



RS-2023



Consolidated Financial Statement

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Rounding level:	all amounts are expressed in PLN thousand (unless otherwise indicated)			

1. General information

1.1. Information about the Group of Companies

Aparator Group of Companies consists of parent company Apator S.A. and its direct and indirect subsidiaries and co-subsidiaries.

1.1.1. Information about the parent company

The parent company, Apator Spółka Akcyjna with its registered office in Toruń (Poland), ul. Gdańska 4a lok C4 was created by employees of a liquidated state enterprise operating under the name of Pomorskie Zakłady Aparatury Elektrycznej Apator in Toruń. Registration in the District Court in Toruń (Poland), 5th Commercial Division, took place on 14 January 1993 under number RHB 1364. On 24 October 2001, an entry was made in the Register of Entrepreneurs of the District Court in Toruń, 6th Commercial Division of the National Court Register, under number 0000056456. The parent company Apator S.A. conducts its business activity in the territory of Poland on the basis of the provisions of the Commercial Companies Code.

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

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

1.1.2. Core activity of the parent company and the Group of Companies

According to the articles of association of the parent company, the core activity consists of the production and service activity in the field of electricity distribution and control equipment, as well as the sale of measurement equipment and systems. Shares of Apator S.A. are listed on the main market – in the the "electromechanical industry" sector according to Warsaw Stock Exchange's classification.

Entities within the Group of Companies 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 telemechanical devices cooperating with them, 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.

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1.1.3. Composition of the Group of Companies

In 2023, the Apator Group of Companies consisted of Apator S.A. and the following subsidiaries:

Apator Mining sp. z o.o. (Katowice) – a subsidiary of Apator S.A.

FAP Pafal S.A. (Świdnica) – a subsidiary of Apator S.A.

Apator Metrix S.A. (Tczew) – a subsidiary of Apator S.A.

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

Apator Rector Sp. z o.o. (Zielona Góra) – a subsidiary of Apator S.A.

Apator Powogaz S.A. (Poznań) – a subsidiary of Apator S.A.

Apator Telemetry Sp. z o.o. (Słupsk) – a subsidiary of Apator Powogaz S.A. (71.89% of shares); Apator S.A. holds 20.8% of shares in Apator Telemetry Sp. z o.o.

Apator Metra s.r.o. (Šumperk, Czech Republic) – a subsidiary of Apator Powogaz S.A.

Apator Miitors ApS. (Aarhus, Denmark) – a subsidiary of Apator Powogaz S.A.

George Wilson Industries Ltd. (Coventry, United Kingdom) - subsidiary of Apator Metrix S.A.

The Apator Group had no shares in associates as at 31 December 2023.

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The entities comprising the Group of Companies included in full consolidation

Company	Registered office	Core business activity	Competent court/ registering authority	Share in capital	Method of consolidation	Comments
APATOR MINING Sp. z o.o.	Katowice	Manufacture of distribution and control equipment, electricity, electric equipment, lifting devices, pumps and compressors and related service activities	The Regional Court in Katowice, 8th Commercial Division of the National Court Register; KRS (National Court Register) number 0000047770	100.00%	Full	Subsidiary
APATOR METRIX S.A.	Tczew	Manufacture of measuring, control, navigation, and other instruments and devices	The Regional Court in Gdańsk, 9th Commercial Division of the National Court Register; KRS (National Court Register) number 0000046259	100.00%	Full	Subsidiary
FAP PAFAL S.A.	Świdnica	Manufacture of control and measurement instruments, electric and electronic equipment, commercial activities, maintenance services	The Regional Court for Wrocław – Fabryczna in Wrocław, 9th Commercial Division of the National Court Register; KRS (National Court Register) number 0000057162	100.00%	Full	Subsidiary
APATOR RECTOR Sp. z o.o.	Zielona Góra	Information technology, publishing activities, printing and reproduction of recorded media	The Regional Court in Zielona Góra, 8th Commercial Division of the National Court Register; KRS (National Court Register) number 0000297413	100.00%	Full	Subsidiary
APATOR POWOGAZ S.A.	Jaryszki	Manufacture of measuring, control, research, and navigation instruments and devices, manufacture of other general-purpose machinery	The Regional Court Poznań – Nowe Miasto and Wilda in Poznań, 8th Commercial Division of the National Court Register; KRS (National Court Register) number 0000028129	100.00%	Full	Subsidiary
Apator GmbH	Berlin	Sale of prepayment systems for electricity and gas meters	HRB 123670B Charlottenburg	100.00%	Full	Subsidiary
APATOR TELEMETRIA Sp. z o.o.	Ślupsk	Manufacture of data reading and transmission devices, manufacture of system IT applications	The Regional Court Gdańsk – Północ in Gdańsk, 8th Commercial Division of the National Court Register; KRS (National Court Register) number 0000290726	92.69%	Full	Subsidiary Direct and indirect share

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Company	Registered office	Core business activity	Competent court/ registering authority	Share in capital	Method of consolidation	Comments
APATOR METRA S.R.O.	Sumperk Czech Republic	Manufacture of cost allocator systems, thermometers, and thermostats	Krajský soud v Ostravě, 268 34 073	100.00%	Full	Subsidiary Indirect share
GEORGE WILSON INDUSTRIES Ltd	Coventry United Kingdom	Manufacture and sale of domestic and industrial gas meters; smart metering in 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

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1.1.4. Members of the Management Board and the Supervisory Board

Management Board

Arkadiusz Chmielewski – President of the Management Board (until 28 February 2023)

Maciej Wyczesany – President of the Management Board (since 1 March 2023)

Tomasz Łątka - Member of the Management Board (until 27 September 2023)

Łukasz Zaworski - Member of the Management Board (from 22 November 2023)

Robert Kowalski - Member of the Management Board (from 19 December 2023 to 14 May 2024)

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

2.1. Basis for the preparation of the annual consolidated financial statements

These annual consolidated financial statements of Apator S.A. as at and for the year ending on 31 December 2023 was prepared in accordance with International Financial Reporting Standards approved by the European Union and related interpretations announced in the form of regulations of the European Commission.

Annual consolidated financial statements of Apator S.A. covers the year 2023 and includes comparative data for the year 2022.

2.2. Accounting principles

The annual consolidated financial statements were prepared according to the historical cost principle (concept), except for the valuation of certain fixed assets (investment property) and financial instruments (derivatives), which are measured at fair value. In preparing the annual consolidated financial statements for the period from 1 January 2023 to 31 December 2023, the same accounting policies and methods of computation were applied as in the most recent separate financial statements for the year ended 31 December 2022.

2.3. Applied International Financial Accounting Standards

CHANGES IN INTERNATIONAL FINANCIAL ACCOUNTING STANDARDS AND THEIR IMPACT ON CONSOLIDATED FINANCIAL STATEMENTS

Standards that came into effect on 1 January 2023 but do not have a material impact in the preparation of the Group's annual consolidated financial statements are:

Amendments to IAS 1 "Presentation of Financial Statements" (introducing the requirement to disclose material information on accounting policies),

- IFRS 17 "Insurance Contracts" and amendments to IFRS 17,
- Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors",
- Amendments to IAS 12 "Income Taxes" (settling deferred tax on leasing transactions and decommissioning liabilities).

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STANDARDS PUBLISHED BY THE INTERNATIONAL ACCOUNTING STANDARDS COMMITTEE, WHICH ARE NOT YET IN FORCE AND HAVE NOT BEEN ALREADY APPLIED BY THE GROUP

The Group has not opted to apply in this statement standards, interpretations or amendments that have been published but have not yet come into effect.

The following new Standards, amendments to Standards and Interpretations have not been adopted by the EU or are not yet in force for periods ending 31 December 2023 and have not been applied in the financial statements:

- Amendments to IFRS 16 "Leases" (clarifying the requirements for subsequent measurement of the lease liability, for sale and leaseback transactions, when the criteria of IFRS 15 are met and the transaction should be accounted for as a sale),
- Amendments to IAS 1 "Presentation of Financial Statements" (presentation of liabilities as long-term and short-term)
- IFRS 14 "Regulatory prepayments",
- Amendments to IFRS 10 and IAS 28 on the sale or contribution of assets between an investor and its associates or joint ventures,
- Amendments to IAS 7 "Statement of cash flows" and IFRS 7 "Financial Instruments: Disclosures" (disclosure of information about supplier finance arrangements),
- Amendments to IAS 21 "The effects of changes in foreign exchange rates".

The Group assesses that the introduction of the above standards will not have a material impact on the Group.

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2.4. Reporting and functional currency and the rounding level applied

The reporting currency of this annual consolidated financial statements is Polish zloty (PLN), and all the amounts are expressed in PLN thousand (unless otherwise stated).

The functional currencies of the foreign subsidiaries are respectively:

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

As of the reporting date, the assets and liabilities of these foreign subsidiaries and their statements of comprehensive income are converted into the Group's reporting currency at the average exchange rate of the leading bank, namely ING, prevailing on that day. Foreign exchange differences arising from such conversions are directly recognised in equity as a separate component. The functional currency of the remaining companies is the Polish zloty (PLN).

2.5. Duration of the group's activity

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

The consolidated financial statements have been prepared on a going concern basis for the foreseeable future, i.e. for a period of not less than 12 months from the end of the reporting period.

2.6. Approval of the financial statements

These annual consolidated financial statements were approved and signed by the Board of Directors of the parent company on 25 April 2024.

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3. Consolidated financial statement of the Apator Grup of Companies

3.1. Consolidated statement of financial position

ITEM	NOTE	as at	as at
		31.12.2023	31.12.2022
Fixed assets		492,647	527,979
Intangible assets	8.4	94,114	105,831
Goodwill	8.5	120,672	122,275
Tangible fixed assets	8.6	196,811	212,844
Right to use assets	8.7	54,800	46,690
Investment property	8.8	2,234	2,282
Other long-term financial assets	8.10	-	1,352
- <i>in other entities</i>		-	1,352
Long-term receivables	8.12	3,536	6,437
- <i>from other entities</i>		3,536	6,437
Long-term prepayments	8.15	303	55
Deferred tax assets	8.23	20,177	30,213
Current assets		482,551	514,068
Inventory	8.11	242,296	251,617
Other current assets		-	-
Trade receivables	8.12	188,117	189,804
- <i>from other entities</i>		188,117	189,804
Receivables from corporate income tax	8.12	6,285	5,741
Receivables from other taxes, customs duties, and social insurance	8.12	8,780	12,309
Other short-term receivables	8.12	3,293	6,642
- <i>from other entities</i>		3,293	6,642
Other short-term financial assets	8.10	5,152	273
- <i>in other entities</i>		5,152	273
Cash and cash equivalents	8.14	22,939	28,980
Cash with restricted use		-	-
Short-term prepayments	8.15	5,689	5,839
Fixed assets classified as held for sale	8.13	-	12,863
TOTAL ASSETS		975,198	1,042,047

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ITEM	NOTE	as at	
		31.12.2023	31.12.2022
Equity		539,023	539,148
Equity attributable to the shareholders of the parent company		536,965	537,347
Share capital	8.16	3,265	3,265
Own shares		-3,522	-3,522
Other capital	8.17	600,182	562,967
Capital from the revaluation of a defined benefit plan		894	1 147
Capital from valuation of hedging transactions and foreign exchange differences on consolidation		8,845	2,705
Undistributed financial result	8.18	-72,699	-29,215
Non-controlling interests	8.19	2,058	1,801
Liabilities		436,175	502,899
Long-term liabilities and provisions		80,106	45,174
Long-term credits and loans	8.20	29,545	3,119
- from other entities		29,545	3,119
Other long-term liabilities		2,750	52
- toward other entities		2,750	52
Long-term liabilities from the right to use assets	8.7	37,608	33,299
Provision for deferred income tax	8.23	3,684	2,939
Long-term liabilities due to employee benefits	8.21	5,315	4,474
Other long-term provisions		1,204	1,291
Short-term liabilities and provisions		356,069	457,725
Short-term credits and loans	8.20	162,511	237,350
- from other entities		162,511	237,350
Trade liabilities	8.22	93,591	121,894
- toward related entities		351	1,006
- toward other entities		93,240	120,888
Contractual liabilities		-	-
Liabilities due to corporate income tax	8.22	3,241	1,976
Liabilities due to other taxes, customs duties, and social insurance	8.22	16,957	17,107
Other short-term liabilities	8.22	34,791	41,978
- toward other entities		34,791	41,978
Short-term liabilities from the right to use assets	8.7	11,110	9,556
Short-term liabilities due to employee benefits	8.21	20,954	15,382
Other short-term provisions	8.21	12,914	12,482
Liabilities related to fixed assets classified as held for sale	8.13	-	-
TOTAL LIABILITIES		975,198	1,042,047

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3.2. Consolidated statements of profit or loss or other comprehensive income

ITEM	NOTE	for the period	
		from 01.01.2023	for the period
		to 31.12.2023	from 01.01.2022
			to 31.12.2022
Sales revenue of products and services	8.3	1,137,174	1,081,792
- to related entities		-	3,783
- to other entities		1,137,174	1,078,009
Cost of goods sold	8.24	-881,346	-857,531
- to related entities		-	-2,528
- to other entities		-881,346	-855,003
Gross profit from sales		255,828	224,261
Sales costs	8.24	-44,903	-42,422
General administrative costs	8.24	-153,655	-136,749
Profit on sales		57,270	45,090
Result on other operating activity, including:		-17,138	-14,194
Revenue	8.25	3,020	4,924
Costs	8.25	-20,158	-19,118
- including the result due to reversal of receivables		-466	-8
Share in profit of entities consolidated using the equity method		-	444
Profit on operating activity		40,132	31,340
Result on financial activity, including:		-12,588	-15,425
Revenue	8.26	8,079	5,268
Costs	8.26	-20,667	-20,693
- including the result from impairment loss of net financial assets		31	-1,002
Profit before tax		27,544	15,915
Current income tax	8.23	-7,326	-9,019
Deferred income tax	8.23	-11,714	309
Net profit on continuing operations		8,504	7,205

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ITEM	for the period	for the period
	from 01.01.2023	from 01.01.2022
	to 31.12.2023	to 31.12.2022
<i>Other comprehensive income</i>		
Other net comprehensive income	5,887	4,767
Items that may be reclassified to financial result in the future	6,140	3,534
Foreign exchange differences on translation of foreign operations	2,839	2,402
Result on hedge accounting with tax effect	3,301	1,132
Items that will not be reclassified to financial result in the future:	-253	1,233
Actuarial profit/loss	-253	1,233
Total comprehensive income	14,391	11,972
Net profit, of which attributable to:	8,504	7,205
Company's shareholders	8,138	6,616
non-controlling shareholders	366	589
Total comprehensive income, of which attributable to:	14,391	11,972
Company's shareholders	14,025	11,383
non-controlling shareholders	366	589
Net profit per ordinary share:		
from continuing operations		
- basic	0,28	0,23
- diluted	0,28	0,23
Weighted average number of shares	29,047,073	29,070,559

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3.3. Consolidated statement of changes in equity

ITEM	Share capital	Own shares	Other capital	Capital from the revaluation of a defined benefit plan	Capital from valuation of hedging transactions and foreign exchange differences on consolidation	Undistributed financial result	Total equity attributable to equity holders of the parent company	Non-controlling interests	Total equity
Balance as at 01.01.2023	3,265	-3,522	562,967	1,147	2,705	-29,215	537,347	1,801	539,148
Changes in equity from 01.01.2023 to 31.12.2023									
Comprehensive income:									
Net profit for the period from 01.01.2023 to 31.12.2023	-	-	-	-	-	8,138	8,138	366	8,504
Other comprehensive income:									
Items that may be reclassified to financial result in the future:									
Result on hedge accounting with tax effect	-	-	-	-	3,301	-	3,301	-	3,301
Net foreign exchange differences on translation of financial statements into presentation currency	-	-	-	-	2,839	-	2,839	-	2,839
Items that will not be reclassified to the financial result in the future									
Revaluation of the defined benefit plan provision including tax effect	-	-	-	-253	-	-	-253	-	-253
Total other comprehensive income	-	-	-	-253	6,140	-	5,887	-	5,887
Comprehensive income recognised in the period from 01.01.2023 to 31.12.2023	-	-	-	-253	6,140	8,138	14,025	366	14,391
Transactions with owners recognised directly in equity:									
Dividends	-	-	-	-	-	-14,525	-14,525	-109	-14,634

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Distribution of result to supplementary capital	-	-	37,215	-	-	-37,215	-	-	-
Other changes in capital	-	-	-	-	-	118	118	-	118
Balance as at 31.12.2023	3,265	-3,522	600,182	894	8,845	-72,699	536,965	2,058	539,023

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ITEM	Share capital	Own shares	Other capital	Capital from the revaluation of a defined benefit plan	Capital from valuation of hedging transactions and foreign exchange differences on consolidation	Undistributed financial result	Total equity attributable to equity holders of the parent company	Non-controlling interests	Total equity
Balance as at 01.01.2022	3,278	-3,972	553,460	-86	1,684	-7,019	547,345	3,930	551,275
Changes in equity in the period from 01.01.2022 to 31.12.2022									
Comprehensive income:									
Net profit for the period from 01.01.2022 to 31.12.2022	-	-	-	-	-	6,616	6,616	589	7,205
Other comprehensive income:									
Items that may be reclassified to financial result in the future:									
Result on hedge accounting with tax effect	-	-	-	-	1,132	-	1,132	-	1,132
Net foreign exchange differences on translation of financial statements into presentation currency	-	-	-	-	2,402	-	2,402	-	2,402
Items that will not be reclassified to the financial result in the future									
Revaluation of the defined benefit plan provision including tax effect	-	-	-	1,233	-	-	1,233	-	1,233
Total other comprehensive income	-	-	-	1,233	3,534	-	4,767	-	4,767
Comprehensive income recognised in the period from 01.01.2022 to 31.12.2022	-	-	-	1,233	3,534	6,616	11,383	589	11,972

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Transactions with owners recognised directly in equity:									
Dividends	-	-	-	-	-	-14,553	-14,553	-220	-14,773
Distribution of result to supplementary capital	-	-	44,762	-	-	-44,762	-	-	-
Loss coverage from supplementary capital	-	-	-34,014	-	-	34,014	-		
Purchase of own shares	-	-1,950	-	-	-	-	-1,950	-	-1,950
Redemption of own shares	-13	2,400	-2,387	-	-	-	-	-	-
Other changes in capital	-	-	1,146	-	-	-15	1,131	-	1,131
Purchase of additional shares of a subsidiary	-	-	-	-	-	-3,429	-3,429	-2,498	-5,927
Result on sale of shares in an associate	-	-	-	-	-2,513	-67	-2,580	-	-2,580
Balance as at 31.12.2022	3,265	-3,522	562,967	1,147	2,705	-29,215	537,347	1,801	539,148

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3.4. Consolidated statement of cash flow

ITEM	NOTE	for the period	for the period
		from 01.01.2023	from 01.01.2022
		to 31.12.2023	to 31.12.2022
Cash flows from operating activity			
Profit before tax		27,544	15,915
Adjustments:		88,773	82,331
Depreciation of intangible assets	8.4	16,807	14,530
Amortisation of tangible fixed assets	8.6, 8.7	39,607	41,197
Write-downs on goodwill		-	3,918
Revaluation write-offs for tangible fixed assets depreciation		3,408	1,246
Profit on sale of tangible fixed assets and intangible assets		-1,365	-2,881
Impairment write-downs on value of development work		-	10,698
Profit on fair value measurement of investment property	8.8	-57	-325
Loss due to change in fair value of derivatives		-920	-3,493
Interest costs		15,676	14,690
Shares in profit of associates		-	-444
Revenue from interest		-336	-178
Other adjustments	8.27	15,953	3,373
Cash from operating activity before changes in working capital		116,317	98,246
Change in inventory	8.11	9,321	-12,682
Change in the state of a depreciated contractual asset		-	1,625
Change in receivables	8.27	10,624	-49,607
Change in liabilities	8.27	-27,050	38,617
Change in provisions	8.27	6,788	-1,423
Change in cash with restricted use		-	556
Change in prepayments and accruals	8.27	81	666
Cash generated in the course of operating activity		116,081	75,998
Tax return		7,277	1,427
Income tax paid		-15,423	-25,272
Net cash from operating activity		107,935	52,153
Cash flows from investment activity			
Expenditure on the acquisition of intangible assets	8.27	-17,803	-24,101
Expenditure on the acquisition of tangible fixed assets and lease assets	8.27	-18,499	-38,911
Proceeds from the sale of tangible fixed assets	8.27	12,196	25,806
Acquisition of shares in subsidiaries		-	-10,860
Proceeds from sale of subsidiaries		-	379
Interest received		-	3
Dividends received		-	-
Other inflows (expenses)	8.27	-1,119	618
Net cash used from investment activity		-25,225	-47,066
Cash flows from financial activity			
Purchase of own shares		-	-1,950
Inflow from credits and loans		24,706	90,033
Repayment of credits and loans		-71,482	-60,488
Interest paid		-14,168	-13,877
Dividends paid		-14,612	-14,730
Repayment of lease liabilities		-11,582	-10,912
Other expenditure	8.27	-1,613	-1,015
Net cash flows from financial activity		-88,751	-12,939

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Net increase (decrease) in cash and cash equivalents		-6,041	-7,852
Opening balance of cash and cash equivalents	8.14	28,980	36,832
Closing balance of cash and cash equivalents	8.14	22,939	28,980

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4. Accounting principles applied

4.1. Basis for preparation (general principles)

The consolidated financial statements have been prepared according to the historical cost principle, except for the valuation 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 section from 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 principles

The consolidated financial statements include the financial statements of the parent company Apator S.A. and subsidiaries.

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

Subsidiaries over which the parent company has lost control during the year are consolidated from the beginning of the financial year to the date of loss of control. Financial results of entities acquired during the year are recognised in the consolidated financial statements from the date of acquiring control.

4.2.2. Goodwill

Goodwill is an asset representing the future economic benefits arising from assets acquired in a business combination that cannot be individually identified or separately recognised.

Goodwill is recognised as an asset and is subject to impairment testing at least once a year. The effects of impairment are recognised in profit or loss and are not reversed in subsequent periods.

4.3. Detailed principles for the valuation of assets and liabilities applied in the Group

4.3.1. Intangible assets

Research and development

Expenses incurred during the research phase with the intention of acquiring new scientific or technical knowledge are recognised in profit or loss for the current period as they are incurred.

Expenditure incurred on development work, the results of which find application in the development or manufacture of a new or substantially improved product, is capitalised where the manufacture of a new product (or process) is technically possible and economically justified and the Group has the technical, financial and other resources necessary to complete the development work. Costs to be capitalised include: costs of materials, remuneration of employees directly involved in the development work, a reasonable portion of the costs indirectly related to the generation of the intangible asset, and capitalised borrowing costs. Other development costs are recognised in profit or loss for the current period as they are incurred.

Development costs are recognised as intangible assets based on their acquisition price, reduced by accumulated amortisation write-offs and impairment loss.

Other intangible assets

Other intangible assets acquired by the Group with a specified useful economic life are reported based on their acquisition price, reduced by amortisation write-offs and impairment loss.

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Expenditure incurred at a later date

Subsequent expenditure on existing intangible assets is capitalised only if it increases future economic benefits associated with a given asset. Other expenditure, including internally generated expenditure: trademarks and branding, are recognised as a profit or loss for the current period as they are incurred.

Amortisation and depreciation

Amortisation and depreciation is made with regard to the acquisition price of a given asset or its equivalent value less its residual value.

The cost of amortisation is recognised as a profit or loss for the current period using the straight-line method for the Group's estimated useful life of the intangible asset, other than goodwill, from the point at which it is determined to be fit for use, which best reflects how the future economic benefits associated with the use of the asset will be realised.

The Group assumes the following useful lives for each category of intangible assets:

- Patents and licenses 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
- Other intangible assets up to 5 years (except for the trademark, which is not subject to amortisation)

4.3.2. Tangible fixed assets

Tangible fixed assets are property, plant and equipment held by the Group for use in the production, supply of goods or services, rental to third parties or for administrative purposes, which are expected to be used for more than 12 months. They are measured at the purchase price or production cost less depreciation write-offs and impairment loss.

In line with the component-based approach, the Group adopts different depreciation rates for significant components of a tangible fixed asset. Amortisation commences at the time of handover for use. The determination of annual depreciation rates takes into account the useful economic life of the tangible fixed asset. The correctness of the application of depreciation periods and rates by the Group is periodically reviewed by the managers of the production departments. For the depreciation of tangible fixed assets, the straight-line depreciation method is used. The useful lives for individual assets are as follows:

- Buildings and structures from 3 to 40 years
- Machinery and equipment from 2 to 25 years
- Means of transport from 3 to 10 years
- Other tangible fixed assets from 2 to 10 years

If circumstances arise that indicate that the reporting value of the tangible fixed assets may not be recoverable, a review of these assets for possible impairment is performed. If there are indications that an impairment may have occurred and the reporting value exceeds the estimated recoverable amount, then the value of those assets or the cash-generating units to which they belong is reduced to their recoverable amount. The recoverable amount corresponds to the higher of the following two values: fair value less selling costs or value-in-use costs. When 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 risks associated

with the asset. In the case of an asset that does not generate cash inflows in a substantially independent manner, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Profit or loss arising from the sale/liquidation or discontinued use of tangible fixed assets is determined as the difference between the sales revenue and the net value of these assets and are recognised in the result of the period in which the sale occurred.

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Tangible fixed assets under construction refer to assets under construction or assembly and are recognised at the purchase price or manufacturing cost. Tangible fixed assets under construction are not depreciated until the construction is completed and the asset is handed over for use.

4.3.3. Leases

The classification of leases is made in accordance with IFRS 16.

The recognition of whether a contract contains the characteristics of a lease depends on the content of the contract at the time of its conclusion, indicating whether the performance of the contract depends on the use of a specific asset or whether the contract gives an effective right to use a specific asset, even if this right is not expressly included in the contract.

Contracts may contain lease and non-lease components. The Group allocates the remuneration specified in the contract to the lease and non-lease components respectively, based on their relative fair values. However, in the case of property leases where the Group is the lessee, the option was chosen not to separate non-lease components from lease components and to recognise them as a single lease components.

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

- fixed lease payments (including in-substance fixed lease payments) less any lease incentives receivable,
- variable lease payments that depend on an index or a rate, initially measured using the index or rate according to their value at the commencement date,
- amounts expected to be payable under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- financial penalties for lease termination if the lease terms provide that the Company the option to terminate the lease may be exercised.

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

To determine the incremental borrowing rate, the Group uses the borrowing costs, consisting of the base 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 similar to that of leasing, then the Group uses this rate as the starting point for determining the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they come into effect. When adjustments to lease payments based on an index or rate come into effect, the lease liability is subject to reassessment and adjustment in relation to the right-of-use asset component.

Lease payments are allocated between principal amount and finance costs. Finance costs charge the financial result over the lease term in such a way as to achieve 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 life of the assets, not exceeding 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:

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

Payments related to short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis in the profit and loss account. Short-term leases refer to leases of 12 months or less. The Group has taken advantage of the exemption allowing low-value assets not to be classified as leases. The materiality threshold has been set at PLN 20 thousand for the value of the right-to-use of an individual leased asset.

Lease periods are negotiated individually and include a wide range of varying conditions. Lease agreements do not impose any other special conditions (the so-called covenants) except for the collateral on leased assets in favour of the lessor. The leased assets cannot be used as collateral for credits and loans.

As a rule, the lease agreements concluded by the Group do not include an extension option, but this does not exclude extending the agreement for another period. These agreements, however, generally contain termination clauses, used to ensure the greatest possible operational flexibility with regard to the management of assets used in the Group's operating activities. 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 the case of perpetual usufruct of land – perpetual usufruct is assumed,
- in the case of fixed-term agreements – the maximum period that can generate a liability is assumed,
- in the case of agreements concluded for an indefinite period of time – an individual business analysis is conducted to determine the assumed period of use,
- discount rate – determined in accordance with the adopted principles.

4.3.4. Investment property

Investment property is considered to be property that is treated as a source of rental income and/or is held due to expected appreciation in value. Investment property is measured at fair value at the reporting date, i.e. based on historical experience and market assumptions and judgements about their potential. Profit and loss arising from changes in the fair value of investment property is recognised in the financial result 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 disposal as well as groups 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 through a sale transaction rather than through their further use. This condition is considered to be met only when the asset component (or group of net assets held for sale) is available for immediate sale in its present state and the occurrence of a sale transaction is highly probable within one year of reclassification.

4.3.6. Inventory

Materials and goods are valued at acquisition price (purchase price plus transport costs, border charges, customs, unloading and loading costs). The release of materials and goods is valued at a weighted average.

Products are valued on an ongoing basis at their manufacturing cost, and the inventory of products and goods is valued at a production cost not higher than their net selling prices obtainable if the sale had taken place at the reporting date. The manufacturing cost consists of the sum of direct costs (materials, wages) and a reasonable proportion of the indirect costs associated with the manufacture of the product, comprising the indirect costs of production and the proportion of fixed indirect costs corresponding to the level of these costs at normal capacity utilisation.

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The inventory is reviewed at the end of each reporting period. A 100% write-down is made on economically unusable inventory. In addition, to make inventory values realistic, an age structure analysis is carried out, with the decisive factor being the date of acceptance and release from the warehouse. This way of statistically calculating write-downs includes an element of estimation that affects the reporting value of the inventory. The write-down updating inventory value is charged to the costs of the core business.

4.3.7. Financial instruments

The Group classifies as a financial instrument any agreement which results in the simultaneous creation of a financial asset for one party and a financial liability or equity instrument for the other party, provided that there are clear economic effects from a contract between two or more parties.

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 for the purpose of collecting contractual cash flows, which include only principal and interest payments. In this category, the Company classifies and presents in the statement of financial position particularly:
 - trade, investment receivables,
 - loans granted,
 - cash,
 - cash equivalents;

The Company's trade and other receivables primarily include trade receivables from unrelated entities (mainly for invoices issued as a result of the Group's performance of contracts) and budget receivables, including corporate income tax and value-added tax receivables. Trade receivables, which typically have a maturity of between 14 and 90 days, are recognised at their nominal value, i.e. according to the amounts originally invoiced. Trade receivables are held for collection and meet the SPPI test, therefore at the balance sheet date these items are measured at amortised cost, taking into account any write-downs calculated using the expected loss model.

- assets measured at fair value through financial result - assets that do not meet the criteria for measurement at amortised cost or at fair value through comprehensive income are measured at fair value through financial result. The Group includes derivatives (in particular swap and forward contracts) in this category.

Financial liabilities are classified into one of the following categories:

- presented at fair value through financial result – are recorded under "Trade liabilities and other short-term liabilities" and include derivatives held by the Group (in particular swap and forward contracts),
- measured at amortised cost – financial liabilities not classified as "recognised at fair value through financial result"; are primarily recorded under the item "Trade liabilities and other short-term liabilities".

Recognition and measurement of a financial asset and a financial liability at recognition and derecognition

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

They are initially measured at fair value. Costs of transaction allocated directly to the purchase or issue of financial assets and liabilities (except for financial assets and liabilities valued at fair value through profit and loss) are added to or deducted from, respectively, fair value of financial assets or liabilities at their initial recognition. Costs of transaction allocated directly to the purchase of financial assets or taking over of financial liabilities measured at fair value through profit and loss are recognised directly in the result.

Financial assets are derecognised when the rights to receive cash flows from them have expired or have been transferred, and the Group has transferred substantially all the risks and benefits resulting from their

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ownership. Where the Group does not transfer or retain all the risks and benefits resulting from the ownership rights but continues to control the transferred asset, it recognises the retained interest in the asset and the associated liabilities it will have to pay.

If the Group retains all the risks and benefits resulting from the ownership of the transferred asset, it continues to recognise the asset and the borrowing secured for the benefits received.

The Group ceases to recognise financial liabilities only when they are met, cancelled or expire. The difference between the carrying amount of a derecognised financial liability and the amount paid or payable is recognised in the result.

Valuation after initial recognition

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

Financial liabilities, other than those measured at fair value through financial result, are recognised at amortised cost using the effective interest rate method.

Financial assets and liabilities classified as measured at fair value through financial result (including derivatives) are revalued to fair value with the effects of the valuation recognised in profit or loss.

Impairment of financial assets

The Group uses the expected credit loss model (ECL) for the following categories of financial assets measured at amortised cost:

- trade receivables - represent 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 in the normal business cycle of the enterprise if longer), the receivables are classified as current assets. Otherwise, they are reported as fixed assets.
- loans granted
- cash and cash equivalents.

The Group assesses expected credit loss associated with financial assets measured at amortised cost, irrespective of whether there is an indication of impairment.

Impairment loss on trade receivables

For short-term trade receivables, the Group applies the simplified approach (in accordance with IFRS 9) and measures impairment loss at the amount of credit loss expected over the life of the receivable from its initial recognition.

An impairment loss is recognised for current receivables, overdue (doubtful) receivables, receivables in debt collection and disputed receivables at gross amounts (including VAT). Impairment loss on overdue receivables is recognised after taking into account the accumulated write-offs for disputed receivables and receivables in debt collection.

Impairment loss is made based on an estimate of the probability of recoverability of assets, based on historical data. In addition, the Group creates specific write-offs for receivables at risk of uncollectibility (i.e. subject to litigation or bankruptcy proceedings).

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 method.

Trade liabilities and other liabilities

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

Hedge accounting

Cash flow hedging

The Group has elected to remain with the hedge accounting requirements of IAS 39, rather than those of IFRS 9. Derivative financial instruments, such as fx forward exchange contracts, are used to hedge the risk of changes in exchange rates. The level of hedging adopted in a given period may not exceed 50% of the annual currency exposure in the case of import hedging, while in the case of export hedging, the level of hedging is in the range of 50-80% of the annual currency exposure. Relying on the planned exposure is a type of estimation that affects the value of the instruments.

In order to hedge against the risk of rising interest rates, the Group uses Interest Rate Swap (IRS) hedging transactions. IRS transactions make it possible to manage interest rate risk, allowing to, e.g. to swap the interest rate on a loan from a floating rate to a fixed rate, providing an opportunity to hedge against increases in the cost of borrowing.

In addition, the Company uses Swap hedging transactions to hedge against the risk of changes in raw material prices.

As future scheduled sales or purchase payments are not recognised in the Company's financial statements, while fx forward hedging instruments without hedge accounting are measured at fair value through profit or loss, a potential accounting mismatch arises. In order to eliminate it, the Group introduced hedge accounting from 1 July 2011.

If a derivative financial instrument is designated as a hedge of the variability of cash flows relating to the specific risks associated with a recognised asset, a recognised liability or a highly probable forecast transaction that could affect the profit or loss for the current period, the portion of the gain or loss on the hedging instrument that is an effective hedge is recognised in other comprehensive income and presented, as a separate hedge item, in equity. Profit or loss previously recognised in equity is transferred to profit or loss of the current period in the same period and under the same heading as the hedged cash flows are recognised in profit or loss. The ineffective portion of changes in the fair value of the derivative is recognised immediately as profit or loss of the current period.

If a hedging instrument no longer meets the criteria for hedge accounting, it expires, is sold, terminated, exercised or its designation is changed, the Group discontinues hedge accounting. Accumulated profit or loss previously recognised in other comprehensive income and presented in equity remain in equity until the forecast transaction is realised and recognised as profit or loss of the current period. Where the hedged item is a non-financial asset, profit or loss previously recognised in other comprehensive income adjust the reporting value of this asset when it is recognised. If a forecast transaction is not expected to occur, profit or loss recognised in the statement of financial position is recognised immediately as profit or loss for the current period. Otherwise, amounts previously recognised in other comprehensive income are recognised as profit or loss of the current period, in the same period or periods during which the hedged forecast transaction affects profit or loss of the current period.

At the inception of the hedge, the Group formally designates and documents the hedging relationship, as well as the risk management objective and strategy for undertaking the hedge. The documentation includes the identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. The hedge is expected to be highly effective in offsetting changes in fair value or cash flows arising from the risk being hedged. The effectiveness of the hedge is assessed on an ongoing basis to verify that it is highly effective throughout all reporting periods for which it is established.

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4.3.8. Provisions

Provisions are created when the Group has an obligation (legal or customary) arising from past events and when it is likely that the fulfilment of this obligation will necessitate funds outflow, and the amount of the liability can be reliably estimated. Costs related to a given provision are shown in the financial result in the net value (reduced by expected revenue).

A provision for onerous agreements is created when the economic benefits expected by the Group from the agreement are lower than the unavoidable costs of meeting contractual obligations. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the projected future cash flows to their present value, using a gross discount rate, which 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 a financing cost. Provisions are also created for future liabilities due to restructuring, if the Group is obliged to undergo the process of restructuring pursuant to separate regulations or concluded binding agreements, and the restructuring plans make it possible to estimate the value of future liabilities in a reliable way.

The Group also creates a provision for warranty repairs. This provision is estimated on the basis of historical data on the share of defective products in the sales revenue of these products (statistical provision) and on the basis of complaints actually made about completed contracts (individual provision). The statistical provision is calculated using an index based on a cost base less the cost of using the individual provision. The provision for warranty repairs is charged to the core business - as a special cost related to the production of the product.

4.3.9. Employee benefits

In accordance with the remuneration systems, employees are entitled to retirement benefits and, in some companies of the Group, to jubilee awards. Jubilee awards are paid to employees after they have worked a certain number of years. Retirement benefits are paid as a one-off payment upon retirement. The amount of retirement benefits and jubilee awards depends on the length of service and the fixed base specified in the corporate collective labour agreements. Companies create a provision for future liabilities in respect of 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 defined post-employment benefit plans.

The provisions created for jubilee and retirement benefits are determined on the basis of the projected unit credit method using actuarial techniques. The basis for a reliable estimate of provisions is:

- criteria for entitlement to the said benefits;
- actuarial assumptions.

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

- employee benefit costs – recognised in profit or loss (other operating expenses);
- net interest on the net defined benefit liabilities – recognised in profit or loss (other operating expenses);
- revaluation of net defined benefit liabilities (actuarial profit/loss) – recognised in other comprehensive income (capital from remeasurement of defined benefit plan).

The costs of other long-term employee benefits (jubilee awards) – recognised in other operating costs.

The Group creates a provision for the costs of accumulating paid absences, which it will have to incur as a result of the employees' unused entitlement that is due at the reporting date. The provision for the costs of accumulated paid absences is recognised as a liability after deducting any amount already paid. The provision for the costs of accumulated paid absences is a short-term provision, is not discounted and is charged to the core business.

4.3.10. Revenue

Revenue from sales of goods

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

Sales revenue is recognised at the fair value of the consideration received or due and represents receivables for products, goods and services provided in the normal course of business, less discounts, value-added tax and other sales-related taxes. Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and when the amount of revenue can be reliably measured.

Revenue from sales of services

Service revenue relating to short-term orders is recognised at a point in time when the service is finalised, upon confirmation of the performance of the contractual liability (upon receipt of the acceptance report).

Revenue from long-term agreements is recognised over time, when control of the goods or services is transferred to the customer, at the transaction price. Revenue is recognised to reflect the transfer of promised goods or services to the customer in an amount that reflects the remuneration to which the Group expects to be entitled in exchange for those goods or services.

In addition, under IFRS 15, costs incurred to obtain and collateralise an agreement with a customer are capitalised and accrued over the period that the benefits of the agreement are consumed.

Recognition of contract revenue

In accordance with the principles of the IFRS15 standard, revenue is recognised when control over goods or services is transferred to the customer, at the transaction price. The requirements of the standard regarding revenue recognition from customer agreements based on the so-called 5-step model:

1. Contract identification
2. Identification of performance obligations,
3. Determination of the transaction price,
4. Assigning the 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 remuneration to which the Group will be entitled in exchange for those goods or services. In addition, under IFRS 15, costs incurred to obtain and collateralise an agreement with a customer are capitalised and accrued over the period that the benefits of the agreement are consumed.

Guarantees and payment terms

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

Guarantees in the form of performance bonds are generally provided for periods of 1-2 years and, after their expiry, warranty guarantees apply for a further 2-5 years (depending on the contract).

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

Determining the transaction price

In the case of contracts involving several performance obligations, a transaction price is assigned to each of these obligations based on the unit selling price. If these prices cannot be determined from direct observations, they are estimated based on expected costs plus a mark-up.

Estimates of revenue, costs or completion rates are reviewed when circumstances have changed. The resulting increases or decreases in estimated income or expenses are recognised in profit or loss for the period during which management became aware of the circumstances giving rise to the review of the estimates.

For 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 payment, a customer contract asset is

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recognised. If the value of the payment exceeds the value of the services provided, a customer contract liability is recognised.

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

Other revenue

Interests

Interest revenue is recognised successively as it accrues, with reference to the net reporting value of a given financial asset, in accordance with the effective interest rate method.

Dividends

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

4.3.11. Costs

The Group recognises costs in accordance with the principle of matching revenue and costs and the principle of prudence.

Cost of goods sold – includes the cost of goods and services sold, including ancillary activities.

Sales costs – include sales agency costs, commercial costs, advertising and promotion costs and distribution costs.

General administrative costs – include costs associated with the management and administration of the Group as a whole.

4.3.12. Transactions in foreign currencies

In the financial statements of entities in the Apator Group of Companies, foreign currency transactions are translated according to the exchange rate applicable on the transaction date. At the reporting date, monetary assets and liabilities are recorded at the exchange rate of the leading bank applicable at the end of the reporting period. Profit and loss resulting from currency conversion is recognised directly in financial result.

The functional currency of the foreign subsidiary Apator GmbH is EUR, the subsidiary Apator Metra – CZK, the subsidiary Miitors ApS. - DKK, and subsidiary GEORGE WILSON INDUSTRIES Ltd. - GBP. At the reporting date, the assets and liabilities, as well as the statements of comprehensive income of these foreign subsidiaries are translated into the Group's reporting currency at the exchange rate of the leading bank, being the arithmetic mean of the sales and purchase rates applicable on the reporting date. Foreign exchange differences arising from such conversions are directly recognised in equity as a separate component.

Upon the sale of a foreign entity, the accumulated deferred exchange differences recognised in equity relating to the foreign entity are recognised in the financial result.

4.3.13. Taxes

Income tax includes both the current and the deferred part. Current and deferred income tax is recognised in a profit or a loss incurred in the current period, except for situations when it involves business combinations and items recognised directly in equity or as other comprehensive income.

Current tax is the expected amount of tax liabilities or receivables on taxable income for a given year, determined using tax rates legally or actually in force as of the reporting date and adjustments to the tax liability relating to previous years.

Deferred tax is recognised in connection with temporary differences between the reporting value of assets and liabilities and their values determined for tax purposes. Deferred income tax is not recognised for the following

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temporary differences: the initial recognition of assets or liabilities arising from a transaction that is not a business combination and affects neither current period 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, no deferred tax is recognised on temporary differences arising from the initial recognition of goodwill. Deferred tax is measured using the tax rates that are expected to apply when temporary differences reverse, whereby the tax laws that have been legally or actually in force by the reporting date are taken as the basis. Deferred tax assets and provisions are offset if the Group has an enforceable legal right to offset current tax liabilities and assets, and provided that the deferred tax assets and provisions relate to the income tax imposed by the same tax authority on the same taxpayer or different taxpayers that intend to settle income tax liabilities and receivables on a net basis or to simultaneously realise the receivables and settle the liability.

Deferred tax assets related to an unsettled tax loss, unused tax credit and deductible 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 reduced to the extent that it is not probable that the related income tax benefits will be realised.

Companies in the Apator Group apply tax rates in accordance with the regulations applicable in the country where they conduct business (Czech Republic 19%, Germany 15%, United Kingdom 19%, Denmark 22%).

4.3.14. Grants

Government grants are assistance by a government that takes the form of a transfer of resources to an economic entity in return for past or future compliance with certain conditions relating to its operating activity.

In accordance with IAS 20, government grants are recognised 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 recognised as a deduction from the relevant costs. Conversely, where these resources relate to an asset, their fair value reduces the initial value of that asset.

In individual cases, the subsidy may also be recognised as other operating income.

4.3.15. Zone tax credit resulting from doing business in a Special Economic Zone

The parent company Apator S.A. benefits from an income tax exemption due to new investment costs by virtue of its permit to conduct business activities in the Pomeranian Special Economic Zone (PSEZ), obtained on 28 December 2010. The subject of the exemption under the obtained permit is zone income, i.e. the income obtained from the business activities conducted within the territory of the PSEZ.

Apator S.A. recognises the tax credit resulting from its activities in the Special Economic Zone (exemption from corporate income tax) in accordance with IAS 12, i.e. it recognises it as a deferred tax asset up to the amount of public assistance that can be obtained. The maximum amount of assistance available is calculated by multiplying the assistance intensity applicable in the province by the value of the investment expenditure considered eligible. Deferred tax assets relating to unused tax credits 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 reduced to the extent that it is not probable that the related income tax benefits will be realised.

4.3.16. Equity

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 from consolidation, undistributed financial result from previous years, the result of the current year. Items reducing the amount of equity consist of write-offs from the current year's financial result, representing payments of advances for dividends.

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5. Segment reporting

An operating segment is a part of the Group engaged in business activities in relation to which it may earn revenue and incur costs, including revenue and costs related to transactions with other parts of the Group. The operating results of each operating segment are regularly reviewed by the main decision-making body responsible for operational decisions in the Group, which 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). Revenue and cost data by segment are provided to the Management Board for analysis after the elimination of revenue between segments. The Management Board analyses the results of each segment at the individual result level, i.e. gross profit on sales, result on sales, result on operations and EBITDA (see note 8.1 for the calculation of EBITDA). The contribution of the individual segments to generating the Group's operating margin (at EBITDA level) is also a factor influencing strategic and operational decisions. Segment revenue and costs are analysed after eliminating inter-segment transactions. When making operational decisions, however, balance sheet items related to individual segments are not subject to analysis. Balance sheet data is analysed at the level of individual companies of the Group.

Segment results consist of the results of the following companies:

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

Internal turnover between companies of the Group is eliminated for business segment reporting purposes.

6. Basic judgements and basis for uncertainty estimation

Preparing a consolidated financial statement in accordance with IFRS requires the Parent Company's Management Board to make estimates, judgements and assumptions that affect the adopted principles and the presented values of assets, liabilities, revenue and expenses.

The estimates and related assumptions are based on historical experience and various factors that are considered reasonable in given circumstances. The results of these estimates provide a basis for professional judgement of the book value of assets and liabilities. For significant issues, the Management Board relies on the opinions of independent experts when making estimates. The actual value may differ from the estimated value.

The estimates and related assumptions are verified on an ongoing basis. A change in accounting estimates is recognised in the period in which the change was made.

The following areas require significant estimates and subjective assessment:

- revenue recognition and transaction price allocation for contracts with several contractual obligations for which revenue is recognised over time,
- the recognition of deferred tax assets on tax loss from previous periods,
- uncertainty about estimates and subjective assessments made in relation to leasing transactions,
- impairment of goodwill,
- estimated useful life of intangible assets,
- estimated useful life of tangible fixed assets,
- estimated valuation of investment property,
- estimate of the pension liability under the defined benefit plan,
- estimation of other provisions,
- impairment of financial and non-financial assets,
- impairment of inventory,

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- impairment of receivables,
- the value of derivatives resulting from the assumed level of hedging of future cash flows.

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 4.2.2, note 8.5),
- Tangible fixed assets (note 4.3.2, note 8.6),
- Right to use assets, lease liabilities (note 4.3.3, note 8.7),
- Investment property (note 4.3.4, note 8.8),
- Other financial assets (note 4.3.7, note 8.10),
- Inventory (note 4.3.6, note 8.11),
- Trade and other receivables (note 4.3.7, note 8.12),
- Provisions for liabilities (notes 4.3.8, 4.3.10; note 8.21),
- Deferred income tax (notes 4.3.13, 4.3.15; note 8.23),
- Derivatives (note 4.3.7, note 8.29).

7. Information on the seasonality of operations

Seasonality phenomenon in the operations of the Apator Group is not significant (we do not observe repeatability in this respect).

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8. Explanatory notes to the financial statements

8.1. Alternative performance measures

EBITDA is a measure showing the net profit achieved by the Group after eliminating the impact of income tax, financing costs and amortisation. the Management Board of Apator S.A. recognises it as a significant additional performance measure, therefore EBITDA is presented in the financial statements alongside the measures defined by IFRS.

EBITDA is not a measure defined by IFRS and is not a standardised measure, so this indicator should not be analysed separately or as a substitute for measures defined by IFRS. In addition, for reporting purposes, the Group uses a measure of EBITDA adjusted for the effect of non-recurring events.

The calculation of EBITDA is presented in the table below.

ITEM	from 01.01.2023	from 01.01.2022
	to 31.12.2023	to 31.12.2022
Net profit for the financial period	8,504	7,205
(+) Income tax	19,040	8,710
Gross profit	27,544	15,915
(+) Financial costs	20,667	20,693
(-) Financial revenues	8,079	5,268
(+) Depreciation	56,414	55,727
EBITDA	96,546	87,067
Non-recurring events	17,517	14,616
Adjusted EBITDA	114,063	101,683

8.2. Operating segments

The activities of Apator Group are concentrated in three main segments:

- Electricity
- Gas
- Water and heat

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

ITEM	Electricity	Gas	Water and Heat	Non-allocated	Total
Financial results of operating segments for the period from 1/01/2023 to 31/12/2023					
Revenue from sales	514,978	242,576	379,620	-	1,137,174
Cost of goods sold	400,975	213,313	267,058	-	881,346
Gross profit from sales	114,003	29,263	112,562	-	255,828
Sales costs	18,951	6,829	18,851	272	44,903
General administrative costs	61,735	31,279	55,846	4,795	153,655
Profit on sales	33,317	(8,845)	37,865	(5,067)	57,270
Other operating revenue (costs)	750	(14,574)	(3,314)	-	(17,138)
Profit on operating activity	34,067	(23,419)	34,551	(5,067)	40,132
Amortisation and depreciation	26,823	12,268	17,323	-	56,414
EBITDA	60,890	(11,151)	51,874	(5,067)	96,546
Other income / financial expenses	(2,549)	(4,144)	(5,894)	-	(12,588)
GROSS PROFIT	31,518	(27,563)	28,657	(5,067)	27,544
Financial results of operating segments for the period from 1/01/2022 to 31/12/2022					

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Revenue from sales	439,511	281,342	360,939	-	1,081,792
Cost of goods sold	369,839	235,520	252,172	-	857,531
Gross profit from sales	69,672	45,822	108,767	-	224,261
Sales costs	14,785	8,808	18,521	308	42,422
General administrative costs	51,254	28,025	53,317	4,153	136,749
Profit on sales	3,633	8,989	36,929	(4,461)	45,090
Other operating revenue (costs)	2,656	(14,432)	(2,418)	-	(14,194)
Share of profit of associated companies	-	-	444	-	444
Profit on operating activity	6,289	(5,443)	34,955	(4,461)	31,340
Amortisation and depreciation	27,804	14,169	13,754		55,727
EBITDA	34,093	8,726	48,709	(4,461)	87,067
Other income / financial expenses	(7,209)	(3,781)	(4,436)	0	(15,425)
GROSS PROFIT	(920)	(9,224)	30,519	(4,461)	15,915

8.3. Revenue

The following table presents the specification of sales revenue.

ITEM	for the period	
	from 01.01.2023	from 01.01.2022
	to 31.12.2023	to 31.12.2022
Revenue from sales	1,137,174	1,081,792
Revenues from sales of products and services	1,065,651	992,524
Income from sale of goods and materials	71,523	89,268

Contract settlement

In 2023, the majority of the Group's revenue was recognised at a point in time.

ITEM	from 01.01.2023	from 01.01.2022
	to 31.12.2023	to 31.12.2022
Contract revenue recognised of which:	1,137,174	1,081,792
- revenue recognised at a point in time	1,098,273	1,050,209
- revenue recognised over time	38,901	31,583

The value of deferred revenue from contracts capitalised in the balance sheet as at 31.12.2023 amounts to PLN 2.6 million.

Geographical information

The Apator Group of Companies distinguishes the following three areas of activity:

- Country – covering sales within the country
- European Union – sales in EU countries
- Export – sales made in other countries

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ITEM	Domestic	Export outside the EU	European Union	Total
Sales revenue of geographical segments for the period from 01.01.2023 to 31.12.2023				
Total revenue	640,513	112,354	384,307	1,137,174
External sales	640,513	112,354	384,307	1,137,174
Sales to related entities	-	-	-	-
Sales revenue of geographical segments for the period from 1/01/2022 to 31/12/2022				
Total revenue	571,450	110,438	399,904	1,081,792
External sales	571,450	106,655	399,904	1,078,009
Sales to related entities	-	3,783	-	3,783

8.4. Intangible assets

Data concerning intangible assets are presented in the tables below.

ITEM	as at	
	31.12.2023	31.12.2022
Customer relations	2,106	5,757
Patents and licenses, computer software	11,873	10,644
Costs of development works	45,363	42,055
Other intangible assets	950	1,073
Unfinished investment in intangible assets	1,497	1,690
Unfinished investment in development work	32,325	44,612
Total	94,114	105,831

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ITEM	CUSTOMER RELATIONS	PATENTS AND LICENCES, COMPUTER SOFTWARE	DEVELOPMENT WORK COSTS	OTHER INTANGIBLE ASSETS	UNCOMPLETED INVESTMENTS IN INTANGIBLE ASSETS	UNCOMPLETED INVESTMENTS IN DEVELOPMENT WORKS	TOTAL
Net value as at 01.01.2022	8,738	10,423	47,981	9,451	(1,389)	32,323	107,527
Increase due to acquisition	-	1,810	4,137	723	-	-	6,670
Increase on account of own production	-	1,520	2,817	-	-	-	4,337
Increase due to reclassification - other	-	(39)	8,968	379	-	-	9,308
Expenditure on intangible assets	-	-	-	-	5,520	22,363	27,883
Decrease due to liquidation	-	(557)	-	(29)	-	(98)	(684)
Decrease due to abandonment of investments	-	-	-	-	-	(1,185)	(1,185)
Decrease due to reclassification - other	-	-	-	(9,313)	-	-	(9,313)
Settlement of expenditure on intangible assets (acceptance in stock)	-	-	-	-	(2,441)	(8,566)	(11,007)
Other impairment write-downs on assets	-	-	(11,720)	-	-	(225)	(11,945)
Amortisation and depreciation	(2,981)	(3,108)	(8,274)	(167)	-	-	(14,530)
Decrease in existing depreciation due to liquidation	-	557	-	29	-	-	586
Decrease in existing depreciation due to reclassification - other	-	-	9	-	-	-	9
Net foreign exchange differences on translation of financial statements into presentation currency	-	38	(397)	-	-	-	(359)
Other changes - gross	-	-	(98)	39	-	-	(59)
Other changes - amortisation	-	-	(1,368)	(39)	-	-	(1,407)
Net value as at 31.12.2022	5,757	10,644	42,055	1,073	1,690	44,612	105,831
Net value as at 01.01.2023	5,757	10,644	42,055	1,073	1,690	44,612	105,831
Increase due to acquisition	-	1,784	17,818	73	-	-	19,675
Increase on account of own production	-	1,630	7,282	-	-	-	8,912
Increase due to reclassification	-	(293)	293	-	260	-	260
Expenditure on intangible assets	-	-	-	-	1,404	16,241	17,645
Decrease due to liquidation	-	(282)	(6,973)	-	-	-	(7,255)
Decrease due to abandonment of investments	-	-	-	-	-	(1,798)	(1,798)
Settlement of expenditure on intangible assets (acceptance in stock)	-	-	-	-	(1,857)	(26,730)	(28,587)
Other impairment write-downs on assets	-	-	(9,175)	-	-	-	(9,175)
Amortisation and depreciation	(3,651)	(1,755)	(11,205)	(196)	-	-	(16,807)
Decrease in existing depreciation due to liquidation	-	282	5,285	-	-	-	5,567
Net foreign exchange differences on translation of financial statements into presentation currency	-	(137)	(17)	-	-	-	(154)
Net value at 31.12.2023	2,106	11,873	45,363	950	1,497	32,325	94,114

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ITEM	CUSTOMER RELATIONS	PATENTS AND LICENCES, COMPUTER SOFTWARE	DEVELOPMENT WORK COSTS	OTHER INTANGIBLE ASSETS	UNCOMPLETED INVESTMENTS IN INTANGIBLE ASSETS	UNCOMPLETED INVESTMENTS IN DEVELOPMENT WORKS	TOTAL
Status as at 31.12.2022							
Gross value	29,809	33,041	112,181	15,787	1,690	46,888	239,396
Total accumulated depreciation and impairment loss to date	(24,052)	(22,397)	(70,126)	(14,714)	-	(2,276)	(133,565)
Net value	5,757	10,644	42,055	1,073	1,690	44,612	105,831
As at 31.12.2023							
Gross value	29,809	35,743	130,584	15,860	1,497	34,601	248,094
Total accumulated depreciation and impairment loss to date	(27,703)	(23,870)	(85,221)	(14,910)	-	(2,276)	(153,980)
Net value	2,106	11,873	45,363	950	1,497	32,325	94,114

In 2023, development allowance of PLN 9.2 million was created.

ITEM	ALLOWANCE FOR DEVELOPMENT WORK COSTS
Net value as at 01.01.2023	11,945
Creation of a write-down on the current result	9,175
Value of write-downs as at 31.12.2023	21,120

ITEM	as at	
	31.12.2023	31.12.2022
Gross value of all fully amortised intangible assets still in use	76,452	35,849
Value of research and development expenditure recognised as an expense during the period	16,215	15,430
Amount of borrowing costs capitalised during the period	320	376

8.5. Goodwill of subsidiaries

Data on goodwill are presented in the tables below.

Specification		as at	
		31.12.2023	31.12.2022
Network Automation Centre	Apator Rector Sp. z o.o.	43,106	43,106
	The Automation and ICT Business Line in Apator S.A.	34,506	34,506
Water and Heat	Apator Powogaz S.A.	17,855	17,855
Water and Heat	Apator Telemetria Sp. z o.o.	5,546	5,546
Water and Heat	Apator Metra s.r.o.	717	792
Water and Heat	Miitors ApS	18,942	20,470
Net goodwill		120,672	122,275

ITEM	in the period	
	from 01.01.2023	from 01.01.2022
	to 31.12.2023	to 31.12.2022
Gross goodwill at the beginning of the period	126,528	126,112
Net foreign exchange differences on translation of financial statements into presentation currency	(1,603)	416
Gross goodwill at the end of the period	124,925	126,528
Impairment loss at beginning of the period	(4,253)	(335)
Impairment write-down created during the period	-	(3,918)
Impairment write-down at the end of the period	(4,253)	(4,253)
Net goodwill at the end of the period	120,672	122,275

As of 31 December 2023, the Management Board of the Company conducted an impairment test of goodwill. A weighted average cost of capital of 10.8% (previously 13%) and a five-year forecast period based on the companies' financial plans for 2024 - 2028 were assumed.

Based on the tests carried out, no impairment of assets was found within individual cash-generating units in the Apator Group (CGU). The impairment test of goodwill was performed based on an estimate of the present value of the sum of future free cash flows generated by each Cash Generating Unit, taking into account tax, the change in current assets balances and expenditure on tangible and intangible assets (i.e. the recoverable amount of investments in shares in subsidiaries was estimated using the value-in-use method). For the determination of the residual value, a growth rate of 3.0% was applied in subsequent years after 2027.

In the Apator Group of Companies, cash-generating units are direct subsidiaries of Apator S.A., except the Automation and ICT Business Lines in Apator S.A. (former Apator Elkomtech S.A.) and Apator Rector Sp. z o.o., which are hereinafter referred to collectively as the Network Automation Centre. Due to the merger of Apator S.A. and Apator Elkomtech S.A., the subject of the impairment test are therefore the net fixed assets allocated to the Network Automation Centre, i.e. the difference in assets and liabilities of the Automation and ICT Business Lines and investments in shares in Apator Rector Sp. z o.o.

In the case of the Network Automation Centre, the impairment test was carried out on the assumption that the companies' assets constitute a single cash-generating unit. The rationale for this approach is primarily the high level of operational integration resulting from the complementary offers of the two entities and the consolidation of hardware and ICT solutions planned in the business strategy of the Apator Group, as well as taking fuller advantage of new market opportunities in the areas of RES and energy efficiency. At the same time, irrespective of formal legal and organisational changes, the Apator Group conducts systematic optimisation of organisational structures and activities aimed at increasing the synergy of the segment. As part of these initiatives, there are joint projects in the CGU in which the Automation and ICT Business Lines in Apator S.A. (former Apator Elkomtech S.A.) benefit from the knowledge and experience of Apator Rector Sp. z o.o. in the field of management and implementation of IT projects. In this sense, the completed earlier than originally planned merger of Apator Elkomtech S.A. with Apator S.A. did not in any way affect the current and target level of integration of the Network Automation Centre.

As a result of the test, the Company found no impairment through the value of the assets allocated to the Network Automation Centre. For the Network Automation Centre, a sensitivity analysis was carried out for the change in WACC caused by a change in the degree of foreign capital financing, changes in the cost of own capital and for the change in operating result. It was estimated that an increase in WACC of 3.3 p.p. or a 26.9 p.p. decrease in EBIT in each of the forecast years could result in the recoverable amount being equal to the carrying amount (both factors were analysed separately). The management is not aware of any probable assumptions that could result in a material impairment. For the other cash-generating units, there are no indications of impairment of the assets allocated to them.

8.6. Tangible fixed assets

The most significant expenditures on tangible fixed assets during 2023 included investments in machinery and equipment and other property, plant and equipment (tools, instrumentation and workstations).

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Data on tangible fixed assets, grouped in accordance with the classification of fixed assets, are presented in the tables below.

ITEM	as at	
	31.12.2023	31.12.2022
Land, buildings and structures	92,868	94,985
Machinery and equipment	47,822	55,354
Means of transport	2,780	1,912
Other tangible fixed assets	41,107	46,926
Unfinished investment in tangible fixed assets	12,234	13,667
Total	196,811	212,844

ITEM	LAND, BUILDINGS AND STRUCTURE S	MACHINERY AND EQUIPMENT	MEANS OF TRANSPORT	OTHER TANGIBLE FIXED ASSETS	INVESTMENTS NOT YET COMPLETED IN TANGIBLE FIXED ASSETS	TOTAL
Net value as at 01.01.2022	65,073	52,259	1,686	41,820	60,306	221,144
Increase due to acquisition	48,129	19,042	473	12,853	-	80,497
Increase due to modernisation	1,024	584	-	615	-	2,223
Increase on account of own production	-	145	-	2,055	-	2,200
Increase due to reclassification - from right to use leased assets to tangible fixed assets	-	2,765	1,237	2,969	-	6,971
Increase due to reclassification - other	-	272	-	(272)	-	-
Expenditures on tangible fixed assets	-	-	-	-	44,812	44,812
Decrease due to disposal	(6,316)	(9,836)	(720)	(225)	-	(17,097)
Decrease due to liquidation	(23)	(4,506)	(32)	(9,745)	-	(14,306)
Decrease due to abandonment of investments	-	-	-	-	(31)	(31)
Decrease due to reclassification - to assets held for sale	(15,898)	-	-	-	-	(15,898)
Decrease resulting from reclassification - from tangible fixed assets to right to use assets under lease	-	-	-	-	(6,499)	(6,499)
Decrease due to reclassification - other	-	163	-	(163)	-	-
Settlement of expenditure on tangible fixed assets (acceptance)	-	-	-	-	(84,921)	(84,921)
Amortisation and depreciation	(4,251)	(15,179)	(754)	(12,222)	-	(32,406)
Increase in existing depreciation due to reclassification - from right to use leased assets to tangible fixed assets	-	(1,513)	(804)	(889)	-	(3,206)
Decrease in existing depreciation due to disposal	3,825	7,451	792	218	-	12,286
Decrease in existing depreciation due to liquidation	22	3,886	32	9,745	-	13,685
Decrease in existing depreciation due to reclassification - to assets held for sale	3,035	-	-	-	-	3,035
Net foreign exchange differences on translation of financial statements into presentation currency	365	1	2	(9)	-	359
Other changes - gross	-	(273)	(374)	142	-	(505)
Other changes - depreciation	-	93	374	34	-	501
Net value as at 31.12.2022	94,985	55,354	1,912	46,926	13,667	212,844

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ITEM	LAND, BUILDINGS AND STRUCTURE S	MACHINERY AND EQUIPMENT	MEANS OF TRANSPORT	OTHER TANGIBLE FIXED ASSETS	INVESTMENTS NOT YET COMPLETED IN TANGIBLE FIXED ASSETS	TOTAL
Net value as at 01.01.2023	94,985	55,354	1,912	46,926	13,667	212,844
Increase due to acquisition	559	6,152	1,651	3,668	-	12,030
Increase due to modernisation	2,446	1,607	-	1,657	-	5,710
Increase on account of own production	-	355	-	123	-	478
Increase due to reclassification - from right to use leased assets to tangible fixed assets	-	1,951	450	1,144	-	3,545
Increase due to reclassification - from assets held for sale	35	-	-	-	-	35
Expenditures on tangible fixed assets	-	-	-	-	18,745	18,745
Decrease due to disposal	(1,707)	(6,054)	(614)	(224)	-	(8,599)
Decrease due to liquidation	-	(5,488)	(238)	(4,373)	-	(10,099)
Decrease due to abandonment of investments	-	-	-	-	(52)	(52)
Decrease due to reclassification - from tangible fixed assets to right to use leased assets	-	(124)	-	-	(1,846)	(1,970)
Decrease due to reclassification - other	-	-	-	-	(261)	(261)
Settlement of expenditure on tangible fixed assets (acceptance)	-	-	-	-	(18,019)	(18,019)
Other impairment write-downs on assets	(596)	(1,842)	-	(52)	-	(2,490)
Amortisation and depreciation	(3,736)	(14,241)	(1,016)	(11,889)	-	(30,882)
Increase in existing depreciation due to reclassification - from right to use leased assets to tangible fixed assets	-	(619)	(224)	-	-	(843)
Decrease in existing depreciation due to disposal	1,706	6,676	649	198	-	9,229
Decrease in existing depreciation due to liquidation	-	4,660	237	4,368	-	9,265
Decrease in accumulated depreciation due to reclassification - from tangible fixed assets to right to use leased assets	-	(231)	-	(324)	-	(555)
Net foreign exchange differences on translation of financial statements into presentation currency	(845)	(451)	(2)	-	-	(1,298)
Other changes - gross	21	-	(62)	(123)	-	(164)
Other changes - depreciation	-	117	37	8	-	162
Net value at 31.12.2023	92,868	47,822	2,780	41,107	12,234	196,811

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ITEM	LAND, BUILDINGS AND STRUCTURES	MACHINERY AND EQUIPMENT	MEANS OF TRANSPORT	OTHER TANGIBLE FIXED ASSETS	INVESTMENTS NOT YET COMPLETED IN TANGIBLE FIXED ASSETS	TOTAL
Status as at 31.12.2022						
Gross value	129,832	194,201	12,611	181,997	13,667	532,308
Total accumulated depreciation and impairment loss to date	(34,847)	(138,847)	(10,699)	(135,071)	-	(319,464)
Net value	94,985	55,354	1,912	46,926	13,667	212,844
As at 31.12.2023						
Gross value	130,471	192,538	13,824	183,869	12,234	532,936
Total accumulated depreciation and impairment loss to date	(37,603)	(144,716)	(11,044)	(142,762)	-	(336,125)
Net value	92,868	47,822	2,780	41,107	12,234	196,811

The following collaterals were established on tangible fixed assets as of 31 December 2023:

- Contractual mortgage on the real estate of Apator S.A. in Ostaszewo up to the amount of PLN 40 million, (including the assignment of rights under the insurance contract) as collateral for the Multi-product Agreement concluded between the companies of the Group and ING Bank Śląski S.A.
- Mortgage of CZK 50 million (together with the assignment of rights under the insurance agreement) established on the property of the subsidiary Apator Metra in the Czech Republic, in connection with the concluded credit agreement,
- Joint mortgage on the Żerniki and Tczew property up to PLN 182.8 million (together with the assignment of rights under the insurance contract) in connection with the concluded loan agreements in PKO BP S.A.,
- Registered pledge over fixed assets (together with the assignment of the insurance policy) with the value of PLN 30 million (machinery and equipment) being the property of Apator S.A., Apator Powogaz S.A., Apator Metrix S.A., Apator Telemetria Sp. z o.o., in connection with a multi-product Agreement with ING Bank Śląski S.A.,
- Registered pledge over fixed assets of Apator S.A. with the value of PLN 2.8 million (together with the assignment of the insurance policy), in connection with the agreement with CITI Bank Handlowy S.A. Contract on long-term credit for financing the purchase of shares of Apator Telemetria Sp. z o.o. for the amount of PLN 13 million, in connection with the repayment of the credit, was removed from the Pledge Register on 26 January 2024,
- Registered pledge on fixed assets (together with the assignment of the insurance policy) in the amount of PLN 12.4 million, being the collateral in relation to the concluded multi-purpose agreement with PKO BP S.A. .

As of 31 December 2023, there were indications of impairment of material tangible fixed assets due to GWI's failure to continue as a going concern - an impairment loss of PLN 2.4 million was recognised. See note 10 (Events after the balance sheet date) for further information. The status of the write-downs is shown in the table below:

ITEM	LAND, BUILDINGS AND STRUCTURES	MACHINERY AND DEVICES	MEANS OF TRANSPORT	OTHER TANGIBLE FIXED ASSETS	UNFINISHED INVESTMENT IN TANGIBLE FIXED ASSETS	TOTAL
Value of write-downs as at 01.01.2023	-	-	-	-	-	-
Creation of a write-down on the current result	(596)	(1,842)	-	(52)	-	(2,490)
Value of write-downs as at 31.12.2023	(596)	(1,842)	-	(52)	-	(2,490)

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8.7. Right to use assets, lease liabilities

The Group's capitalised leased assets include:

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

The discount rate for property lease agreements was determined in accordance with the adopted principle. It currently ranges from 1% to 6.9% (due to different contracting periods and high volatility of interest rates). For other lease liabilities, the discount rate follows directly from the terms of the contract.

Data on the right to use leased assets is presented in the tables below.

ITEM	as at	
	31.12.2023	31.12.2022
Land, buildings and structures	32,590	30,021
Machinery and equipment	14,891	9,009
Means of transport	1,179	1,271
Other tangible fixed assets	6,140	5,606
Investments not yet completed in lease assets	-	783
Value at the end of the period	54,800	46,690

ITEM	LAND, BUILDINGS AND STRUCTUR ES	MACHINERY AND EQUIPME NT	MEANS OF TRANSPOR T	OTHER TANGIBLE FIXED ASSETS	INVESTMENTS NOT YET COMPLETED IN LEASE ASSETS	TOTAL
Net value as at 01.01.2022	18,090	7,743	1,819	5,995	452	34,099
Increase due to leasing acceptance	17,750	4,302	950	2,514	-	25,516
Increase due to reclassification - other	127	-	-	-	-	127
Expenditure on lease assets	-	-	-	-	25,847	25,847
Decrease due to disposal	(416)	-	(418)	-	-	(834)
Decrease due to liquidation	(605)	-	(122)	-	-	(727)
Decrease due to reclassification - from right to use leased assets to tangible fixed assets	-	(2,765)	(1,237)	(2,969)	-	(6,971)
Settlement of expenditures on lease assets (acceptance in stock)	-	-	-	-	(25,516)	(25,516)
Amortisation and depreciation	(5,418)	(1,784)	(766)	(823)	-	(8,791)
Decrease in existing depreciation due to disposal	-	-	119	-	-	119
Decrease in existing depreciation due to liquidation	605	-	122	-	-	727
Decrease in existing depreciation due to reclassification - from right to use leased assets to tangible fixed assets	-	1,513	804	889	-	3,206
Net foreign exchange differences on translation of financial statements into presentation currency	(112)	-	-	-	-	(112)
Net value as at 31.12.2022	30,021	9,009	1,271	5,606	783	46,690

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ITEM	LAND, BUILDINGS AND STRUCTURES	MACHINERY AND EQUIPMENT	MEANS OF TRANSPORT	OTHER TANGIBLE FIXED ASSETS	INVESTMENTS NOT YET COMPLETED IN LEASE ASSETS	TOTAL
Net value as at 01.01.2023	30,021	9,009	1,271	5,606	783	46,690
Increase due to modernisation	-	-	93	-	-	93
Increase due to leasing	6,739	9,327	498	2,154	-	18,718
Increase due to reclassification - from tangible fixed assets to right to use assets under lease	-	124	-	-	1,846	1,970
Increase due to reclassification - other	303	-	-	-	-	303
Expenditures on asset under lease	-	-	-	-	16,182	16,182
Decrease due to disposal	-	-	(290)	-	-	(290)
Decrease due to liquidation	-	-	(584)	-	-	(584)
Decrease due to reclassification - from right to use leased assets to tangible fixed assets	-	(2,276)	(494)	(1,145)	-	(3,915)
Settlement of expenditures on tangible lease assets (acceptance in stock)	-	-	-	-	(18,811)	(18,811)
Amortisation and depreciation	(5,002)	(2,504)	(420)	(799)	-	(8,725)
Decrease in existing depreciation due to disposal	-	-	230	-	-	230
Decrease in existing depreciation due to liquidation	-	-	584	-	-	584
Decrease in existing depreciation due to reclassification - to assets held for sale	-	325	57	-	-	382
Decrease in existing depreciation due to reclassification - from right to use leased assets to tangible fixed assets	-	850	224	324	-	1,398
Net foreign exchange differences on translation of financial statements into presentation currency	(448)	-	-	-	-	(448)
Other changes - gross	208	(1,003)	(215)	-	-	(1,010)
Other changes - depreciation	769	1,039	225	-	-	2,033
Net value at 31.12.2023	32,590	14,891	1,179	6,140	-	54,800

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ITEM	LAND, BUILDINGS AND STRUCTURES	MACHINERY AND EQUIPMENT	MEANS OF TRANSPORT	OTHER TANGIBLE FIXED ASSETS	INVESTMENTS NOT YET COMPLETED IN LEASED ASSETS	TOTAL
Status as at 31.12.2022						
Gross value	47,759	14,057	3,568	7,564	783	73,731
Total accumulated depreciation and impairment loss to date	(17,738)	(5,048)	(2,297)	(1,958)	-	(27,041)
Net value	30,021	9,009	1,271	5,606	783	46,690
As at 31.12.2023						
Gross value	54,562	20 228	2 576	8 572	-	85 938
Total accumulated depreciation and impairment loss to date	(21 972)	(5 337)	(1 397)	(2 432)	-	(31 138)
Net value	32,590	14,891	1,179	6,140	-	54,800

ITEM	as at	
	31.12.2023	31.12.2022
Long-term finance lease liabilities	37,608	33,299
Short-term finance lease liabilities	11,110	9,556
Total finance lease liabilities	48,718	42,855

ITEM	as at 31.12.2023		as at 31.12. 2022	
	Fees	Present value of fees	Fees	Present value of fees
Payable within 1 year	12,844	11,110	10,240	9,555
Payable over a period of 1 to 5 years	28,772	25,831	23,451	21,467
Payable after 5 years	11,911	11,777	15,623	11,833
Total future minimum lease payments under finance lease contracts	53,527	48,718	49,314	42,855
Future financial liabilities (-)	(4,809)	X	(6,459)	X
Present value of minimum lease payments	48,718	48,718	42,855	42,855

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8.8. Investment property

The Apator Capital Group classified purchased land with buildings, which it leased to unrelated entities, as investment property.

ITEM	in the period	
	from 01.01.2023	from 01.01.2022
	to 31.12.2023	to 31.12.2022
Value at the beginning of the period	2,282	1,733
Increase due to acquisition	-	190
Net foreign exchange differences on translation of financial statements into presentation currency	(105)	34
Increase in fair value	57	325
Value at the end of the period	2,234	2,282

The property was valued at fair value by an independent valuer.

Income and expenses from the investment property are presented in the table below

ITEM	in the period	
	from 01.01.2023	from 01.01.2022
	to 31.12.2023	to 31.12.2022
Rental income included in current result	196	232
Direct operating costs relating to an investment property that generated rental income during the period	69	90

As of 31 December 2023, the Group valued investment property by referring to market transaction prices for similar property. Due to the low revaluation value, valuations are updated once a year.

The Group classifies investment property at Level II of the fair value hierarchy.

8.9. Investments in associates consolidated using the equity method

In 2023, the Group had no investments in associates. The table below shows the disposals that took place in 2022.

ITEM	COMPANY NAME		TOTAL
	TEPLOVODOMER	INDA d.o. o.	
Value as of 1 January 2022	2,000	242	2,242
Decrease due to disposal	(2,000)	(228)	(2,228)
Net foreign exchange differences on translation of financial statements into presentation currency	-	(14)	(14)
Value as of 31 December 2022	-	-	-

8.10. Other financial assets

Data on other financial assets is presented in the table below.

ITEM	as at	
	31.12.2023	31.12.2022
Other long-term financial assets	-	1,352
Derivatives	-	1,352
Other short-term financial assets, including:	5,152	273
Derivatives	5,152	273
Total other financial assets, including:	5,152	1,625
- in other entities	5,152	1,625

Data on write-downs is presented in the table below.

ITEM	as at	
	from 01.01.2023	from 01.01.2022
	to 31.12.2023	to 31.12.2022
Value of write-downs at the beginning of the period	190	190
Exercise of a write-down - write-off	-	-
Value of write-downs at the end of the period	190	190

8.11. Inventory

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

ITEM	as at	
	31.12.2023	31.12.2022
Materials	144,605	146,993
Work in progress	47,489	54,680
Finished products	44,515	41,697
Goods	5,293	6,622
Other inventory	394	1,625
Total value of inventory	242,296	251,617

As at 31 December 2023, there were indications of impairment of inventory due to GWI not continuing as a going concern - an impairment loss of PLN 4.6 million was recognised. See note 10 (Events after the balance sheet date) for further information.

Changes in inventory write-downs are presented below.

ITEM	in the period	
	from 01.01.2023	from 01.01.2022
	to 31.12.2023	to 31.12.2022
Total inventory write-down		
Value of write-downs at the beginning of the period	20,799	17,971
Increase - creation of a write-off charged against current result	17,316	9,305
Decrease — write-down of unused amounts as income	(1,405)	(3,192)
Exercise of a write-down - write-off	(952)	(3,314)
Net foreign exchange differences on translation of financial statements into presentation currency	(41)	29
Value of write-downs at the end of the period	35,717	20,799

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Additional information on inventory is presented in the table below.

ITEM	as at	
	31.12.2023	31.12.2022
Value of inventory at fair value less costs of sale	241,154	764,563
Inventory recognised as costs in the period	766,196	-
Amount of borrowing costs capitalised during the period	682	-
Inventory pledged as collateral for liabilities	-	167,049

On inventory being the property of Apator S.A., Apator Telemetria Sp. z o.o., Apator Powogaz S.A. and FAP Pafal S.A. a registered pledge was established with the book value of the inventory not less than PLN 148.8 million (together with the assignment from the insurance policy), due to the concluded with ING Bank Śląski S.A. multi-product agreement.

On the inventory owned by Apator Metrix S.A. a registered pledge was established with a book value of not less than PLN 18.2 million in connection with the limit granted by Bank Handlowy for bank guarantees. Due to the termination of the agreement, the pledge was removed from the register on 20 March 2024. .

8.12. Trade receivables and other receivables

ITEM	as at	
	31.12.2023	31.12.2022
Long-term receivables	3,536	6,437
Deposits, bid bonds, sureties	1,862	1,928
Impairment of long-term receivables	(1,078)	-
Long-term trade receivables	2,031	3,135
Other	721	1,374
Short-term receivables, including:	206,475	214,496
Trade receivables	188,117	189,804
Gross trade receivables	192,110	193,621
Impairment loss on trade receivables	(3,993)	(3,817)
Receivables from corporate income tax	6,285	5,741
Receivables from other taxes, customs duties, and social insurance	8,780	12,309
Receivables from other taxes, customs duties, and social insurance	8,780	12,309
Other short-term receivables	3,293	6,642
Receivables from sold tangible fixed assets and intangible assets	1,081	2,112
Dividend receivables	990	953
Deposits, bid bonds, sureties	956	1,380
Litigation claims	-	1
Prepayments - advances for the purchase of services	355	583
Advances for tangible fixed assets and intangible assets	818	1,470
Other claims	924	1,134
Impairment loss on other short-term receivables	(1,831)	(991)
Total receivables, including:	210,011	220,933
- from other entities	210,011	220,933

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Data on the age structure and write-downs of trade receivables are presented below.

ITEM	31.12.2023		31.12.2022	
	Gross value	Impairment loss on financial assets	Gross value	Impairment loss on financial assets
Not due	167,944	-	168,851	(153)
Overdue from 0 to 30 days	15,141	-	16,102	(16)
Overdue from 31 to 180 days	5,084	(52)	4,898	(10)
Overdue from 180 days to one year	427	(427)	514	(382)
Overdue more than 1 year	3,514	(3,514)	3,256	(3,256)
Total	192,110	(3,993)	193,621	(3,817)

As of 31 December 2023, there were indications of impairment of receivables due to GWI not being a going concern - an impairment loss of PLN 1.7 million was recognised. See note 10 (Events after the balance sheet date) for further information.

Data on total impairment write-downs on receivables is presented in the table below.

ITEM	as at	
	31.12.2023	31.12.2022
Value of write-downs at the beginning of the period	4,808	4,610
Creation of individual write-downs (step 3 of the impairment model)	3,196	4,397
Creation/(reversal) of write-downs according to the write-down matrix	(795)	33
Reversal of individual write-downs	(261)	(3,429)
Exercise of individual write-downs	(46)	(803)
Value of write-downs at the end of the period	6,902	4,808
Individual write-down	6,849	4,756
Write-down calculated based on matrix	53	52

8.13. Fixed assets held for sale

On 22 December 2022, a preliminary contract was concluded (Notarial deed Rep. 11531/2022) for the sale of the property of Apator S.A. located in Łódź for PLN 14 million. The final agreement was concluded on 4 September 2023.

Therefore, as of 31 December 2023, all property was removed from the category of assets held for sale.

ITEM	in the period	
	from 01.01.2023	from 01.01.2022
	to 31.12.2023	to 31.12.2022
Value at the beginning of the period	12,863	23
Increase due to reclassification	(35)	-
Decrease due to disposal	(12,610)	12,863
Decrease due to liquidation	-	(23)
Other	(218)	-
Value at the end of the period	-	12,863

8.14. Cash and cash equivalents

The specification of cash and cash equivalents is shown in the table below:

ITEM	as at	
	31.12.2023	31.12.2022
Cash in hand	11	17
Cash on bank accounts	18,765	25,548
Cash in VAT accounts (split payment)	4,133	3,381
Deposit	30	32
Other - cash in transit	-	2
Total cash and cash equivalents	22,939	28,980

As at the balance sheet date of 31 December 2023, there was no cash with restricted use in the Group. A part of the funds held in VAT accounts is qualified for this type of funds, which the Group cannot freely dispose of due to the structure of purchases and sales. The remaining part of the funds held in VAT accounts is presented as a highly liquid asset due to the fact that they are used in the course of operating activities to settle current payments and their use is not significantly restricted.

8.15. Prepayments

Information on accruals and prepayments is presented in the table.

ITEM	as at	
	31.12.2023	31.12.2022
Long-term prepayments	303	55
Insurance	2	2
IT services	137	-
Other prepayments	164	53
Short-term prepayments	5,689	5,839
Administrative fees	-	1
Certification, legalisation	-	24
Insurance	1,383	1,477
IT services	2,705	2,712
Marketing services	73	14
Training	29	-
Repairs	-	829
Company Social Benefits Fund	32	-
Other prepayments	1,467	782

As of 31 December 2023, there were indications of impairment of assets due to GWI not being a going concern - an impairment loss of PLN 0.5 million was recognised. See note 10 (Events after the balance sheet date) for a detailed description.

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8.16. Share capital

The share capital amounts to PLN 3,264,707 and is divided into 32,647,073 shares, including:

- 7,331,391 registered voting preference shares at a ratio of 1:4,
- 25,315,682 bearer shares.

On 31.12.2023, the above shares entitled to the exercise of 54,626,618 votes at the general meeting.

Information concerning share capital is presented in the tables below.

ITEM	as at	
	31.12.2023	31.12.2022
Number of shares issued, fully paid up	32,647,073	32,647,073
Nominal value of shares	0,10	0,10
Share capital	3,265	3,265

ITEM	in the period	
	from 01.01.2023	from 01.01.2022
	to 31.12.2023	to 31.12.2022
Opening balance of share capital	3,265	3,278
Decrease in share capital during the period	-	(13)
Redemption of own shares	-	(13)
Closing balance of share capital	3,265	3,265

The shareholder structure as at 31 December 2023 is shown in the table below

First name and surname	Registered shares	Bearer shares	Total shares	Number of votes	Share in capital	Share of votes
Mariusz Lewicki	1,187,376	1,130,624	2,318,000	5,880,128	7.10%	10.76%
Tadeusz Sosgórnik	1,490,000	154,200	1,644,200	6,114,200	5.04%	11.19%
T. Sosgórnik with a closely associated person	1,490,000	439,700	1,929,700	6,399,700	5.91%	11.71%
Danuta Guzowska	954,214	566,065	1,520,279	4,382,921	4.66%	8.02%
Zbigniew Jaworski	766,348	720,954	1,487,302	3,786,346	4.56%	6.93%
Apator Mining sp. z o. o.	0	3,600,000	3,600,000	3,600,000	11.03%	6.59%
Kazimierz Piotrowski with his wife	664,774	159,181	823,955	2,818,277	2.52%	5.16%
PTE Allianz Polska*	0	4,545,864	4,545,864	4,545,864	13.92%	8.32%
Others	2,268,679	14,153,294	16,421,973	23,228,010	50.30%	42.51%
TOTAL	7,331,391	25,315,682	32,647,073	54,641,246	100.00%	100.00%

(*) total status for: Allianz OFE, Allianz DFE and Drugi Allianz OFE determined on the basis of a notification from PTE Allianz Polska S.A.

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8.17. Other capital

Information on other capitals is presented in the table.

ITEM	as at	
	31.12.2023	31.12.2022
Supplementary capital, including:	579,667	532,451
<i>Share premium reserve</i>	15,142	15,142
<i>Other supplementary capital</i>	564,525	517,309
Merger capital	1,146	1,146
Reserve capital	19,369	29,370
Total other capital	600,182	562,967

In accordance with Resolution No. 17/VI/2023 of the Ordinary General Meeting of Shareholders of Apator S.A. of 28 June 2023, the net profit for the financial year 2022 in the amount of PLN 25,593,156.05 was distributed as follows:

Dividend PLN 9,794,121.90
Supplementary capital PLN 15,799,034.15

No advance payment was made towards the dividend from the profit for the financial year 2022. The dividend in the amount of PLN 0.30 per share was paid on 10 August 2023.

On 21 December 2023, an advance payment was made towards the expected dividend from the profit for 2023 in the total amount of PLN 6,529,414.60 (i.e. 0.20 z per share).

ITEM	in the period	
	from 01.01.2023	from 01.01.2022
	to 31.12.2023	to 31.12.2022
Dividends recognised as distributions to owners per share (in PLN)	0,50	0,50
Dividends proposed or adopted by the date the financial statements were authorised for issue but not recognised as distributed shareholders (in thousands)	-	-
Dividends proposed or adopted by the date the financial statements were authorised for issue but not recognised as distributed to equity holders, per share (in PLN)	-	-

Pursuant to Resolution 18/VI/2023, the Share Repurchase Programme (adopted pursuant to Resolution 32/VI/2022) was closed and the related Share Redemption Fund was liquidated (in the original amount of PLN 10 million). Unused Fund resources were transferred to supplementary capital.

8.18. Undistributed financial result

The specification of the undistributed financial result is included in the table below.

ITEM	as at	
	31.12.2023	31.12.2022
Undistributed financial result	(72,699)	(29,215)
- <i>undistributed result from previous years</i>	(75,028)	(35,831)
- <i>result for the current period</i>	8,138	6,616
- <i>write-downs from current year result</i>	(5,809)	-

As of the publication date of this report, the Management Board of Apator S.A. has not made a recommendation on the distribution of the result for 2023. This recommendation will be made closer to the date of the General Shareholders Meeting.

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8.19. Non-controlling interests

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

NAME OF SUBSIDIARY	as at	
	31.12.2023	31.12.2022
Apator Telemetry Sp. z o.o.	2,058	1,801
Total non-controlling interests	2,058	1,801

Item	as at	
	31.12.2023	31.12.2022
Financial result attributable to non-controlling interests, including:		
Apator Telemetry Sp. z o.o.	366	589
Total	366	589
Dividends		
Apator Telemetry Sp. z o.o.	(89)	(220)
Total	(89)	(220)
Ownership interests / voting rights held by non-controlling interests		
Apator Telemetry Sp. z o.o.	7,3%	7,3%

8.20. Credits and loans

Information on credits and loans is presented below.

ITEM	as at	
	31.12.2023	31.12.2022
Long-term credits and loans	29,545	3,119
payable over 1 and up to 2 years	4,924	3,119
payable over 2 and up to 5 years	14,773	-
payable after 5 years	9,848	-
Short-term credits and loans	162,511	237,350
Total credits and loans, including	192,056	240,469
- from other entities	192,056	240,469

The parent company Apator S.A.

As at 31 December 2023, Apator S.A. had a total credit debt of PLN 45,408 thousand (as at 31 December 2022 - PLN 78,473). The terms of the credit agreements are presented below.

Credit (1)

Bank name	ING Bank Śląski S.A.
Date of conclusion of the agreement and any annexes thereto	22 June 2016, latest annex no. 17 of 25 September 2023
Amount of credit granted	Limit up to PLN 250 million (maximum limit for the Apator Group of Companies) the limit can be used in the form of revolving credits, bank guarantees and letters of credit
Credit repayment date	30 June 2025
Type of security	Contractual mortgage on the real estate of Apator S.A. in Ostaszewo of up to PLN 40 million, Registered pledge over inventory of PLN 73.3 million,

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Credit repayment date	22 March 2023; loan repaid
Type of security	Registered pledge on fixed assets worth PLN 8.4 million - pledge released on 10 and 12 May 2023, Assignment of rights under an all-risk property insurance policy.
Interest rate	WIBOR 3M + margin per annum

Apator Metrix S.A.

As at 31 December 2023, the company had debt due to loans in the amount of PLN 51,425 thousand. (as at 31 December 2022 - PLN 59,743 thousand) under the credit agreements, the terms of which are presented below:

Credit (6) – Apator Metrix

Bank name	ING Bank Śląski S.A.
Date of conclusion of the agreement and any annexes thereto	22 June 2016, annex no. 17 of 25 September 2023
Amount of credit granted	Limit up to PLN 55 million – this limit may be used in the form of working capital credits, bank guarantees and letters of credit
Credit repayment date	30 June 2025
Type of security	Registered pledge over fixed assets of PLN 5.8 million, Assignment of rights under an all-risk property insurance policy, Power of attorney to dispose of funds on all accounts, Blank promissory note and promissory note declaration.
Interest rate	WIBOR 1M + margin per annum

Credit (7) – GWI

Bank name	PKO BP SA
Date of conclusion of the agreement and any annexes thereto	26 May 2023, annex no. 1 of 23 November 2023
Amount of credit granted	Limit up to GBP 3,94 million
Credit repayment date	26 May 2025
Type of security	Collateral established on all Borrowers: Registered pledges on the companies' tangible assets of the total value of PLN 12.4 million, Joint mortgage on the Żerniki and Tczew property up to PLN 182.8 million, Assignment of rights under the insurance policy for the above collaterals, Statement of submission to enforcement under Art. 777 of the Civil Code, of Apator SA, Apator Metrix SA, Apator Powogaz SA to the amount of PLN 80 million.
Interest rate	SONIA O/N + margin per annum

Due to the liquidation of GWI, the liability due to the above credit will be taken over by Apator Metrix SA. The given credit does not affect the consolidated Financial Statements of the Group of Companies. For details, see Note 10 (Events after the balance sheet date).

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Apator Powogaz Group

As at 31 December 2023, the Group had debt under loans in the amount of PLN 87,699 thousand. (as at 31 December 2022 - PLN 83,810 thousand) under the credit agreements, the terms of which are presented below:

Credit (8) – Apator Powogaz S.A.

Bank name	ING Bank Śląski S.A.
Date of conclusion of the agreement and any annexes thereto	22 June 2016, annex no. 17 of 25 September 2023
Amount of credit granted	Limit up to PLN 45 million – this limit may be used in the form of working capital credits, bank guarantees, letters of credit and discount transactions in the form of supplier financing,
Credit repayment date	30 June 2025
Type of security	Registered pledge over inventory of PLN 57.8 million, Registered pledge on fixed assets of PLN 9.6 million, Assignment of rights under an all-risk property insurance policy, Power of attorney to dispose of funds on all accounts, Blank promissory note and promissory note declaration.
Interest rate	WIBOR 1M + margin per annum

Credit (9) – Apator Powogaz S.A.

Bank name	PKO BP S.A.
Date of conclusion of the agreement and any annexes thereto	26 May 2023, annex no. 1 of 23 November 2023
Amount of credit granted	PLN 10 million – overdraft facility
Credit repayment date	26 May 2025
Type of security	Collateral established on all Borrowers: Registered pledges on the companies' tangible assets of the total value of PLN 12.4 million, Joint mortgage on the Żerniki and Tczew property up to PLN 182.8 million, Assignment of rights under the insurance policy for the above collaterals, Statement of submission to enforcement under Art. 777 of the Civil Code, of Apator SA, Apator Metrix SA, Apator Powogaz SA to the amount of PLN 80 million.
Interest rate	WIBOR ON + margin per annum

Credit (10) – Apator Powogaz S.A.

Bank name	PKO BP S.A.
Date of conclusion of the agreement and any annexes thereto	4 December 2020, annex no. 6 of 23 November 2023
Amount of credit granted	PLN 41.9 million
Credit repayment date	From 31 July 2022 to 4 December 2030
Type of security	Contractual joint mortgage up to PLN 182.8 million, Assignment of rights under the insurance policy, Blank promissory note and promissory note declaration.

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Credit (10) – Apator Powogaz S.A.

Interest rate	up to the amount of PLN 39,100 thousand - fixed interest rate of 1.3% p.a. + margin per annum, above the amount of PLN 39,100 thousand (maximum PLN 41,000 thousand) - WIBOR 1M + margin per annum
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Credit (11) - Apator Telemetry Sp. z o.o.

Bank name	ING Bank Śląski SA
Date of conclusion of the agreement and any annexes thereto	22 June 2016, annex no. 17 of 25 September 2023
Amount of credit granted	Limit up to PLN 8 million – this limit may be used in the form of working capital credits, bank guarantees and letters of credit
Credit repayment date	30 June 2025
Type of security	Registered pledge over inventory of PLN 14.1 million, Registered pledge on fixed assets of PLN 1.1 million, Assignment of rights under an all-risk property insurance policy, Power of attorney to dispose of funds on all accounts, Blank promissory note and promissory note declaration.
Interest rate	WIBOR 1M + margin per annum

Credit (12) – Apator Metra s.r.o.

Bank name	Raiffeisen Bank a.s.
Date of conclusion of the agreement and any annexes thereto	23 December 2008, the last annex no. 11 of 18 October 2023
Amount of credit granted	Limit up to CZK 30 million – overdraft facility
Credit repayment date	Agreement for an indefinite period
Type of security	Mortgage on real estate up to CZK 50 million, Assignment of rights under an all-risk property insurance policy
Interest rate	PRIBOR 1D + margin per annum

Subsidiary Apator Rector Sp. z o.o.

As at 31 December 2023, the company had debt under loans in the amount of PLN 7,524 thousand. (as at 31 December 2022 - PLN 6,079 thousand), under a loan agreement, the terms of which are set out below:

Credit (13)

Bank name	ING Bank Śląski SA
Date of conclusion of the agreement and any annexes thereto	22 June 2016, annex no. 17 of 25 September 2023
Amount of credit granted	Limit up to PLN 13 million – this limit may be used in the form of working capital credits, bank guarantees and letters of credit
Credit repayment date	30 June 2025
Type of security	Power of attorney to dispose of funds on all accounts, Blank promissory note and promissory note declaration.
Interest rate	WIBOR 1M + margin per annum

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Rounding level:	all amounts are expressed in PLN thousand (unless otherwise indicated)		

Subsidiary FAP Pafal S.A.

As at 31 December 2023 (similarly as at 31 December 2022), the company had no loan debt:

Credit (14)

Bank name	ING Bank Śląski SA
Date of conclusion of the agreement and any annexes thereto	22 June 2016, annex no. 17 of 25 September 2023
Amount of credit granted	Limit up to PLN 1 million – this limit may be used in the form of working capital credits, bank guarantees and letters of credit
Credit repayment date	30 June 2025
Type of security	Registered pledge over inventory of PLN 3.6 million, Assignment of rights under an all-risk property insurance policy, Power of attorney to manage funds on all accounts Blank promissory note and promissory note declaration.
Interest rate	WIBOR 1M + margin per annum

In the reporting period the companies in the Apator Group timely settled the liabilities arising from the concluded credit agreements.

All companies in the Group observed the established covenants.

The summary of credit liabilities is presented below.

ITEM	LIABILITY	COSTS	LIABILITY	COSTS
	as at	from	as at	from
	31.12.2023	01.01.2023	31.12.2022	01.01.2022
	to 31.12.2023		to 31.12.2022	
Credits	192,056	14,346	240,469	13,874
Total	192,056	14,346	240,469	13,874

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Rounding level:	all amounts are expressed in PLN thousand (unless otherwise indicated)		

8.21. Provisions for liabilities

Information on provisions for liabilities is presented in the table.

ITEM	PROVISIONS / LIABILITIES			OTHER PROVISIONS		TOTAL
	RETIREMENT BENEFITS, JUBILEE AWARDS	BONUSES	LEAVES	WARRANTIES	OTHER	
Value of provisions as at 01.01.2022	8,231	11,487	5,117	11,285	1,144	37,264
Increase — creation of a provision charged against the current result	-	10,621	2,429	3,635	2,809	19,494
Decrease — write-down of unused amounts as income	(495)	(3,005)	-	(361)	-	(3,861)
Exercise of a provision — cost settlement	(591)	(10,556)	(1,885)	(2,975)	(1,786)	(17,793)
Revaluation of a provision recognized in other comprehensive income	(1,520)	-	-	-	-	(1,520)
Net foreign exchange differences on translation of financial statements into presentation currency	-	9	14	22	-	45
Value of provisions as of 31 December 2022, including:	5,625	8,556	5,675	11,606	2,167	33,629
- long-term provisions	4,474	-	-	1,291	-	5,765
- short-term provisions	1,151	8,556	5,675	10,315	2,167	27,864
Value of provisions as of 01.01.2023	5,625	8,556	5,675	11,606	2,167	33,629
Increase — creation of a provision charged against the current result	1,016	15,773	1,325	1,939	4,517	24,570
Exercise of a provision — cost settlement	(786)	(9,650)	(1,480)	(1,938)	(4,124)	(17,978)
Revaluation of a provision recognized in other comprehensive income	287	-	-	-	-	287
Net foreign exchange differences on translation of financial statements into presentation currency	-	(30)	(42)	(49)	-	(121)
Value of provisions as at 31.12.2023, including:	6,142	14,649	5,478	11,558	2,560	40,387
- long-term provisions	5,315	-	-	1,204	-	6,519
- short-term provisions	827	14,649	5,478	10,354	2,560	33,868

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Rounding level:	all amounts are expressed in PLN thousand (unless otherwise indicated)		

Employee benefits – actuarial assumptions

Primary actuarial assumptions used at the reporting date (expressed as weighted average values):

Discount rate at 31 December 2023	5,7%
Wage growth rate	3,6%
Future increase in the rate of revalorisation of the basis for calculating jubilee awards	0%
Number of employees	2,359

Assumptions concerning future mortality and disability are based on published statistics and mortality tables.

The following mobility parameters were also applied:

For people aged up to 40	5%
For people aged 41 and 45	4%
For people aged 46 to 50	3%
For people aged 50 and over	1%

Retirement severance pays and jubilees

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

Employees who receive a disability or retirement pension are entitled to a one-off severance payment in the amount regulated by the Collective Labour Agreement. Employees who have not worked the minimum period required to acquire severance pay under the Corporate Collective Labour Agreement are entitled to severance pay of one month's salary.

On the other hand, jubilee awards are paid to employees who have worked for at least 25 years, with the minimum salary set out in the Corporate Collective Labour Agreement being the basis of assessment for the period prior to joining the Group, and the basic salary for the period of employment with the Group. The above principles apply to employees hired on 1 April 2017. Employees who were not in employment on that date are not entitled to the jubilee award and severance pay regulated in the Corporate Collective Labour Agreement.

Bonuses

The Group makes provisions for bonus benefits granted to Group employees on the basis of the provisions in the remuneration regulations.

Warranties

The provision for warranty repairs is mainly related to the sale of equipment manufactured by the Group in the reporting periods ending 31 December 2021, 31 December 2022 and 31 December 2023. This provision is estimated on the basis of historical data on the share of defective products in the sales revenue of these products and on the basis of the complaints actually made about completed contracts. The provision for warranty repairs is charged to the core business - as a special cost related to the production of the product.

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8.22. Liabilities

ITEM	as at	
	31.12.2023	31.12.2022
Long-term liabilities	40,358	33,351
Other liabilities	2,750	52
Long-term liabilities from the right to use leased assets	37,608	33,299
Short-term liabilities, including:	159,690	192,511
Trade liabilities	93,591	121,894
Current liabilities	77,751	105,125
Overdue liabilities	15,840	16,769
Liabilities due to corporate income tax	3,241	1,976
Liabilities due to other taxes, customs duties, and social insurance	16,957	17,107
Other short-term liabilities	34,791	41,978
Payroll liabilities	9,579	8,791
Dividend liabilities	89	89
Derivative liabilities	466	1,935
Investment liabilities	1,173	2,007
Prepayments - advances received for deliveries	1,798	4,926
Deferred revenue	7,522	3,380
Factoring	10,001	18,407
Other liabilities	4,163	2,443
Short-term liabilities from the right to use leased assets	11,110	9,556
Total liabilities, including:	200,048	225,862
- toward related entities	351	1,006
- toward other entities	199,697	224,856

Half of the value of overdue liabilities as of 31 December 2023 is those with the shortest period of overdue period - up to 1 month.

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Rounding level:	all amounts are expressed in PLN thousand (unless otherwise indicated)		

8.23. Income tax

The specification of income tax for the reporting period is shown in the table.

ITEM	in the period	
	from 01.01.2023	from 01.01.2022
	to 31.12.2023	to 31.12.2022
Profit and loss account		
Current income tax	7,326	9,019
Current income tax burden	9,341	9,019
Adjustments relating to current tax of previous years (continuing operations)	(2,015)	-
Deferred income tax	11,714	(309)
Related to the emergence and reversal of temporary differences	7,004	(309)
Taking advantage of tax relief due on the grounds of operation in a special economic zone	6,710	-
Creation of a deferred tax asset for SEZ activities	(2,000)	-
Tax burden recognised in the condensed consolidated statement of comprehensive income	19,040	8,710
Other comprehensive income		
Deferred income tax	700	553
Net deferred income tax on cash flow hedges settled during the financial year	774	266
Deferred income tax on actuarial provision revaluation	(74)	287
Tax benefit (burden) shown in equity	700	553

ITEM	Assets		Provisions	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Tangible fixed assets	2,212	1,955	9,192	9,190
Financial assets	-	-	34	1,377
Derivatives	324	305	1,244	310
Inventory	5,512	3,836	-	-
Liabilities under employee benefits	5,029	4,184	-	-
Provisions	4,015	3,880	-	-
Write-downs on receivables	873	651	-	-
Tax loss	869	10,707	-	-
Tax credit to be settled in future periods	5,807	10,517	-	-
Other	2,643	2,536	321	420
Total	27,284	38,571	10,791	11,297
Netting of assets and provisions	(7,107)	(8,358)	(7,107)	(8,358)
Deferred tax assets / liabilities recognised in the condensed statement of financial position	20,177	30,213	3,684	2,939

On 28 December 2010, the Company received Permit No 69/PSSE to conduct business activities in the Pomeranian Special Economic Zone. At the date of commencement of operations in the PSEZ, deferred tax assets in the amount of PLN 20,357 thousand were recognised on account of the usable tax relief (the value of the asset on this account as at 31 December 2023 was PLN 5,807 thousand).

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Rounding level:	all amounts are expressed in PLN thousand (unless otherwise indicated)		

The effective tax rate is presented in the table.

ITEM	in the period	
	from 01.01.2023	from 01.01.2022
	to 31.12.2023	to 31.12.2022
Tax base	27,544	15,915
Tax rate applied	19,00%	19,00%
Income tax calculated at the applicable rate	4,935	2,697
Adjustments:	14,105	6,013
Tax on tax-exempt income (permanent differences)	(75)	(1,660)
- other	(4)	-
Uncreated asset from loss on zone activities	-	771
Tax on non-tax-deductible expenses (permanent differences)	2,224	2,819
Tax on intra-group transactions (permanent differences)	3,908	3,638
Tax on customer relationships recognized on the acquisition of Apator Elkomtech S.A. (permanent differences)	-	509
Tax on items not recognized in the financial result of the period	(105)	(63)
Tax asset for SEZ activities	(2,000)	-
Adjustment of tax loss from previous years	11,352	(642)
Other additions to tax	894	646
Other tax deductions	(2,093)	(5)
Income tax	19,040	8,710
Effective tax rate	69,13%	54,73%

The maximum estimated value of the asset due to the relief for the activities conducted within PSEZ is PLN 23,564 thousand. The amount of the utilisable relief for which an asset was not created is PLN 3.8 million. The total value of tax loss for which an asset was not created in the Group amounted to PLN 6.5 million as at 31 December 2023 (Apator Metrix S.A. - PLN 1.4 million, GWI Industries Ltd. - PLN 5.1 million).

8.24. Costs by type

ITEM	for the period	
	from 01.01.2023	from 01.01.2022
	to 31.12.2023	to 31.12.2022
Amortisation and depreciation	56,414	55,727
Consumption of materials and energy	534,846	542,970
External services	126,093	118,474
Employee benefits	253,362	240,150
Other costs	38,545	31,813
Manufacturing costs of products for entity's own purposes	(3,883)	(5,029)
Change in the status of finished goods, work in progress and prepayments and accruals	11,940	(15,977)
Cost of goods and materials sold	62,587	68,574
Total costs	1,079,904	1,036,702

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8.25. Other operating revenues and expenses

ITEM	in the period	
	from 01.01.2023	from 01.01.2022
	to 31.12.2023	to 31.12.2022
Operating revenue	3,020	4,924
Result on sales of fixed tangible assets	768	2,893
Revenue received for property, plant and equipment	1,116	-
Valuation of investment property	57	325
Reimbursement of costs (trade fairs and conferences)	2	-
Compensation received for tangible fixed assets	216	292
Compensations and contractual penalties received	370	917
Donations received	22	80
Other revenue	469	417
Operating costs	(20,158)	(19,118)
Cost of liquidated tangible fixed assets	(107)	(79)
Cost of liquidated intangible assets	(1,688)	-
Write-down of goodwill	-	(3,918)
Creation of write-downs of tangible fixed assets	(2,490)	-
Creation of write-downs on intangible assets	(9,176)	(11,720)
Creation of write-downs on receivables	(2,163)	-
Creation of provisions for liabilities	(328)	(82)
Fortuitous loss and other damage to assets	(600)	(496)
Discontinued investments	(1,849)	(1 280)
Donations made	(65)	(66)
Penalties, fines, compensation paid	(819)	(526)
Court fees, bailiff's fees, representation in court	(6)	-
Optional contributions	(7)	-
Other costs	(860)	(951)
Net operating expenses	(17,138)	(14,194)

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8.26. Financial revenues and expenses

Financial revenue and costs are presented in the table below.

ITEM	in the period	
	from 01.01.2023	from 01.01.2022
	to 31.12.2023	to 31.12.2022
Financial revenues	8,079	5,268
Interest on funds in bank accounts	209	127
Interest on receivables	169	162
Other interest	5	23
Revenue from foreign exchange transactions (including derivatives)	6,894	4,330
Release of write-downs on receivables	31	-
Reduction in the discount of receivables	399	185
Discount on receivables	1	-
Guarantees provided	147	173
Other revenue	224	268
Financial expenses	(20,667)	(20,693)
Interest on credits and loans	(13,690)	(13,510)
Interest payable to the budget	(44)	(26)
Interest on promissory notes (or bonds) paid	(140)	(149)
Interest on liabilities	(34)	(157)
Interest on lease liabilities	(2,558)	(1,358)
Other interest	(1,380)	(1,119)
Negative exchange differences	(1,486)	(1,700)
Creation of write-downs on receivables	-	(1,002)
Discount of receivables	-	(196)
Commissions on credits and loans	(181)	(396)
Bank guarantees and commissions (excluding credit commissions)	(594)	(697)
Other costs	(560)	(383)
Net financial charges	(12,588)	(15,425)

8.27. Explanations regarding the cash flow statement

The Apator Group prepares the cash flow statement for the part relating to operating activities using the indirect method, whereby profit is adjusted for the effects of non-cash transactions, changes in inventory, receivables and liabilities and other items where the cash effects are cash flows from financing or investing activities.

The following table presents an explanation of the inconsistencies between the changes in the balance from the statement of financial position and the changes in the balance of these items as reported in the cash flow statement.

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ITEM	in the period	
	from 01.01.2023	from 01.01.2022
	to 31.12.2023	to 31.12.2022
Change in receivables		
Change in long-term receivables	2,901	(2,008)
Change in trade receivables	1,687	(43,806)
Change in corporate tax receivables	(544)	(4,374)
Change in receivables from other taxes, customs duties and social insurances	3,529	(2,550)
Change in other receivables	3,349	19,258
Advances on tangible fixed assets settled with the opening balance	655	(684)
Advances for intangible assets settled with BO	-	16
Adjustment for income tax receivables	544	4,374
Adjustment for investment receivables	(1,676)	(18,449)
Other changes	179	(1,384)
Change in the balance shown in the cash flow statement	10,624	(49,607)
Change in liabilities		
Change in long-term liabilities	2,698	(3,466)
Change in long-term liabilities from the right to use leased assets	4,309	13,657
Change in trade liabilities	(28,303)	25,920
Change in contractual liabilities	-	(976)
Change in corporate tax liabilities	1,265	(10,614)
Change in liabilities from other taxes, customs duties and social insurances	(150)	2,461
Change in other liabilities	(7,187)	3,459
Change in short-term liabilities from the right to use leased assets	1,554	582
Adjustment for liabilities due to the purchase of shares	-	5,109
Adjustment for lease liabilities	(5,863)	(14,239)
Adjustment for derivative liabilities	1,469	3,736
Adjustment for income tax liabilities	(1,265)	10,614
Adjustment for investment liabilities	327	1,085
Other changes	4,096	1,289
Change in the balance shown in the cash flow statement	(27,050)	38,617
Change in provisions		
Change in long-term provisions for employee benefits	841	(2,753)
Change in other long-term provisions	(87)	589
Change in short-term provisions for employee benefits	5,572	(2,225)
Change in other short-term provisions	432	755
Other changes	30	2,211
Change in the balance shown in the cash flow statement	6,788	(1,423)
Change in prepayments and accruals		
Change in long-term prepayments	(248)	41
Change in short-term prepayments	150	81
Change in accruals	179	544
Change in the balance shown in the cash flow statement	81	666

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ITEM	in the period	
	from 01.01.2023	from 01.01.2022
	to 31.12.2023	to 31.12.2022
Other adjustments to cash flows from operating activity		
Liquidation of tangible fixed assets and intangible assets	1,795	109
Discontinued investments	1,215	215
Grant settlement	(488)	97
(Profit) loss on settlement of derivatives	(349)	(619)
Commissions and fees on credits and loans	180	393
Write-down of goodwill	8,258	-
Exchange rate differences on consolidation	4,235	1,760
Negative differences on credits and dividends	(396)	-
Other	1,503	1,418
Total	15,953	3,373

ITEM	in the period	
	from 01.01.2023	from 01.01.2022
	to 31.12.2023	to 31.12.2022
Proceeds from the sale of tangible fixed assets		
Sales revenue of fixed assets	14,749	8,812
Change in net receivables from sale of fixed assets	1,676	18,449
Settlement of deposit on sale of tangible fixed assets	(4,200)	-
Other	(29)	(1,455)
Total	12,196	25,806

ITEM	in the period	
	from 01.01.2023	from 01.01.2022
	to 31.12.2023	to 31.12.2022
Expenditure on the acquisition of tangible fixed assets		
Purchase of tangible fixed assets	(33,910)	(70,962)
Change in inventory due to own work (internal projects)	71	303
Exclusion from leasing	14,460	25,846
Change in net investment liabilities	252	(1,086)
Other	628	6,988
Total	(18,499)	(38,911)

ITEM	in the period	
	from 01.01.2023	from 01.01.2022
	to 31.12.2023	to 31.12.2022
Expenditure on the acquisition of intangible assets		
Purchase of intangible assets	(12,804)	(20,630)
Change in development work under construction	(4,420)	(3,480)
Change in net investment liabilities	(579)	2
Other	-	7
Total	(17,803)	(24,101)

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ITEM	in the period	
	from 01.01.2023	from 01.01.2022
	to 31.12.2023	to 31.12.2022
Other proceeds (expenses) from investing activity		
Proceeds and expenses related to forward contracts and options	349	619
Payment of commissions and other costs related to the sale and disposal of property, plant and equipment	(138)	-
Advances on tangible fixed assets intended for sale	(1,308)	-
Contributions to subsidiaries, cash acquired	-	-
Other	(22)	(1)
Total	(1,119)	618
Other proceeds (expenses) from financing activity		
Lease interest	(1,502)	(709)
Commissions and fees on credits and loans	(180)	(388)
Other	69	82
Total	(1,613)	(1,015)

ITEM	in the period	
	from 01.01.2023	from 01.01.2022
	to 31.12.2023	to 31.12.2022
Cash inflows / outflows from credits		
Balance sheet change in long-term credits	26,426	1,608
Balance sheet change in short-term credits	(74,839)	27,433
Interest accrued	44	504
Partial repayment of loans	1,527	-
Other	66	-
Total	(46,776)	29,545

8.28. Financial instruments

In accordance with IFRS 9, the Group classifies financial instruments into the following categories:

- Financial assets and liabilities measured at fair value through financial result – derivatives,
- Financial assets measured at amortised cost - trade and other receivables, cash and cash equivalents,
- Financial liabilities measured at amortised cost - trade liabilities and other liabilities, debt.

The table below shows the carrying amount of significant groups of financial assets and liabilities by category. The carrying amount of the Company's financial assets and financial liabilities shown in the tables below was not materially different from their fair value in all periods presented. The principles for determining fair value are described in note 4.3.7.

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ITEM	NOTE	Assets measured at fair value through financial result	Assets measured at amortised cost	Financial liabilities measured at fair value through financial result	Liabilities measured at amortised cost	Lease liabilities	Total
Carrying amount at 31.12.2023							
Derivatives	8.10	5,152	-	-	-	-	5,152
Trade and other receivables	8.12	-	189,198	-	-	-	189,198
Cash and cash equivalents	8.14	-	18,806	-	-	-	18,806
Cash on the VAT account;	8.14	-	4,133	-	-	-	4,133
Derivative liabilities	8.22	-	-	466	-	-	466
Trade liabilities and other liabilities	8.22	-	-	-	94,853	-	94,853
Debt	8.7, 8.20	-	-	-	192,056	48,718	240,774
TOTAL		5,152	212,137	466	286,909	48,718	553,382
Carrying amount as at 31 December 2022							
Derivatives	8.10	1,625	-	-	-	-	1,625
Trade and other receivables	8.12	-	196,445	-	-	-	196,445
Cash and cash equivalents	8.14	-	25,599	-	-	-	25,599
Cash on the VAT account;	8.14	-	3,381	-	-	-	3,381
Derivative liabilities	8.22	-	-	1,935	-	-	1,935
Trade liabilities and other liabilities	8.22	-	-	-	153,146	-	153,146
Debt	8.7, 8.20	-	-	-	240,469	42,855	283,324
TOTAL		1,625	225,425	1,935	393,615	42,855	665,455

The items of revenues, expenses, profit and loss recognised in profit or loss by category of financial instrument are presented below.

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The table below 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 based on values observable in the market, but which are not direct market quotations;
- Level 3 - fair value is determined on the basis of various valuation techniques not based on any observable market data.

ITEM	as at 31.12.2023		as at 31.12. 2022	
	Level 1	Level 2	Level 1	Level 2
Shares of companies admitted to trading	56,520	-	-	-
Derivatives (assets)	-	5,152		1,625
Derivatives (liabilities)	-	(466)		(1,935)
Total	-	4,686	-	(310)

Transfers between levels did not occur.

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

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

8.29. Derivative financial instruments, hedge accounting

As at 31 December 2023, the Group applies cash flow hedge accounting.

As of 1 July 2011, the Group designated FX forward derivatives as hedge accounting instruments to hedge against the risk of cash flow volatility from future planned sales flows denominated in foreign currency.

As of 10 July 2015, the Group designated FX forward derivatives as hedge accounting instruments to hedge against the risk of cash flow volatility from future forecast purchase flows denominated in foreign currency.

With effect from 21 June 2023, the Group designated SWAP instruments to hedge accounting against the risk of volatility in copper raw material prices.

Due to the unstable macroeconomic and geopolitical situation in the first half of 2023, including a significant inflation factor, the credit risk associated with the financial instruments still remains at a certain level of volatility.

Foreign exchange inflow hedges are concluded over a time horizon of 24 consecutive months (at the turn of the year, the hedging period may cover three calendar years) and the sum of the hedges for 24 months may not exceed the export plan for the current year.

Foreign exchange outflow hedges are concluded over a rolling 12-month time horizon and the level of hedging over the period cannot exceed 50% of the annual foreign currency exposure.

The Group hedges export inflows exceeding import outflows (EUR) and import outflows exceeding export inflows (USD). As of the balance sheet date of 31 December 2023, there were only import hedges.

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

Type of hedge	Hedging the volatility of future cash flows in EUR and USD.		
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Hedged item	The hedged item is the portion of future highly probable flows from EUR-denominated sales and USD-denominated purchases.
Hedging Instruments	The hedging instrument is FX forward transactions in which the Group undertakes to sell EUR and purchase USD for PLN.
Risk to be hedged	The Group hedges the volatility of its cash flows for currency risk.
Financial statements recognition method	The portion of the change in the fair value measurement of hedging instruments, corresponding to the effective hedge, is recognised in the capital from the valuation of hedging transactions (statement of changes in capital). The ineffective portion of the change in the fair value measurement of hedging instruments is recognised in financial revenues or expenses (note 8.26).
Period in which cash flows are expected to occur	The hedged items are expected to generate cash flows maximum in the period until 20 September 2024 for USD and until 13 December 2024 for USD.
Nominal value	EUR 7,800 thousand and USD 5,250

Type of hedge	Copper price volatility hedge
Hedged item	The hedged item represents a portion of future copper purchases [t].
Hedging Instruments	The hedging instrument is SWAP transactions in which the Company undertakes to purchase copper raw material
Risk to be hedged	The Company hedges the volatility of raw material prices
Financial statements recognition method	The portion of the change in the fair value measurement of hedging instruments, corresponding to the effective hedge, is recognised in the capital from the valuation of hedging transactions (statement of changes in capital). The ineffective portion of the change in the fair value measurement of hedging instruments is recognised in financial revenues or expenses.
Period in which cash flows are expected to occur	The hedged item is expected to generate cash flows over the period to 31 May 2024.
Nominal value	125 tonnes

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

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The table below shows the fair value of derivatives.

ITEM	as at	
	31.12.2023	31.12.2022
Long-term assets	-	1,352
Hedging Instruments	-	1,352
Short-term assets	5,152	273
Hedging Instruments	5,152	273
Total assets	5,152	1,625
Long-term liabilities	-	-
Hedging Instruments	-	-
Short-term liabilities	466	1,935
Hedging Instruments	466	1,935
Total liabilities	466	1,935

The table below shows the amounts for cash flow hedge accounting recognised by the Group in 2023 in result and capital.

ITEM	as at	
	31.12.2023	31.12.2022
Valuation of instruments, including:	4,686	(310)
Capital from the valuation of hedging transactions (changes in the fair value measurement of hedging derivatives for hedged risk, corresponding to effective hedging)	2,032	(2,043)
Financial result of the period (changes in the valuation of hedging derivatives for hedged risks, corresponding to ineffective hedging)	2,654	1,733

The table below shows the changes in capital from the valuation of hedging transactions due to cash flow hedge accounting in 2023:

ITEM	in the period	
	from 01.01.2023	from 01.01.2022
	to 31.12.2023	to 31.12.2022
Opening balance	(2,043)	(3,441)
Reversal of valuation from previous period	2,043	3,441
Closing valuation	2,032	(2,043)
Closing balance	2,032	(2,043)

8.30. Objectives and principles of risk management

In addition to derivatives, the main financial instruments used by the Group include bank credits, including overdraft facilities. The Group also holds financial assets such as trade receivables and cash and other receivables and loans granted.

Companies in the Apator Group of Companies conclude transactions involving derivatives, which primarily comprise forward exchange contracts. The purpose of these transactions is to manage the foreign exchange risk arising in the course of the companies' business. Agreements for forward contracts are concluded on the basis of exchange rate forecasts, in accordance with a corporate guideline and a resolution of the parent company's Management Board.

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The risks to which the companies in the Apator Group of Companies are exposed include market risk (primarily currency risk and to a lesser extent interest rate risk), as well as credit risk and liquidity risk.

At the reporting date of 31 December 2023, monetary assets and liabilities have been converted at an exchange rate which is the arithmetic mean of the closing rates (spot exchange rates at the end of the reporting period): the buying rate and the selling rate of the currency of the leading bank, i.e. ING.

ITEM	as at 31.12.2023
EUR	4,3415
USD	3,9272
CNY	0,5511
CZK	0,1756

Foreign exchange risk

The Group is exposed to foreign exchange risk from commercial transactions. Such risk results from sales and purchases made by the companies in currencies other than the functional currency. Foreign exchange risk is associated with financial market volatility and high exchange rate volatility and differences. A change in exchange rates can permanently affect the competitiveness and market value of the Company (it can determine a significant increase in costs or a decrease in planned revenue from foreign trade operations).

From 2020 onwards, when financial markets were determined by the impact of the COVID-19 pandemic, resulting in high volatility and uncertainty, exacerbated in 2022 by Russia's armed aggression against Ukraine, the Apator Group adopts a precautionary approach when concluding new forward contracts. The status of forward contracts as of 31 December 2023 is presented in note 8.29 and the table below.

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

ITEM	as at 31.12.2023		as at 31.12. 2022	
	in currency	in PLN	in currency	in PLN
Items in euro (EUR)	5,027	21,512	9,120	42,264
Trade receivables	15,373	66,673	15,286	71,352
Advances provided for purchase of materials and services	8	35	26	125
Cash	588	2,385	85	290
Trade liabilities	(6,216)	(27,065)	(5,700)	(26,798)
Advances received for deliveries	(6)	(27)	(6)	(30)
Other liabilities	(74)	(318)	(571)	(2,675)
Other	(4,646)	(20,171)	-	-
Items in US dollars (USD)	(2,692)	(10,603)	(2,819)	(12,518)
Trade receivables	605	2,378	2,358	10,320
Advances provided for purchase of materials and services	267	1,063	95	431
Cash	192	753	306	1,320
Trade liabilities	(3,755)	(14,794)	(5,230)	(23,057)
Advances received for deliveries	(1)	(3)	(18)	(88)
Other liabilities	-	-	(330)	(1,444)
Items in pounds sterling (GBP)	1,459	7,285	1,965	10,410
Trade receivables	1,240	6,191	1,241	6,572
Cash	256	1,279	738	3,912
Trade liabilities	(37)	(185)	(14)	(74)
Items in Czech crowns (CZK)	(3,713)	(652)	397	77
Trade receivables	6,935	1,217	9,700	1,882
Advances provided for purchase of materials and services	820	144	979	190
Cash	52	9	58	11
Trade liabilities	(6,506)	(1,142)	(10,180)	(1,975)
Advances received for deliveries	-	-	(160)	(31)
Other	(5,014)	(880)	-	-
Items in Danish kroner (DKK)	4,944	2,880	4,519	2,845
Cash	4,445	2,590	4,740	2,984
Trade liabilities	499	290	(221)	(139)
Positions in Hungarian forints (HUF)	-	-	24,100	281
Trade receivables	-	-	24,100	281
Items in Chinese yuan (CNY)	(1,895)	(1,053)	(845)	(496)
Advances provided for purchase of materials and services	38	25	852	561
Cash	-	-	8	5
Trade liabilities	(1,903)	(1,061)	(1,705)	(1,062)
Other liabilities	(30)	(17)	-	-

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As at 31 December 2023, the Apator Group had forward currency contracts and SWAP commodity contracts (indirectly affecting currency risk).

ITEM	as at 31.12.2023	
	in currency	in PLN at the date of the conclusion of the contract
Cash flow hedging instruments in EUR	7,800	39,404
Cash flow hedging instruments in USD	5,250	21,068
Instruments hedging copper price volatility	-	1,023

In accordance with the adopted "Forward Contracts Regulations" guideline, forward contracts and options are used to hedge export inflows exceeding import expenditure and import expenditures exceeding export inflows. For the conclusion of forward contracts, the approval of the Management Board in the form of a resolution is required; the resolution establishes the maximum denomination of the hedges, determined on the basis of the foreign trade balance plan and the level of existing hedges. The conclusion of a complex hedging structure follows the favourable opinion of the Supervisory Board, which makes its decision after the Management Board has presented the reasons for its intention to apply such hedging and its potential impact on the financial results.

The table below shows the sensitivity of gross financial result and equity to reasonably possible exchange rate fluctuations – the Group expects that all currencies may fluctuate by 10% (in the absence of volatility in other parameters).

ITEM	in the period from 01.01.2023 to 31.12.2023		from 1 January 2022 to 31 December 2022	
	Impact on gross financial result	Direct impact on equity	Impact on gross financial result	Direct impact on equity
EUR / PLN				
+10%	772	3,940	4,226	(2,716)
- 10%	(1,462)	(3,940)	(4,226)	2,716
USD / PLN				
+10%	(1,037)	2,107	(1,252)	-
- 10%	1,049	(2,107)	1,252	-
GBP / PLN				
+10%	(669)	-	1,041	-
- 10%	(29)	-	(1,041)	-
CZK / PLN				
+10%	(65)	-	8	-
- 10%	65	-	(8)	-
DKK / PLN				
+10%	288	-	285	-
- 10%	(288)	-	(285)	-
JPY / PLN				
+10%	-	-	28	-
- 10%	-	-	(28)	-
CNY / PLN				
+10%	(105)	-	(50)	-
- 10%	105	-	50	-
Copper				
+10%	-	102	-	-
- 10%	-	(102)	-	-

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Rounding level:	all amounts are expressed in PLN thousand (unless otherwise indicated)		

Interest rate risk

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

ITEM	as at	
	31.12.2023	31.12.2022
Financial instruments with a fixed interest rate	(30,464)	(38,177)
Financial assets	2,796	-
Financial commitments	(33,260)	(38,177)
Financial instruments with a variable interest rate	(183,888)	(203,201)
Financial assets	18,827	31,495
Financial commitments	(202,715)	(234,696)

The table below shows the sensitivity of the gross financial result and equity to reasonable 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 the entire year.

ITEM	in the period from 01.01.2023 to 31.12.2023	
	Impact on gross financial result	Impact on equity
WIBOR		
+ 100 basis points	(4,183)	
- 100 basis points	4,183	-
SONIA		
+ 100 basis points	(450)	-
- 100 basis points	450	-
EURIBOR		
+ 100 basis points	(24)	-
- 100 basis points	24	-
PRIBOR		
+ 100 basis points	94	-
- 100 basis points	(94)	-
SOFR		
+ 100 basis points	(83)	-
- 100 basis points	83	-

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Credit risk

Credit risk is the risk that a counterparty will fail to meet its liabilities under a financial instrument or agreement, resulting in a financial loss for the other party.

The Apator Group of Companies is exposed to credit risk arising from its operating activities, mainly from trade receivables.

The Apator Group companies enter into transactions only with reputable companies with good credit ratings, using the services of a credit bureau, in order to mitigate this risk. All customers who wish to take advantage of deferred payment terms are subject to an initial verification. The companies have financial control instructions for sales orders. The Group aims to work with all customers on the basis of trade agreements. In addition, thanks to the ongoing monitoring of receivables, the Group's exposure to the risk of uncollectible receivables is negligible.

Trade receivables consist of amounts owed by a large number of customers, spread across different industries and geographical areas. Sales are also made to non-EU entities such as the UK or Brazil, among others. There is no counterparty for which the Group's receivables balance would exceed 10% of the total trade receivables balance.

Credit risk related to cash and derivatives is limited as the counterparties of the Apator Group companies are banks with high ratings assigned by international rating agencies.

Liquidity risk

The liquidity of the Group's companies is monitored on a weekly basis through the compilation of a net liquidity report (total amount of loans less available funds - cash) by individual companies, and on a monthly basis through the compilation of half-yearly cash flows by individual companies. Comprehensive, aggregate information is reported to the level of directors and Management Board.

The companies primarily use an overdraft facility to finance day-to-day operations.

The table below provides information on the contractual due dates of liabilities.

ITEM	Value as at the reporting date	Contractual cash flows					TOTAL
		over 6 months	from 6 to 12 months	from 1 to 2 years	from 2 to 5 years	over 5 years	
As at 31.12.2023	346,094	216,998	73,842	28,069	62,237	32,160	413,306
Credits and loans	192,056	106,300	66,611	15,325	45,974	20,249	254,459
Leasing liabilities	48,718	5,458	7,151	12,744	16,263	11,911	53,527
Derivative payments	466	433	33	-	-	-	466
Trade liabilities	93,591	93,591	-	-	-	-	93,591
Investment liabilities	1,173	1,173	-	-	-	-	1,173
Other financial liabilities	10,090	10,043	47	-	-	-	10,090
Status as at 31.12.2022	427,656	280,768	111,154	13,033	11,926	17,234	434,115
Credits and loans	240,469	131,865	105,485	3,119	-	-	240,469
Leasing liabilities	42,855	5,430	4,810	9,914	11,926	17,234	49,314
Derivative payments	1,935	1,123	812	-	-	-	1,935
Trade liabilities	121,894	121,894	-	-	-	-	121,894
Investment liabilities	2,007	2,007	-	-	-	-	2,007
Other financial liabilities	18,496	18,449	47	-	-	-	18,496

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Tax risk

Regulations on value-added tax, corporate income tax, personal income tax or social security contributions are subject to modifications, as a result of which there is often no reference to established regulations or legal precedents. Applicable regulations also include ambiguities that cause differences in opinions as to the legal interpretation of tax regulations both between government bodies and between companies and government bodies. Tax and other (for example, customs or foreign exchange) settlements may be audited by bodies authorised to impose significant penalties, and additional amounts of liabilities determined as a result of the audit must be paid with interest. Due to these phenomena, the tax risk in Poland is higher than the usual tax risks in countries with more developed tax regimes.

The supply of technologically advanced products to the most demanding customers in Poland and abroad is currently an important factor in the development of the Group's business, generating stable profit, but due to the achieved scale and pace of development, as well as the fact that the complexity of the subject matter of product supply agreements often requires participation in international consortia, it automatically increases the financial risks associated with conducting international business. One element of risk is the tax risks associated with the movement of goods between companies cooperating in the performance of agreements and coming from different countries as well as the tax interpretations accompanying these transactions.

Tax settlements may be audited within a period of five years. As a result, amounts disclosed in the financial statements may change at a later date after they have been finally determined by tax authorities. The Apator Group of Companies is of the opinion that appropriate provisions were created for probable and quantifiable liability risks.

Capital management

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

The Group manages its capital structure and makes changes to it as a result of changes in economic conditions. In order to adjust the capital structure, the companies may pay dividends to shareholders, return capital to shareholders or issue new shares.

Group companies monitor capital using the leverage ratio, which is calculated as the ratio of net debt to total capital plus net debt.

Included in net debt are interest-bearing credits and loans, trade liabilities and other liabilities excluding derivatives, less cash and cash equivalents. Equity comprises the equity disclosed in the statement of financial position.

Climate risk

Climate change and global warming due to greenhouse gas emissions associated with human activity are increasingly affecting the operation and financial performance of almost all sectors of the economy. On the one hand, those changes are increasing the risks of both abrupt and permanent physical weather changes, on the other hand, they imply regulatory and technological changes and increased reporting obligations imposed on companies. The impact of climate change on a business may include, e.g., physical deterioration of assets due to extreme weather events, temporary disruptions to business continuity (e.g. energy outages, breakdowns), and deterioration of working conditions due to rising temperatures. In the absence of adaptive and preventive measures (systemic approach to environmental protection) undertaken by companies, it carries an additional reputational risk. Failure to comply with reporting obligations, in turn, raises the risk of administrative fines. The growing impact of climate risks makes it crucial to integrate this area of risk into organisational management, which may be challenging. As part of its existing climate risk management system, the Apator Group monitors, e.g., the carbon footprint emitted during production processes on an ongoing basis, actively follows changing legal and market requirements in the field of climate protection and adapts its products accordingly.

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8.31. Information about related entities

Information on benefits for managerial staff is presented in the table.

ITEM	for the period	for the period
	from 01.01.2023	from 01.01.2022
	to 31.12.2023	to 31.12.2022
Short-term employee benefits	13,612	14,050
Post-employment benefits	650	60
Termination benefits	270	-
Total	14,532	14,110

The Company identified related entities. The following were recognised as related entities:

a. Subsidiaries

- Apator Mining sp. z o.o. (Katowice)
- FAP Pafal S.A. (Świdnica)
- Apator Metrix S.A. (Tczew)
- Apator GmbH (Berlin, Germany)
- Apator Rector Sp. z o.o. (Zielona Góra)
- Apator Powogaz S.A. (Poznań)
- Apator Telemetria Sp. z o.o. (Słupsk) – a subsidiary of Apator Powogaz S.A. (71.89% of shares); Apator S.A. holds 20.8% of shares in Apator Telemetria Sp. z o.o.
- Apator Metra s.r.o. (Šumperk, Czech Republic) – a subsidiary of Apator Powogaz S.A.
- Apator Miitors ApS. (Horsens, Denmark) – a subsidiary of Apator Powogaz S.A.
- George Wilson Industries Ltd. (Coventry, United Kingdom) - subsidiary of Apator Metrix S.A.

b. Members of the Supervisory Board

c. Members of key management personnel

d. Close family members of members of the Supervisory Board and management personnel living in the same household

e. Entities controlled by the persons referred to in points c. and d. The entity identified as related is Wizamor sp. z o.o. (through the Member of the Supervisory Board)

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

- Arkadiusz Chmielewski – President of the Management Board (until 28 February 2023)
- Maciej Wyczesany – President of the Management Board (since 1 March 2023)
- Tomasz Łątka - Member of the Management Board (until 27 September 2023)
- Łukasz Zaworski - Member of the Management Board (from 22 November 2023)
- Robert Kowalski - Member of the Management Board (from 19 December 2023 to 14 May 2024)

Other members of the management:

- Małgorzata Mazurek – Finance Director, Proxy
- Jolanta Dombrowska – Management and Promotions Director, Proxy
- Artur Bratkowski – Metering Equipment & Systems Director, Proxy
- Robert Łuczak - Switchgear Director, Proxy
- Stanisław Baluk - Automation and ICT Solutions Director, Proxy
- Krzysztof Kluszczyński – Power and Industrial Automation Director, Proxy

Transactions with related entities were carried out at arm's length.

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

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ITEM	ZAO Teplovodomer**	INDA d.o.o.**	OTHER RELATED ENTITIES	TOTAL
Transactions from 01.01.2023 to 31.12.2023 and as at 31.12.2023				
Purchase of products, services, goods and materials	-	-	2,461	2,461
Trade liabilities	-	-	351	351
Transactions in the period from 01.01.2022 to 31.12.2022 and as at 31.12.2022				
Sales of products and services*	3,783	-	-	3,783
Cost relating to sales transactions	2,528	-	-	2,528
Purchase of products, services, goods and materials	-	35	4,882	4,917
Trade liabilities	-	-	1,006	1,006

* including adjustment for unrealised margin on sales to associates

** entities divested during 2022

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

Warranties

As at 31 December 2023, the Apator Group of Companies had active guarantees issued by:

1. TU Euler Hermes S.A.:
 - For a performance bond in the amount of PLN 10.725 thousand, until 22 June 2025 at the latest,
 - For the removal of defects and faults in the amount of PLN 6.505 thousand, until 29 June 2029 at the latest,
 - For the performance of contractual payments in the amount of PLN 53 thousand until 15 April 2024 at the latest.
2. TU InterRisk S.A.:
 - For a performance bond in the amount of PLN 30 thousand, until 31 December 2023 at the latest,
 - For the removal of defects and faults in the amount of PLN 136 thousand, until 30 April 2028 at the latest.
3. ING Bank Śląski S.A.:
 - For a performance bond in the amount of PLN 2.327 thousand, until 31 March 2026 at the latest,
 - For the removal of defects and faults in the amount of PLN 2,353 thousand, until 17 July 2028 at the latest,
 - For the payment of a deposit in the amount of PLN 9,058 thousand, until 25 March 2024 at the latest,
 - For the performance of contractual payments in the amount of PLN 801 thousand, until 17 November 2028 at the latest.
4. PZU S.A.:
 - For the removal of defects and faults in the amount of PLN 404 thousand, until 17 January 2028 at the latest.
5. KUKI S.A.:
 - For a performance bond in the amount of PLN 12 thousand until 15 June 2026 at the latest,
 - For the removal of defects and faults in the amount of PLN 121 thousand, until 15 December 2024 at the latest.
6. PKO BP S.A.:
 - For the payment of a deposit in the amount of PLN 1,630 thousand, until 27 February 2024 at the latest.
 - For a performance bond in the amount of PLN 11,819 thousand, until 24 October 2026 at the latest.

In addition, as at 31 December 2023, the Group companies were parties to the following intra-group guarantees and sureties:

1. Apator S.A.:
 - surety of a lease agreement for Apator Rector Sp. z o.o. for the total amount of PLN 0.2 million, with the maximum term of 14 December 2024.
2. Subsidiary Apator Metrix S.A.:

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- Guarantee for the subsidiary George Wilson Industrial Ltd. (GWi) in the amount of GBP 4 million, i.e. PLN 20 million, until 31 October 2024, constituting security for the payment of obligations by GWi under the loan to Citibank N.A. Due to the repayment of the loan, the guarantee expired on 6 February 2024.

In addition, as of 31 December 2022, Apator S.A. was a beneficiary of payment guarantees:

- For the amount of PLN 31 thousand, issued by Ergo Hestia S.A., with the term to 30 June 2026,
- For the amount of PLN 37 thousand, issued by Bank Pekao S.A., with the term to 22 February 2026.

Apator Powogaz S.A. was the beneficiary of a performance bond for the amount of PLN 1.1 million, issued by Santander Bank Polska S.A., with the term to 15 March 2025.

Promissory notes

In addition to the promissory notes issued in connection with loan agreements, as at 31 December 2023, the Group companies were the issuers of 78 blank promissory notes (together with promissory note declarations) related to concluded leasing agreements, insurance guarantee agreements, factoring and agreements with contractors (due performance).

Other

As security for the performance of the concluded contracts, at the end of 2023, the companies of the Apator Group made declarations on voluntary submission to enforcement to the total amount of PLN 303 million. The declarations submitted correspond to the amount of the companies' maximum liability plus bank charges.

8.33. Employment structure

Employment in the Apator Group is presented in the table.

ITEM	period	
	from 01.01.2023	from 01.01.2022
	to 31.12.2023	to 31.12.2022
Average employment in full-time positions for the period	2,359	2,334
Blue-collar workers	1,439	1,386
White-collar workers	920	948
Employment in full-time positions at the end of the period	2,299	2,356
Blue-collar workers	1,309	1,408
White-collar workers	990	948

8.34. Amount of remuneration for the entity authorised to audit the financial statements

On 14 July 2021, Apator S.A. signed an agreement with PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt sp. k. for the audit of the condensed semi-annual separate financial statements, review of the condensed half-yearly consolidated financial statements and audit of the annual separate and consolidated financial statements for 2022-2023.

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

ITEM	VALUE	
	2023	2022
Audit of the condensed semi-annual separate statements of Apator S.A./ Review of the condensed semi-annual consolidated statements of the Apator Group	100	100
Audit of annual separate statements of Apator S.A./Audit of annual consolidated statements of the Apator Group	190	140

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Audit of the annual separate statements of other Group companies	293	556
Total Group	583	796

In addition to the above remuneration, the Apator Group also covers other additional documented costs of the audit (e.g. for travelling and accommodation), and also after the publication of the financial statements, the Group will cover the costs of performance of the attestation service concerning the assessment of the Report on Remuneration of the Members of the Executive Board and the Supervisory Board. Selected employees of Apator S.A. participated in open trainings conducted by PwC Academy concerning International Financial Reporting Standards.

9. Impact of the environment on the financial position of the Apator Group

the Management Board of Apator S.A. monitors the political and economic situation on a current basis, analyses its impact on the activity of the Company and the Group of Companies and checks the possibilities of protection against risks and takes adequate actions.

Key risk factors that could negatively affect performance in the coming quarters remain:

- the continuing difficult situation in the Gas segment due to structural changes in the market for this fuel. High uncertainty in the sector resulting in temporary halting of investments in the gas network and reduced procurement in some markets.
This results in a significant deterioration of the segment's performance both in terms of revenue, and profitability levels. To counter this, further restructuring of the segment is underway, to consistently improve cost efficiency. Consequently, the need for further write-downs cannot be ruled out.
The future of the Gas segment is the subject of strategic activities in the Apator Group, which is actively seeking alternative markets for its existing product lines and working on modifying its offerings to suit new customer groups. It should be borne in mind that the effects of these measures are expected over a longer period of time;
- the unstable situation in the energy commodity markets affecting the change of customers.
The Apator Group continuously monitors the situation in all markets and seeks new sales opportunities and chances to introduce products related to energy transformation;
- lack of stability in the components market (limitations in the availability of selected materials - mainly components from integrated circuit groups, persistently long delivery times, price fluctuations).
To limit its exposure to supply risks, the Apator Group introduces substitutes and alternative materials (while maintaining the required level of product quality), actively seeks other sources of purchase and conducts optimal inventory management adapted to the current situation. The cooperation and integration of activities in this area between Group entities enables the Group to benefit from synergies and reduces exposure to operational risk; In 2023, Apator S.A. additionally introduced the possibility of hedging copper prices;
- Extended delivery times and risk of cargo loss due to transportation disruptions in the Red Sea; continued volatility related to inflation, fluctuating price levels for metals, electronics, and high costs of energy, fuel, transportation services and labor.
In order to mitigate the negative effects of price increases, the Apator Group implements a number of measures to improve efficiency, such as optimization/automation of production, changes in the product mix aimed at improving profitability and dynamic pricing policies. At the same time, Apator Group companies are constantly analyzing the possibility of introducing new sources of supply and opportunities to shorten supply chains;
- volatile financial markets, high interest rates and high exchange rate volatility.
The companies of the Group — by reducing their exposure to financial risks — take care of securing currency positions, effective involvement of working capital and minimization of debt servicing costs.

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10. Events after the balance sheet date

In connection with the repayment of the bank loan at CITI Bank Handlowy, on 26 January 2024 the registered pledge of the acquired shares worth PLN 12.1 million and fixed assets worth PLN 2.8 million, which served as security for the repayment, was released.

On 21 February 2024, Apator S.A. received the order for payment, issued on 2 February 2024 by the District Court in Poznań, by which the Court awarded from Apator S.A. in favour of Enea Operator Sp. z o.o. with the seat in Poznań the amount of PLN 1.8 million with statutory interest and costs of the proceedings. Apator S.A. filed an objection to the order for the payment within the time limit, in which it appeals for the claim to be dismissed in full. The adjudged amount refers to the contractual penalty for untimely performance by Apator S.A. of a service, the value of which was much lower than the adjudged amount (approx. 13% of that amount). Apator S.A. voluntarily paid Enea Operator Sp. z o.o. part of the claimed contractual penalty, which it considered undisputed, which was not taken into account in the order for the payment. Moreover, significantly, the service was performed by Apator S.A. and received by Enea Operator Sp. z o.o. without reservations. Enea Operator Sp. z o.o. did not suffer any damage due to the untimely completion. The Management Board assesses the claim of ENEA Operator Sp. z o.o. in the amount of PLN 1.8 million as unjustified, while the risk of this amount being awarded in court proceedings as marginal.

On 21 March 2024, the Supervisory Board of Apator S.A. received the resignation of Robert Kowalski from his position as Member of the Management Board of the Company, submitted with the effect as of 14 May 2024.

The Management Board of Apator S.A. informed in a current report of 5 April 2024 about the unfavourable development of the situation in the UK gas market and the significant deterioration of the prospects of the activity of the subsidiary GWI Ltd. As a result of the unsatisfactory financial performance, the recoverability of the assets was assessed and impairment loss on GWI in the amount of PLN 9.3 million was recognised.

See notes 8.6 (tangible fixed assets), 8.11 (Inventory), 8.12 (Trade and other receivables), 8.15 (Prepayments) for a detailed presentation. Accordingly, an application will be filed for the liquidation of the company in administration proceedings. At the same time, the Management Board assesses that the lack of continuity of the UK company has no impact on the continuity of the Group's operations. As at the balance sheet date, GWI had a loan with PKO BP SA (note 8.20). The liability under the loan in question will be repaid by Apator Metrix S.A. From the point of view of consolidation, the credit in question has no effect on the Financial Statements of the Group.

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11. Signatures

Management Board

2024-04-25

Maciej Wyczesany

President of the Management Board, General Director

Łukasz Zaworski

Member of the Management Board, Product Development Director

Robert Kowalski

Member of the Management Board, Strategy Director of the Apator Group

The person responsible for maintaining the accounting records

2024-04-25

Małgorzata Mazurek

Financial Director

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