued.

In order to minimize the currency risk, the Group applies natural hedging as well as hedging by means of financial instruments hedging the EUR and USD exchange rates. However, from 2020 onwards, when financial markets were determined by the impact of the COVID-19 pandemic, resulting in high volatility and uncertainty, Apator Group adopts the prudence approach while concluding new forward contracts and applies mainly the natural hedging. The balance of futures contracts as of December 31, 2021 is presented in Note 8.29 and the table below.

The exposure of Apator Group to currency risk is presented in the table below.

| SPECIFICATION | as at 31.12.2021 | | as at 31.12.2020 | |
|--|--|---------------------|--------------------|---------------|
| | in currency | in PLN | in currency | in PLN |
| Items in euro (EUR) | 7 642 | 32 524 | 9 871 | 42 679 |
| Commercial receivables | 10 222 | 45 447 | 11 142 | 49 238 |
| Advance payments made for the purchase of materials and services | 8 | 38 | 18 | 80 |
| Cash | 2 316 | 10 272 | 2 118 | 9 445 |
| Commercial liabilities | (4 836) | (22 914) | (3 403) | (16 065) |
| Advances received for deliveries | (68) | (319) | (4) | (19) |
| US Dollar items (USD) | (1 663) | (7 221) | (23) | (470) |
| Commercial receivables | 347 | 1 353 | 419 | 1 504 |
| Advance payments made for the purchase of materials and services | 636 | 2 542 | 879 | 3 256 |
| Cash | 146 | 572 | 292 | 1 076 |
| Commercial liabilities | (2 792) | (11 688) | (1 552) | (6 078) |
| Advances received for deliveries | - | - | (61) | (228) |
| Items in pounds sterling (GBP) | 969 | 5 106 | 1 038 | 5 096 |
| Commercial receivables | 579 | 3 061 | 228 | 1 117 |
| Name of the Group: | Apator Capital Group | | Page 81 of 92 | |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) | |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | | |

| SPECIFICATION | as at 31.12.2021 | | as at 31.12.2020 | |
|--|------------------|--------------|------------------|--------------|
| | in currency | in PLN | in currency | in PLN |
| Cash | 432 | 2 284 | 810 | 3 979 |
| Commercial liabilities | (42) | (239) | - | - |
| Items in Czech crowns (CZK) | 8 272 | 1 530 | 531 | 93 |
| Commercial receivables | 4 898 | 906 | 3 828 | 671 |
| Advance payments made for the purchase of materials and services | 670 | 124 | - | - |
| Cash | 4 850 | 897 | 95 | 17 |
| Commercial liabilities | (1 902) | (352) | (3 322) | (583) |
| Advances received for deliveries | (244) | (45) | (70) | (12) |
| Positions in Swiss francs (CHF) | 2 | 9 | (24) | (105) |
| Commercial receivables | 2 | 9 | - | - |
| Commercial liabilities | - | - | (24) | (105) |
| Danish crown positions (DKK) | 3 656 | 2 261 | 4 908 | 3 044 |
| Cash | 4 202 | 2 599 | 5 333 | 3 308 |
| Commercial liabilities | (546) | (338) | (425) | (264) |
| Chinese Yuan items (CNY) | 594 | 384 | 92 | 72 |
| Advance payments made for the purchase of materials and services | 638 | 412 | 1 407 | 793 |
| Cash | - | - | 20 | 11 |
| Commercial liabilities | (44) | (28) | (1 335) | (732) |

As of 31st December 2021 Grupa Kapitałowa Apator had forward currency contracts.

| SPECIFICATION | as at 31.12.2021 | |
|--------------------------------------|------------------|---|
| | in currency | in PLN as at the contract conclusion date |
| Cash flow hedging instruments in EUR | (44 364) | (206 037) |
| Cash flow hedging instruments in USD | 2 500 | 9 967 |

According to the adopted guideline "Forward Contracts Regulation", forward contracts and options are used to hedge export receipts exceeding import expenditure and import expenditure exceeding export receipts. In order to conclude futures contracts, the Management Board's consent is required in the form of a resolution in which the maximum value of hedges, determined on the basis of the foreign trade balance plan and the level of hitherto existing hedges, is determined. A complex hedging structure is concluded after obtaining a positive opinion of the Supervisory Board, which takes a decision after the Management Board presents the reasons for the intention to use such a hedge and its potential impact on the financial results.

The table below presents the sensitivity of the gross profit/loss and equity to reasonably possible fluctuations in foreign exchange rates - the Group expects that all currencies may fluctuate by 10% (with no volatility of other parameters).

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 82 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | 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 01.01.2021 to 31.12.2021 | | in the period from 01.01.2020 to 31.12.2020 | |
|------------------|---|---------------------------------|---|---------------------------------|
| | Impact on the gross financial result | Direct impact on equity capital | Impact on the gross financial result | Direct impact on equity capital |
| EUR / PLN | | | | |
| +10% | 3 252 | (20 604) | 4 268 | (14 136) |
| - 10% | (3 252) | 20 604 | (4 268) | 14 136 |
| USD / PLN | | | | |
| +10% | (722) | 997 | (47) | 2 303 |
| - 10% | 722 | (997) | 47 | (2 303) |
| GBP / PLN | | | | |
| +10% | 511 | - | 510 | - |
| - 10% | (511) | - | (510) | - |
| CZK / PLN | | | | |
| +10% | 153 | - | 9 | - |
| - 10% | (153) | - | (9) | - |
| CHF / PLN | | | | |
| +10% | 1 | - | (11) | - |
| - 10% | (1) | - | 11 | - |
| DKK / PLN | | | | |
| +10% | 226 | - | 304 | - |
| - 10% | (226) | - | (304) | - |
| CNY / PLN | | | | |
| +10% | 38 | - | 7 | - |
| - 10% | (38) | - | (7) | - |

Interest rate risk

Due to the liabilities in the form of interest bearing credits according to variable interest rates, Apator Group is exposed to interest rate risk. Financial instruments due to variable interest rate are presented below.

| SPECIFICATION | as of | |
|---|------------------|------------------|
| | 31.12.2021 | 31.12.2020 |
| Financial instruments with fixed interest rates | (31 280) | - |
| Financial liabilities | (31 280) | - |
| Financial instruments with variable interest rates | (184 225) | (142 998) |
| Financial assets | 31 598 | 27 743 |
| Financial liabilities | (215 853) | (170 741) |

The following table shows the sensitivity of gross profit and equity to reasonably possible fluctuations in interest rates. For the purpose of the analysis, it is assumed that the amount of liabilities outstanding at the end of the reporting period was unpaid throughout the year.

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 83 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | 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 01.01.2021 to 31.12.2021 | |
|--------------------|---|------------------|
| | Impact on the gross financial result | Impact on equity |
| WIBOR | | |
| + 250 index points | (4 410) | - |
| - 250 index points | 4 410 | - |
| LIBOR | | |
| + 250 index points | (408) | - |
| - 250 index points | 408 | - |
| EURIBOR | | |
| + 250 index points | 110 | - |
| - 250 index points | (110) | - |
| PRIBOR | | |
| + 250 index points | 80 | - |
| - 250 index points | (80) | - |

Due to the reform and the replacement of various interbank reference rates (IBORs) by others, many of these rates ceased to be published on December 31, 2021, and some will cease to be published through June 30, 2023.

In Apator Group on LIBOR rate is based only one liability in the form of loan in the amount of 4 m GBP, therefore the reform of IBOR system (liquidation of reference rate LIBOR and substitution with SONIA rate) has no material impact on the Group. Effective January 1, 2022, the rates changed as follows:

- current rate - GBP LIBOR 1M, interest rate 2.0000%,
- new rate - SONIA, interest rate 2.0326%.

Credit risk

Credit risk is the risk that a counterparty will default on its obligations arising from with financial instrument or contract that causes the other party to incur a financial loss.

Apator Capital Group is exposed to credit risk resulting from its operating activity, mainly from trade receivables.

In order to limit the risk, the companies of Apator Group conclude transactions only with reputable companies with good creditworthiness. All customers who want to use deferred payment terms are subject to preliminary verification. The companies have a manual for financial control of sales orders. The Group strives to ensure that its cooperation with all its customers is based on commercial agreements. Moreover, due to the ongoing monitoring of receivables, the Group's exposure to the risk of uncollectible receivables is insignificant.

Trade receivables include amounts due from a large number of customers, spread across different industries and geographical areas. There is no counterparty with whom the receivables balance exceeds 10% of the total trade receivables balance.

Credit risk related to cash and derivatives is limited because the counterparties of Apator Group are the banks with high rating granted by international rating agencies.

Liquidity risk

Liquidity of the Group's companies is monitored on a weekly basis, by comparing the net liquidity report (total amount of loans less available funds - cash) of individual companies and on a monthly basis by comparing cash flow of individual companies within a half-year. Comprehensive, aggregate information is reported to the director and board level.

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 84 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

In order to finance their current operations, companies use mainly overdraft facilities.

The table below presents information on contractual maturity dates of liabilities.

| SPECIFICATION | Value at the reporting date | Contractual cash flows | | | | | TOTAL |
|------------------------------------|-----------------------------|------------------------|----------------|--------------------------|---------------|---------------|----------------|
| | | less than 6 months | 6 to 12 months | from 1 year till 2 years | 2 to 5 years | over 5 years | |
| Status as of 31.12.2021 | 364 422 | 238 861 | 66 796 | 19 841 | 24 722 | 19 169 | 369 389 |
| Credits and loans | 211 428 | 113 723 | 61 725 | 9 005 | 18 015 | 8 960 | 211 428 |
| Lease liabilities | 28 616 | 5 254 | 4 091 | 7 322 | 6 707 | 10 209 | 33 583 |
| Payments on account of derivatives | 5 671 | 1 177 | 980 | 3 514 | - | - | 5 671 |
| Commercial liabilities | 95 974 | 95 974 | - | - | - | - | 95 974 |
| Investment liabilities | 2 986 | 2 986 | - | - | - | - | 2 986 |
| Other financial liabilities | 19 747 | 19 747 | - | - | - | - | 19 747 |
| Status as of 31.12.2020 | 258 792 | 181 609 | 49 700 | 13 158 | 7 288 | 13 932 | 265 687 |
| Credits and loans | 129 401 | 82 411 | 42 807 | 4 183 | - | - | 129 401 |
| Lease liabilities | 32 823 | 5 378 | 5 133 | 7 987 | 7 288 | 13 932 | 39 718 |
| Payments on account of derivatives | 4 507 | 2 043 | 1 476 | 988 | - | - | 4 507 |
| Commercial liabilities | 74 006 | 73 722 | 284 | - | - | - | 74 006 |
| Investment liabilities | 9 449 | 9 449 | - | - | - | - | 9 449 |
| Other financial liabilities | 8 606 | 8 606 | - | - | - | - | 8 606 |

Tax risk

Provisions concerning value added tax, corporate income tax, personal income tax or social security contributions are subject to changes, which often results in a lack of reference to established regulations or legal precedents. The current regulations also contain ambiguities, which cause differences of opinion as to the legal interpretation of tax regulations both between state authorities and between state authorities. Tax and other settlements (e.g. customs or foreign exchange settlements) may be subject to control by the authorities, which are entitled to impose significant penalties, and the additional amounts of liabilities determined as a result of the control must be paid together with interest. These phenomena cause that the tax risk in Poland is higher than usual in countries with more developed tax systems.

Delivery of technologically advanced products for the most demanding customers in Poland and abroad of the Republic of Poland is currently an important factor of business development in the group, bringing stable profits, however, due to the scale and pace of development achieved, as well as the fact that the complexity of the subject matter of contracts for the supply of products often requires participation in international consortia, automatically increases the financial risks associated with conducting international activities. One of the risks is the tax risks associated with the flow of goods between companies cooperating in the performance of contracts and from different countries and the accompanying tax interpretations.

Tax settlements may be audited for a period of five years. As a result, the amounts disclosed in the financial statements may be changed at a later date after they are finally determined by the tax authorities. Grupa Kapitałowa Apator is of the opinion that appropriate reserves were created in relation to probable and quantifiable risks of liabilities.

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 85 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

Capital Management

The main objective of capital management of Capital Group Apator is to maintain good credit rating and safe capital ratios that would support operating activity, and investment and would increase its value for shareholders.

8.31. Information on subsidiaries

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

| SPECIFICATION | for period | |
|------------------------------|-----------------|-----------------|
| | from 01.01.2021 | from 01.01.2020 |
| | till 31.12.2021 | till 31.12.2020 |
| Short-term employee benefits | 13 206 | 12 057 |
| Post-employment benefits | 142 | 25 |
| Total | 13 348 | 12 082 |

The Company identified related entities. They were considered as related entities:

a. Subsidiaries

- Apator Mining Sp. z o. o. (Katowice)
- FAP Pafal SA (Świdnica)
- Apator Metrix S.A. (Tczew)
- Apator GmbH (Berlin, Niemcy)
- Apator Rector Sp. z o. o. (Zielona Góra)
- Apator Powogaz S.A. (Poznań)
- Apator Elkomtech S.A. (Łódź)²
- Apator Telemetry Sp. z o. o. (Słupsk) - Dependent on Apator Powogaz S.A. (61.8% share); Apator S.A. has 20,8% shares in Apator Telemetry Sp. z o.o.
- Apator Metra s. r. o. (Supmerk, Czechy) – subsidiary of Apator Powogaz S.A.
- Apator Miitors ApS. (Horsens, Dania) – subsidiary of Apator Powogaz S.A.
- George Wilson Industries Ltd. (Coventry, Wielka Brytania) – subsidiary of Apator Metrix S.A.

b. Associated entities

- Teplovodomer (Mytishi, Russia) - associated entity with Apator Powogaz S.A.
- Inda d.o.o. (Slovenia) - associated entity with George Wilson Industries Ltd.

c. Members of the Supervisory Board

d. Members of key management personnel

e. Close family members of the members of the Supervisory Board and executive officers remaining in the Group in the common household

f. Entities controlled by the persons referred to in points c. and d.

The Management Board of APATOR S.A. stated that the top management of APATOR S.A. consists of the following persons:

² On 3rd January 2022 the incorporation of Apator Elkomtech S.A. into the structure of Apator S.A. took place.

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 86 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

- Arkadiusz Chmielewski - President of the Management Board (from November 25, 2021, Member of the Management Board through November 24, 2021)
- Mirosław Klepacki - President of the Management Board (until November 24, 2021)
- Tomasz Łątka - Management Board Member

Other executives:

- Małgorzata Mazurek – FEO, Proxy
- Krzysztof Malec - Chief Operating Officer, Proxy
- Jolanta Dombrowska - Director of the Management and Corporate Communication, Proxy
- Artur Bratkowski - Director for Apparatus and Measurement Systems, Proxy

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.

| SPECIFICATION | ZAO Teplowodomer | INDA d.o.o. | OTHER RELATED ENTITIES | TOTAL |
|---|---------------------|-------------|------------------------------|---------------|
| <i>Transactions in the period from 01.01.2021 to 31.12.2021 and as of 31.12.2021</i> | | | | |
| Sales of products and services* | 20 475 | - | - | 20 475 |
| Sales of goods and materials | 3 | - | - | 3 |
| Sales transaction costs | 13 014 | - | - | 13 014 |
| Commercial receivables | 4 657 | - | - | 4 657 |
| Purchase of products, services, goods and materials | 53 | 166 | 2 735 | 2 954 |
| Commercial liabilities | - | - | 611 | 611 |
| <i>Transactions in the period from 01.01.2020 to 31.12.2020 and as of 31.12.2020</i> | | | | |
| Sales of products and services* | 17 200 | - | 3 | 17 203 |
| Sales of goods and materials | 36 | - | - | 36 |
| Sales transaction costs | 10 893 | - | 2 | 10 895 |
| Commercial receivables | 4 219 | - | - | 4 219 |
| Purchase of products, services, goods and materials | - | 80 | 2 140 | 2 220 |
| Commercial liabilities | - | - | 142 | 142 |

* including an adjustment for unrealised margin on sales to associates

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 87 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

8.32. Contingent items and other items not recognised in the statement of financial position

As of 31st December 2021 capital group Apator had active guarantees issued by the Company:

1. TU Euler Hermes S.A.:
 - ✓ Under performance bond in the amount of PLN 11,375 thousand up to October 17th year 2023,
 - ✓ For removal of defects and faults in the amount of PLN 4,499 thousand up to June 29, 2029,
 - ✓ From the payment of a deposit of PLN 2,400 thousand, up to April 27, 2022.
2. TU InterRisk S.A.:
 - ✓ Due to performance bond in the amount of PLN 81 thousand until December 31, 2021 at the latest
 - ✓ Under removal of defects and faults in the amount of PLN 86 thousand, up to November 14, 2024.
3. ING Bank Śląski S.A.:
 - ✓ Due to performance bonds in the amount of PLN 5,811 thousand until 27 April at the latest year 2026,
 - ✓ Under removal of defects and faults in the amount of PLN 1,060 thousand up to January 16, 2025,
 - ✓ Due to payment of a deposit of PLN 2,390 thousand, up to February 28, 2022,
 - ✓ Under performance of payments under the contract in the amount of PLN 12,155 thousand, up to May 31, 2024.
 - ✓ Under a letter of credit in the amount of PLN 136 thousand, until September 14, 2023.

In addition, as of December 31, 2021, Group companies were parties to the following intra-group guarantees and sureties:

1. Company Apator S.A.:
 - ✓ guarantee of return of advance payment by Apator Metrix S.A. in the amount of 1.2 m EUR (5.7 m PLN) towards Flonidan A/S with the period of validity till 30th June 2022,
 - ✓ surety of three lease contracts for Apator Rector Sp. z o.o. for the total amount of PLN 0.7 million with the term to 14th December 2024.
2. Subsidiary of Apator Metrix SA:
 - ✓ guarantee for the subsidiary George Wilson Industrial Ltd. (GWi) of GBP 4 million, i.e. PLN 22.6 million, until October 31, 2022, serving as security for the payment of liabilities by GWi under a loan to Citibank N.A.

Additionally, at 31st December 2021 Apator S.A. was the beneficiary of payment guarantee for the amount of 250 000 PLN, issued by Bank Millenium S.A., with the term to 31 August 2022, whereas Apator Powogaz S.A. was the beneficiary of the guarantee of due performance of the contract for the amount of 3,5 M PLN, issued by Santander Bank Polska S.A., with the term to 28 February 2022.

Apart from bills of exchange issued in connection with the Multi-Product Agreement and the General Limit Agreement, as at December 31, 2021 the Group companies were the issuers of 65 blank promissory notes related to the concluded loan agreements, lease agreements, insurance guarantee agreements, factoring agreements and agreements with contractors (due performance of contract).

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 88 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

As the security of the performance of the concluded contracts, at the end of 2021 the companies of Apator Group made the statements on voluntary submission to enforcement to the total amount of PLN 147 million. The statements made correspond to the companies' maximum liability plus bank charges.

8.33. Employment structure

Employment in Apator Group is presented in the table below.

| SPECIFICATION | period | |
|---|-----------------|-----------------|
| | from 01.01.2021 | from 01.01.2020 |
| | till 31.12.2021 | till 31.12.2020 |
| Average employment in full-time jobs for the period | 2 269 | 2 460 |
| Manual workers | 1 342 | 1 469 |
| Intellectual workers | 927 | 991 |
| Employment in full-time equivalents at the end of the period | 2 278 | 2 425 |
| Manual workers | 1 343 | 1 472 |
| Intellectual workers | 935 | 953 |

8.34. The amount of remuneration of the entity authorized to audit financial statements

On 24th July 2021 Apator S.A. signed with PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt sp. k. the contract on audit of abbreviated semi-annual separate financial statements, review of abbreviated semi-annual consolidated financial statements and audit of annual separate and consolidated financial statements for the period 2021-2023.

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

| SPECIFICATION | VALUE | |
|---|------------|------------|
| | year 2021 | year 2020 |
| The audit of the abbreviated separate half-yearly financial statement of Apator S.A./ Review of abbreviated consolidated semi-annual financial statement of Apator Group | 90 | 50 |
| The audit of the annual separate statement of Apator S.A./ the audit of the annual consolidated statement of Apator Group | 130 | 45 |
| Audit of annual separate financial statements of other Group companies | 524 | 435 |
| In total Grupa | 744 | 530 |

Besides the above mentioned remuneration, Apator Group covers also other additional documented costs of the research (among other things travel and accommodation) and costs of attestation service concerning the assessment of the Report on remuneration of the members of the Management Board and the Supervisory Board.

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 89 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

8.35. Transformation of comparative data

In these consolidated financial statements, the Group changed the presentation of comparative data. In connection with the change in accounting policy, effective January 1, 2021, regarding the recognition of inventory write-down costs, inventory scrap costs and employee provision costs, costs were reclassified from other operating activities to cost of core operations/general and administrative expenses (employee benefit provisions) in the comparative period. In Management's opinion, this presentation better reflects the sales gains achieved. This reclassification has no impact on earnings in either period.

Statement of profit or loss and other comprehensive income

| ITEMS OF THE REPORT / CHANGE TITLE | from 01.01.2020 | Effect of change in accounting policy | from 01.01.2020 |
|---------------------------------------|--------------------|---------------------------------------|------------------|
| | till 31.12.2020 | | till 31.12.2020 |
| | untransformed data | | transformed data |
| Cost of goods sold | (695 956) | (9 284) | (705 240) |
| - other entities | (685 061) | (9 284) | (694 345) |
| Gross sales profit | 238 894 | (9 284) | 229 610 |
| General administrative costs | (126 097) | (37) | (126 134) |
| Sales profit | 80 559 | (9 321) | 71 238 |
| Other operating income (costs) | (3 320) | 9 321 | 6 001 |

8.36. COVID-19 impact on Group activities

During 2020 and 2021, the SARS-CoV-2 virus spread worldwide, globally negatively impacting the economy. The effects of the Covid-19 pandemic are felt by most sectors of the economy and they also affect the Apator group.

The Group's Management Board has taken steps to ensure the continuity of production processes and to provide appropriate health and safety measures for employees (including the provision of remote work). Areas that may pose a potential risk to the continuity of supply and the future financial situation (prices and availability of components, ensuring continuity of supply chains) are monitored on an ongoing basis.

The Group companies benefited from subsidies under the anti-crisis shields, the values of which are presented in Note 8.25.

8.37. Events after the balance sheet date

On 3rd January 2022 the District Court in Toruń, VII Economic Department of National Court Register made the entry of merger of Apator S.A. seated in Toruń with subsidiary Apator Elkomtech S.A. seated in Łódź - with effective date on 1st January 2022. The merger was made under art 492 § 1 point 1 of the Polish Commercial Companies Code by transferring all the assets of Apator Elkomtech SA to Apator S.A. On the day of registration of the merger in the register of entrepreneurs of National Court Register, Apator S.A. entered into all rights and obligations of Apator Elkomtech S.A. In spite of the absorption, Elkomtech continues its activity in Apator Group as the center of hardware and software service of the process of automation of power network. Accordingly, the preparation of the Financial Statements in accordance with with the going concern assumption is reasonable.

On 3rd January 2022 Apator S.A. concluded with PZU S.A. General contract for the issue of contract guarantees with the limit up to PLN 10 million and the collateral in form of 3 bills of exchange.

| | | | |
|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 90 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

On 21st January 2022 the company Apator Powogaz S.A. bought 10,1% shares in Apator Telemetry Sp. z o.o. from unrelated parties.

On 16th February 2022 the annex to the Multi-product Agreement (ING) was concluded, under which Apator S.A. received the working capital loan PLN 10 million within the additional sublimit. Repayment will be in 4 monthly installments starting May 31, 2022.

On 16th February 2022 Apator S.A. concluded with KUKE S.A. General contract for granting insurance contract guarantees with the limit up to PLN 10 million and the hedging in form of 5 bills of exchange.

On 24th March 2022 Apator S.A. concluded the annex to the Contract on credit in current account (CITI). Under the annex, the credit facility was renewed for another year (until March 22, 2023) and a new pledge of PLN 5.4 million was established in the form of a registered pledge on property, plant and equipment.

In view of Russia's military aggression in Ukraine, the Group is monitoring the situation on an ongoing basis. As at the date of publication of this report, the Group does not identify any significant risks arising from the war in Ukraine, but the ultimate level of such risks will depend on developments in the situation and their impact on foreign exchange rates, commodity prices and other areas of activity. The turnover planned for 2022 with these countries is about 5% for the entire Apator Group. The company that theoretically could feel the effect of war actions to the largest extent is Apator Powogaz S.A., where the estimated sales budget for 2022 to the markets covered by the conflict amounted to approximately PLN 37 million (Russia - sales to the Russian market were realized by the associated company ZAO Teplovodomer, Ukraine and Belarus). It is assumed, however, that the situation will not have significant influence on the revenues in the following months due to the buffer held by Apator Powogaz S.A. in the form of orders for other contracting parties, which have not been accepted so far to be performed due to the sales to the East. There is also no currency risk due to the lack of exposure to the currencies of these countries.

In terms of receivables from counterparties in distressed markets, their share of total receivables in Apator Group is almost 4%. From the date of publication of the quarterly report for Q4 2021, i.e. from February 28, 2022 to March 31, 2022 there was a repayment of PLN 2.2 million of receivables from eastern markets.

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|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 91 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
| Level of rounding: | all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise) | | |

9. Signatures

The Management Board

99 255

Arkadiusz Chmielewski

The President of the Management Board, Director-General

Tomasz Łątka

Member of the Management Board, Network Operations Automation Director

Person responsible for the book-keeping

99 255

Małgorzata Mazurek

FEO

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|---|--|---------------------|--------------------|
| Name of the Group: | Apator Capital Group | | Page 92 of 92 |
| Period covered by the financial statements: | 01.01.2021 – 31.12.2021 | Reporting currency: | Polish zloty (PLN) |
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