

PS-2022



Condensed consolidated semi- annual financial statements

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1. General information

1.1. Information about the group

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

1.1.1. Information about the parent company

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

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

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

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

1.1.3. Composition of the Capital Group

In the first half of 2022 Apator Capital Group consisted of Apator S.A. and the following subsidiaries:

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

FAP Pafal SA (Świdnica) - subsidiary company of Apator SA

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

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

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

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

Apator Elkomtech S.A. (Łódź) - subsidiary of Apator S.A., merger with Apator S.A. on January 3, 2022.

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

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

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

George Wilson Industries Ltd. (Coventry, UK) – subsidiary company of Apator Metrix S.A.

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Apator Group had the share in the following associated entities:

Inda d.o.o. (Slovenia) - associated entity with George Wilson Industries Ltd.

On May 20, 2022 the subsidiary company Apator Powogaz S.A. made the sale of the whole block of shares (i.e. 18,018 units) of ZAO Teplovodomer, Russia (representing 50% of the share capital) More on this topic in the H1 2022 Activity Report.

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Entities within the capital group subject to full consolidation

Company	Office	Core business activity	Competent Court/ the authority keeping the registers	Share in capital	Method of consolidation	Comments
APATOR MINING Sp. z o.o.	Katowice	Wholesale of mining, construction and civil engineering machinery	District Court in Katowice, 8th Commercial Division of the National Court Register; KRS 0000047770	100.00%	Full	Subsidiary
APATOR METRIX S.A.	Tczew	Manufacture of instruments and appliances for measuring, checking, navigating and other purposes	District Court in Gdansk, IX Commercial Division of the National Court Register; KRS 0000046259	100.00%	Full	Subsidiary
FAP PAFAL SA	Świdnica	Manufacture of measuring and control equipment, electrical and electronic equipment, trading activities, maintenance services	District Court for Wrocław-Fabryczna in Wrocław, IX Division of the National Court Register Number: KRS 0000057162	100.00%	Full	Subsidiary
APATOR RECTOR Sp. z o.o.	Zielona Góra	Computer science, publishing, printing and reproduction of recorded media	District Court in Zielona Góra, VIII Commercial Division of the National Court Register; KRS 0000297413	100.00%	Full	Subsidiary
APATOR POWOGAZ S.A.	Poznań	Manufacture of instruments and appliances for measuring, checking, testing, navigating and other general purpose machinery	District Court of Poznań - Nowe Miasto and Wilda in Poznań, VIII Commercial Division of the National Court Register KRS 0000028129	100.00%	Full	Subsidiary
APATOR GmbH	Berlin	Sale of prepayment systems of electricity and gas meters	HRB 123670B Charlottenburg	100.00%	Full	Subsidiary
APATOR TELEMETRIA Sp. z o.o.	Słupsk	Manufacture of devices reading and transmitting data, production of system IT applications	District Court Gdańsk - North in Gdańsk, 8th Commercial Division of the National Court Register; KRS 0000290726	92.69%	Full	Subsidiary Direct and indirect participation
APATOR METRA S. R. O.	Sumperk Czech Republic	Production of cost allocator system, thermometers and thermostats	Krajský soud v Ostravě, 268 34 073	100.00%	Full	Indirect subsidiary Indirect share
GEORGE WILSON INDUSTRIES Ltd	Coventry United Kingdom	Manufacture and sale of household and industrial gas meters; smart metering for gas metering	Companies House, 02873275	100.00%	Full	Indirect subsidiary Indirect share

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Company	Office	Core business activity	Competent Court/ the authority keeping the registers	Share in capital	Method of consolidation	Comments
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	Indirect subsidiary Indirect share

Jointly controlled entities subject to consolidation:

Company	Office	Core business activity	Competent Court/ the authority keeping the registers	Share in capital	Method of consolidation	Comments
Inda d.o.o.	Slovenia	Development work on electronic counters and communication technologies used in smart metering	Okrožno sodišče v Ljubljani, 1413554	35.00%	Valuation using the equity method	Associated entities Indirect share

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1.1.4. Composition of the Management Board and Supervisory Board

The Management Board

Arkadiusz Chmielewski - President of the Management Board
Tomasz Łątka - Management Board Member

The Supervisory Board

Janusz Niedźwiecki – Chairman of the Supervisory Board
Mariusz Lewicki - Deputy Chairman of the Supervisory Board
Janusz Marzygliński – Member of the Supervisory Board
Danuta Guzowska - Member of the Supervisory Board
Marcin Murawski – Member of the Supervisory Board
Kazimierz Piotrowski – Member of the Supervisory Board
Tadeusz Sosgórnik - Member of the Supervisory Board

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

2.1. Basis for development of the condensed semi-annual consolidated financial statement

The presented condensed semi-annual consolidated financial statement of Apator Group as of the day and for the period ending on 30th June 2022 was prepared in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting" adopted by the European Union. The statement does not contain all the information required to be disclosed in the full financial statement and should be read together with the consolidated statement of Apator Group prepared on the day and for the financial year ending on 31st December 2021.

Condensed semi-annual consolidated financial statement of Apator Group covers the first half of 2022 and contains comparative data:

1. Consolidated financial statements - situation as of 31st December 2021;
2. Condensed semi-annual consolidated statement of profit or loss and other comprehensive income - for the 3-month period from April 1 to June 30, 2021 and for the 6-month period ended June 30, 2021;
3. Condensed semi-annual consolidated statement of cash flows - for the six months ended June 30, 2021;
4. Condensed semi-annual consolidated statement of changes in equity - for the period from January 1 to June 30, 2021.

2.2. Accounting principles

The condensed consolidated semi-annual separate financial statements have been prepared in accordance with the historical cost principle (concept), except for the measurement of certain fixed assets (investment property) and financial instruments (derivatives), which are measured at fair value. The accounting principles adopted in the preparation of the condensed consolidated semi-annual financial statements are consistent with those adopted in the preparation of the annual financial statements for the financial year ended 31 December 2021.

2.3. Applied International Financial Accounting Standards

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

While preparing the condensed semi-annual consolidated financial statements for the period January 1, 2022 to June 30, 2022, the same principles and methods of calculation in terms of International Financial Accounting Standards were applied as in the last consolidated financial statements for the year ended December 31, 2021.

Standards that became effective on January 1, 2022 but do not have a material impact in the preparation of the Group's condensed half-year consolidated financial statements are:

- Amendments to IFRS 3 "Business Combinations",
- Amendments to IAS 16, "Property, Plant and Equipment",
- Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets",
- Annual Amendment to IFRS 2018 - 2020.

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

The Group did not decide to apply in this report standards, interpretations or amendments which have been published but have not yet come into force.

The following new Standards, amendments to Standards and Interpretations have not been adopted by the EU or are not yet effective for the periods ending 30 June 2022 and have not been applied in the financial statements:

- IFRS 17 "Insurance Contracts" and amendments to IFRS 17,
- Amendments to IAS 1 "Presentation of Financial Statements" and the IFRS Board's guidance on accounting policy disclosures in practice,
- Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors",
- Amendments to IAS 12 "Income Taxes",
- IFRS 14 "Regulatory Accruals",
- Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associates or joint ventures.

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

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

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

The functional currencies of foreign subsidiaries are respectively:

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

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

2.5. Duration of the activity of the group

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

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

2.6. Approval of the financial statement

The condensed consolidated semi-annual financial statement was approved and signed by the Management Board of the parent company on 30 August 2022.

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3. Consolidated semi-annual financial statement of the capital group Apator

3.1. Condensed consolidated statement of financial position

SPECIFICATION	NOTE	as of	
		30.06.2022	31.12.2021
Fixed assets		554 615	532 118
Intangible assets	7.3	114 155	111 294
Value of subsidiaries entities	7.4	126 116	125 777
Tangible fixed assets	7.5	231 838	220 946
Right to use assets	7.6	44 169	34 099
Investment property		1 749	1 733
Investments in jointly controlled entities consolidated with the equity method		240	2 242
Other long-term financial assets	7.13	83	247
- <i>in other entities</i>		83	247
Long-term receivables	7.10	5 139	4 429
- <i>from other entities</i>		5 139	4 429
Long-term accruals and prepayments		463	96
Assets by virtue of deferred income tax	7.15	30 663	31 255
Current assets		504 368	467 142
Stocks	7.7	270 117	238 934
Contractual asset		813	1 626
Commercial receivables	7.9	187 602	145 998
- <i>from related entities</i>		-	4 657
- <i>from other entities</i>		187 602	141 341
Receivables from corporate income tax	7.9	2 114	1 367
Receivables from other taxes, customs duties and social security	7.9	11 882	9 759
Other short-term liabilities	7.9	8 207	25 901
- <i>from other entities</i>		8 207	25 901
Other short-term financial assets		378	226
- <i>in other entities</i>		378	226
Cash and cash equivalents		15 898	36 832
Cash and cash equivalents with limited disposability		677	556
Short-term interim settlements		6 680	5 920
Non-current assets classified as held for sale	7.8	-	23
TOTAL ASSETS		1 058 983	999 260

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SPECIFICATION	NOTE	as of	
		30.06.2022	31.12.2021
Equity capital		526 750	551 275
Equity capital attributable to equity holders of the parent company		525 217	547 345
Share capital	7.10	3 278	3 278
Unregistered reduction of share capital		(13)	-
Own shares		(5 909)	(3 972)
Other capitals	7.11	564 208	553 460
Capital from the revaluation of a defined benefit plan		(86)	(86)
Capital from valuation of hedging transactions and foreign exchange differences from consolidation		(163)	1 684
Undistributed financial result		(36 098)	(7 019)
- undistributed result from previous years		(37 090)	(69 220)
- result of the current period		992	62 201
Non-controlling interest		1 533	3 930
Liabilities		532 233	447 985
Long-term liabilities and provisions		87 226	71 501
Long-term loans and borrowings	7.12	42 298	35 980
- from other entities		42 298	35 980
Other long-term liabilities		2 544	3 518
- towards other entities		2 544	3 518
Long-term liabilities due to the right to use assets		31 586	19 642
Deferred income tax provision	7.15	3 132	4 432
Long-term liabilities arising from employee benefits	7.14	7 227	7 227
Other long-term provisions	7.14	439	702
Short-term liabilities and provisions		445 007	376 484
Short-term loans and borrowings	7.12	225 126	175 448
- from other entities		225 126	175 448
Commercial liabilities		107 485	95 974
- towards affiliated entities		1 034	611
- towards other entities		106 451	95 363
Contractual liabilities		488	976
Corporate income tax liabilities		1 409	12 589
Liabilities due to other taxes, customs duties and social security		21 685	14 646
Other short-term liabilities		53 353	38 519
- towards other entities		53 353	38 519
Short-term liabilities due to the right to use assets		8 376	8 974
Short-term liabilities arising from employee benefits	7.14	15 445	17 608
Other short-term provisions	7.14	11 640	11 727
Liabilities related to fixed assets classified as held for sale		-	23
LIABILITIES TOTAL		1 058 983	999 260

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3.2. Condensed consolidated statement of profit or loss and other comprehensive income

SPECIFICATION	for period			
	from 01.04.2022	from 01.04.2021	from 01.01.2022	from 01.01.2021
	till 30.06.2022 data not subject to review	till 30.06.2021 data not subject to review	till 30.06.2022	till 30.06.2021
Revenue from sales and services	258 137	237 418	495 200	461 916
- to related entities	-	3 844	-	7 166
- other entities	258 137	233 574	495 200	454 750
Cost of goods sold	(199 313)	(181 636)	(389 709)	(346 783)
- to related entities	-	(2 220)	-	(4 183)
- other entities	(199 313)	(179 416)	(389 709)	(342 600)
Gross sales profit	58 824	55 782	105 491	115 133
Sales costs	(10 622)	(8 537)	(19 688)	(16 901)
General administrative costs	(35 745)	(31 397)	(70 102)	(65 332)
Sales profit	12 457	15 848	15 701	32 900
Result on other operating activities, including:	584	77	(513)	39 137
Revenues	988	624	1 855	40 040
Costs	(404)	(547)	(2 368)	(903)
- including result on (impairment) / reversal of receivables	640	(119)	(1 736)	(95)
Share in profits of companies consolidated using the equity method	(93)	280	-	582
Operating income	12 948	16 205	15 188	72 619
Result on financial activities, including:	(6 257)	(3 069)	(9 882)	(5 452)
Revenues	1 923	295	2 816	642
Costs	(8 180)	(3 364)	(12 698)	(6 094)
Profit before tax	6 691	13 136	5 306	67 167
Current income tax	(737)	(2 749)	(4 554)	(19 705)
Deferred income tax	(797)	(529)	560	3 750
Net profit	5 157	9 858	1 312	51 212

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SPECIFICATION	for period			
	from 01.04.2022	from 01.04.2021	from 01.01.2022	from 01.01.2021
	until 30.06.2022 data not subject to review	until 30.06.2021 data not subject to review	till 30.06.2022	till 30.06.2021
Other comprehensive income / (expenses)				
Other comprehensive income / (expenses) net	(411)	3 164	(1 847)	5 699
Items that may be reclassified to profit or loss in the future:	-			
Foreign exchange rate differences on translation of foreign operations	(259)	(2 291)	(393)	372
Result on hedge accounting with tax effect	(152)	5 455	(1 454)	5 327
Total comprehensive income	4 746	13 022	(535)	56 911
Net profit, of which attributable:	5 157	9 858	1 312	51 212
company's shareholders	4 985	9 130	992	49 512
non-controlling shareholders	172	728	320	1 700
Total comprehensive income, including accrued income:	4 746	13 022	(535)	56 911
company's shareholders	4 574	12 294	(855)	55 211
non-controlling shareholders	172	728	320	1 700
Net income per ordinary share:				
from continued operations				
- basic	0.17	0.31	0.03	1.70
- diluted	0.17	0.31	0.03	1.70
Weighted average number of shares	29 094 435	29 182 783	29 094 435	29 182 783

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3.3. Condensed consolidated statement of changes in equity capital

SPECIFICATION	Capital stock	Unregistered reduction of share capital	Own shares	Other capitals	Capital from the revaluation of a defined benefit plan	Capital from valuation of hedging transactions and foreign exchange differences from consolidation	Undistributed financial result	Total	Non-controlling interest	TOTAL EQUITY CAPITAL
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 during the period from 01.01.2022 to 30.06.2022										
Comprehensive income:										
Net profit for the period from 01.01.2022 to 30.06.2022	-	-	-	-	-	-	992	992	320	1 312
Distribution of result to supplementary capital	-	-	-	48 294	-	-	(48 294)	-	-	-
Coverage of losses from supplementary capital	-	-	-	(37 546)	-	-	37 546	-	-	-
Other comprehensive income:										
Items that can be reclassified in the future:										
Result on hedge accounting with tax effect	-	-	-	-	-	325	-	325	-	325
Net exchange differences translated from financial statement to currency presented	-	-	-	-	-	341	-	341	-	341
Total other comprehensive income	-	-	-	-	-	666	-	666	-	666
Total comprehensive income recognised in the period from 01.01.2022 to 30.06.2022	-	-	-	10 748	-	666	(9 756)	1 658	320	1 978
Transactions with owners recognised directly in equity:										
Dividends	-	-	-	-	-	-	(14 553)	(14 553)	(219)	(14 772)
Purchase of treasury shares	-	-	(1 950)	-	-	-	-	(1 950)	-	(1 950)
Redemption of own shares	-	(13)	13	-	-	-	-	-	-	-
Other changes in capital	-	-	-	-	-	-	(15)	(15)	-	(15)
Purchase of additional shares of subsidiary	-	-	-	-	-	-	(3 429)	(3 429)	(2 498)	(5 927)
Result on share sale transaction in an affiliate	-	-	-	-	-	(2 513)	(1 326)	(3 839)	-	(3 839)
Balance as at 30.06.2022	3 278	(13)	(5 909)	564 208	(86)	(163)	(36 098)	525 217	1 533	526 750

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

SPECIFICATION	Capital stock	Unregistered reduction of share capital	Own shares	Other capitals	Capital from the revaluation of a defined benefit plan	Capital from valuation of hedging transactions and foreign exchange differences from consolidation	Undistributed financial result	Total	Non-controlling interest	TOTAL EQUITY CAPITAL
Balance as at 01.01.2021	3 281	-	(3 823)	521 858	(253)	(4 022)	(7 285)	509 756	7 485	517 241
Changes in equity during the period from 01.01.2021 to 30.06.2021										
Comprehensive income:										
Net profit for the period from 01.01.2021 to 30.06.2021	-	-	-	-	-	-	49 512	49 512	1 700	51 212
Distribution of result to supplementary capital	-	-	-	31 926	-	-	(31 926)	-	-	-
Other comprehensive income:										
Items that can be reclassified in the future:										
Result on hedge accounting including with tax effect	-	-	-	-	-	5 327	-	5 327	-	5 327
Net exchange differences translated from financial statement to currency presented	-	-	-	-	-	372	-	372	-	372
Total other comprehensive income	-	-	-	-	-	5 699	-	5 699	-	5 699
Total comprehensive income recognised in the period from 01.01.2021 to 30.06.2021	-	-	-	31 926	-	5 699	17 586	55 211	1 700	56 911
Transactions with owners recognised directly in equity:										
Dividends	-	-	-	-	-	-	(35 019)	(35 019)	(573)	(35 592)
Settlement of the advance dividend from the previous year	-	-	-	-	-	-	13 136	13 136	-	13 136
Purchase of treasury shares	-	-	(361)	-	-	-	-	(361)	-	(361)
Redemption of own shares	-	(3)	3	-	-	-	-	-	-	-
Other changes in capital	-	-	-	-	-	-	(7)	(7)	-	(7)
Balance as at 30.06.2021	3 281	(3)	(4 181)	553 784	(253)	1 677	(11 589)	542 716	8 612	551 328

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3.4. Condensed consolidated statement of cash flows

SPECIFICATION	NOTE	for period	
		from 01.01.2022 till 30.06.2022	from 01.01.2021 till 30.06.2021
Cash flow from operating activities			
Profit before tax (continued operations)		5 306	67 167
Adjustments:		31 165	(3 266)
Depreciation of intangible assets	7.3	7 448	7 417
Depreciation of property, plant and equipment	7.5	20 856	19 887
Profit on sale of property, plant and equipment and intangible assets		(670)	(36 658)
Profit on sale of financial assets available for sale		(65)	-
Losses on change in fair value of derivatives		4	857
Cost of interest		5 479	831
Shares in profits of associated companies		-	(582)
Interest revenue		(54)	(70)
Other adjustments	7.20	(1 833)	5 052
Cash flows from operating activities before changes in working capital		36 471	63 901
Change in inventories		(31 182)	(63 892)
Change in the state of a depreciated contractual asset		813	813
Change in receivables	7.20	(45 203)	(13 727)
Change in liabilities	7.20	33 508	32 635
Changes in provisions	7.20	(2 377)	(564)
Change in cash and cash equivalents with restricted use		(121)	107
Changes in prepayments and accruals	7.20	(923)	(1 994)
Other adjustments	7.20	-	(120)
Cash generated in the course of operating activity		(9 014)	17 159
Tax return		538	58
Income tax paid		(17 836)	(12 185)
Net cash flows from operating activities		(26 312)	5 032
Cash flows from investing activities			
Expenses related to acquisition of intangible assets	7.20	(12 438)	(12 470)
Expenditures for the acquisition of property, plant and equipment and lease assets		(27 571)	(29 212)
Proceeds from the sale of fixed assets	7.20	22 434	33 857
Purchase of shares in a subsidiary		(11 036)	-
Proceeds from the sale of subsidiaries		380	-
Dividends received		-	396
Other inflows (expenses)		696	(3 212)
Net cash provided by investing activities		(27 535)	(10 641)
Cash flows from financing activities			
Purchase of own shares		(1 950)	(361)
Inflows from loans and borrowings taken out		80 197	54 937
Repayment of loans and credits		(24 492)	(34 308)
Interest paid		(5 167)	(669)
Dividends paid		(8 743)	-
Repayment of lease liabilities		(6 263)	(7 966)
Other expenses		(669)	(308)
Net cash from financial operations		32 913	11 325
Net increase (decrease) in cash and cash equivalents		(20 934)	5 716
Opening balance of cash and cash equivalents		36 832	29 251
Closing balance of cash and cash equivalents		15 898	34 967

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4. Basic judgments and bases for estimating uncertainty

The main judgments and estimates of the Management Board of Apator Group concerning the application of accounting principles and the main sources of information used to establish the above mentioned estimates are the same as adopted in the preparation of the consolidated financial statement of Apator Group as of the day and for the financial year ending on 31st December 2021.

5. Information on the seasonality of activities

In Apator Group is observed higher quarterly sales in the period between 2nd and 4th quarter in relation to the 1st quarter. It is related to the schedule of deliveries and seasonality of stocking of the Distribution System Operators in the scope of metering equipment and revival of the construction sector starting from Q2 in the scope of switchgear.

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

As of the date of publication of this report, the Group identifies risks arising from the war in Ukraine, but the level of these risks depends on further developments and their impact on exchange rates, commodity prices and other areas of the business. Sales revenue for H1 2022 from Russian, Ukrainian markets and Belarus accounted for about 2.5% in the Group's total sales. Sales in the Russian and Belarusian markets have been halted since the war broke out.

The disruption of supply chains and difficulties in obtaining components for production that arose during the COVID-19 pandemic have not ceased. In addition, the tense political and economic situation related to the conflict

in Ukraine, exacerbated the rising inflation during the first half of the year, causing further price increases not only in raw materials, but also in energy and transportation. These phenomena negatively affected the results of the Apator group. Unfavourable fluctuations on the exchange rate side and interest rates that follow rising inflation have exacerbated the decline in generated margins.

The Group conducts ongoing efforts to introduce substitutes and alternative materials (while maintaining product quality), actively seeks other sources of purchase, and conducts inventory management that is optimal in the current situation.

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7. Explanatory notes to the condensed consolidated financial statements

7.1. Alternative performance measures

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

Adjusted EBITDA is EBITDA after eliminating the impact of non-recurring transactions. Its calculation is intended to ensure comparability of EBITDA in subsequent periods.

The calculation of EBITDA and adjusted EBITDA is presented in the table below.

SPECIFICATION	from 01.01.2022	from 01.01.2021
	till 30.06.2022	till 30.06.2021
Net profit for the financial period	1 312	51 212
(+) Income tax	3 994	15 955
Gross profit	5 306	67 167
(+) Financial costs	12 698	6 095
(-) Financial revenues	2 816	643
(+) Depreciation	28 304	27 304
EBITDA	43 492	99 923
(-) Non-recurring events - sale of real estate	-	34 079
Adjusted EBITDA	43 492	65 844

7.2. Operating segments

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

- ✓ Electricity
- ✓ Gas
- ✓ Water and heating

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

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SPECIFICATION	CONTINUED OPERATION				TOTAL
	Electricity	Gas	Water and heating	Unallocated	
Financial results of operating segments for the period from 01.01.2022 to 30.06.2022					
Sales revenue	183 340	143 065	168 795	-	495 200
Cost of goods sold	155 268	118 511	115 930	-	389 709
Gross sales profit	28 072	24 554	52 865	-	105 491
Sales costs	7 318	4 203	8 015	152	19 688
General administrative costs	27 786	14 976	25 457	1 883	70 102
Profit (loss) from sales	(7 032)	5 375	19 393	(2 035)	15 701
Other operating income (costs)	830	139	(1 482)	-	(513)
Profit (loss) from operating activities	(6 202)	5 514	17 911	(2 035)	15 188
Depreciation	14 179	8 069	6 056	-	28 304
Other financial costs	(4 244)	(2 542)	(3 095)	-	(9 882)
Gross profit (loss)	(10 446)	2 972	14 816	(2 035)	5 306
EBITDA	7 977	13 583	23 967	(2 035)	43 492
Financial results of operating segments for the period from 01.01.2021 to 30.06.2021					
Sales revenue	184 686	136 042	141 188	-	461 916
Cost of goods sold	(151 563)	(104 564)	(90 656)	-	(346 783)
Gross sales profit	33 123	31 478	50 532	-	115 133
Sales costs	(6 488)	(3 937)	(6 323)	(153)	(16 901)
General administrative costs	(26 302)	(14 198)	(22 963)	(1 869)	(65 332)
Profit (loss) from sales	333	13 343	21 246	(2 022)	32 900
Other operating income	1 482	1 008	36 647	-	39 137
Share in profits of associated companies	-	-	582	-	582
Profit (loss) from operating activities	1 815	14 351	58 475	(2 022)	72 619
Depreciation	12 959	8 587	5 758	-	27 304
Other financial costs	(1 666)	(1 268)	(2 518)	-	(5 452)
Gross profit (loss)	149	13 083	55 957	(2 022)	67 167
EBITDA	14 774	22 938	64 233	(2 022)	99 923
Impact of non-recurring transactions	-	-	(34 079)	-	(34 079)
Adjusted EBITDA	14 774	22 938	30 154	(2 022)	65 844

7.3. Intangible assets

The main increases in intangible assets during the first half of 2022 were related to expenditures on development work.

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Data concerning intangible assets are presented in the tables below.

SPECIFICATION	as of	
	30.06.2022	31.12.2021
Customer relations	7 248	8 738
Patents and licenses, computer software	11 014	11 996
Development costs	81 926	78 480
Other intangible assets	13 967	12 080
Total	114 155	111 294

SPECIFICATION	CUSTOMER RELATIONS	PATENTS AND LICENSES, COMPUTER SOFTWARE	DEVELOPMENT COSTS	OTHER INTANGIBLE ASSETS	TOTAL
Net value as at 01.01.2022	8 738	11 996	78 480	12 080	111 294
Increases on account of acquisition	-	391	-	1 944	2 335
Increase on account of own production	-	-	9 218	132	9 350
Increase due to reclassification - other	-	(39)	39	-	-
Depreciation	(1 490)	(1 365)	(4 404)	(189)	(7 448)
Net exchange differences translated from financial statement to currency presented	-	37	108	-	145
Accounting for grants for intangible assets from deferred income	-	-	(56)	-	(56)
Other changes - gross	-	(27)	(1 459)	-	(1 486)
Other changes - amortization	-	21	-	-	21
Net value as at 30.06.2022	7 248	11 014	81 926	13 967	114 155
Status as of 30.06.2022					
Gross value	29 809	32 169	136 716	28 728	227 422
Total depreciation and revaluation write-offs to date	(22 561)	(21 155)	(54 790)	(14 761)	(113 267)
Net value	7 248	11 014	81 926	13 967	114 155

7.4. Value of subsidiaries entities

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

NAME OF SUBSIDIARY	as of	
	30.06.2022	31.12.2021
Apator Rector Sp.z o.o.	43 106	43 106
Apator S.A.	34 506	-
Apator Elkomtech S.A.	-	34 506
Apator Powogaz S.A.	17 855	17 855
Apator Telemetria Sp. z o. o.	5 546	5 546
Apator Metra s. r. o.	772	755
George Wilson Industries Ltd.	3 874	3 903
Miitors ApS	20 457	20 106
Net goodwill	126 116	125 777

On January 3, 2022, the merger of Apator Elkomtech S.A. with Apator S.A. took place. This event had no impact on the consolidated data.

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SPECIFICATION	in the period	
	from 01.01.2022	from 01.01.2021
	till 30.06.2022	till 31.12.2021
Gross goodwill at the beginning of the period	126 112	125 881
Net exchange differences translated from financial statement to currency presented	339	231
Gross goodwill at the end of the period	126 451	126 112
Impairment loss at the beginning of the period	(335)	(335)
Impairment loss at the end of the period	(335)	(335)
Net goodwill at the end of the period	126 116	125 777

Management assessed the existence of indications of goodwill impairment by analysing market, external and internal factors and verified the validity of the assumptions used in the impairment test performed as of December 31, 2021. Based on its analysis, the Board of Directors assessed that the only rationale for testing goodwill for impairment could be an increase in the weighted average cost of capital. With this in mind, the Board of Directors conducted a sensitivity analysis of the model used in the December 31, 2021 tests to the change in the weighted average cost of capital. As a result of the analysis, the Management concluded that even such a change in the weighted average cost of capital as occurred as of June 30, 2022 does not necessitate the creation of a goodwill impairment charge, and the other assumptions have not changed significantly.

In accordance with IAS 36, goodwill will be tested for impairment as of December 31, 2022.

7.5. Tangible fixed assets

The most significant expenditures on property, plant and equipment during the first half of 2022 were investments in machinery and equipment.

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

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

SPECIFICATION	as of	
	30.06.2022	31.12.2021
Land, buildings and structures	112 775	99 647
Machinery and equipment	59 190	64 274
Means of transport	1 752	1 754
Other non-current assets	58 121	55 271
Total	231 838	220 946

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SPECIFICATION	LAND, BUILDINGS AND STRUCTURES	MACHINERY AND EQUIPMENT	MEANS OF TRANSPORT	OTHER NON- CURRENT ASSETS	TOTAL
Net value as at 01.01.2022	99 647	64 274	1 754	55 271	220 946
Increases on account of	46 770	10 114	80	9 222	66 186
Increase in the balance due to modernisation	257	69	-	128	454
Increase on account of own production	-	-	-	431	431
Increase resulting from reclassification - from the right to use assets under lease to property, plant and equipment	-	1 859	726	-	2 585
Increase due to reclassification - other	-	282	-	(281)	1
Additions from expenditures on property, plant and equipment under construction	14 893	3 261	32	9 216	27 402
Decrease due to disposal	(9)	(3 519)	(265)	(50)	(3 843)
Decrease due to liquidation	(23)	(3 041)	-	(2 318)	(5 382)
Settlement of expenditures on property, plant and equipment under construction (acceptance into inventory)	(47 027)	(10 183)	(80)	(9 781)	(67 071)
Depreciation	(1 939)	(7 860)	(284)	(6 100)	(16 183)
Increase in the current depreciation due to reclassification - from the right to use assets under lease to property, plant and equipment	-	(1 175)	(523)	-	(1 698)
Reduction of the existing disposal write-offs	9	2 609	356	43	3 017
Decrease in the current depreciation due to liquidation	23	2 467	-	2 318	4 808
Net exchange differences translated from financial statement to currency presented	174	30	(19)	-	185
Other changes - gross	-	(114)	(62)	14	(162)
Other changes - amortization	-	117	37	8	162
Net value as at 30.06.2022	112 775	59 190	1 752	58 121	231 838
Status as of 30.06.2022					
Gross value	152 511	200 887	12 941	197 086	563 425
Total depreciation and revaluation write-offs to date	(39 736)	(141 697)	(11 189)	(138 965)	(331 587)
Net value	112 775	59 190	1 752	58 121	231 838

7.6. Right to use assets

The Group's capitalized leased assets include:

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

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

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SPECIFICATION	as of	
	30.06.2022	31.12.2021
Land, buildings and structures	24 397	18 090
Machinery and equipment	9 962	8 195
Means of transport	1 697	1 819
Other non-current assets	8 113	5 995
Total	44 169	34 099

SPECIFICATION	LAND, BUILDINGS AND STRUCTURES	MACHINERY AND EQUIPMENT	MEANS OF TRANSPORT	OTHER NON-CURRENT ASSETS	TOTAL
Net value as at 01.01.2022	18 090	8 195	1 819	5 995	34 099
Increase due to leasing acceptance	9 087	3 341	858	2 514	15 800
Increase due to reclassification - other	127	-	-	-	127
Increase from expenditures on property, plant and equipment under construction	9 087	3 341	858	2 514	15 800
Decrease due to disposal	-	-	(418)	-	(418)
Decrease resulting from reclassification - from the right to use assets under lease to property, plant and equipment	-	(1 859)	(726)	-	(2 585)
Settlement of expenditures on property, plant and equipment under construction (acceptance into inventory)	(9 087)	(3 341)	(858)	(2 514)	(15 800)
Depreciation	(2 909)	(890)	(478)	(396)	(4 673)
Reduction of the existing disposal write-offs	-	-	119	-	119
Decrease in current depreciation resulting from reclassification - from the right to use assets under lease to property, plant and equipment	-	1 175	523	-	1 698
Net exchange differences translated from financial statement to currency presented	2	-	-	-	2
Net value as at 30.06.2022	24 397	9 962	1 697	8 113	44 169
Status as of 30.06.2022					
Gross value	39 462	14 453	3 932	10 533	68 380
Total depreciation and revaluation write-offs to date	(15 065)	(4 491)	(2 235)	(2 420)	(24 211)
Net value	24 397	9 962	1 697	8 113	44 169

7.7. Stocks

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

SPECIFICATION	as of	
	30.06.2022	31.12.2021
Materials	155 885	148 378
Production in progress	67 589	47 712
Finished products	36 878	32 828
Goods	6 639	6 355
Other stocks	3 126	3 661
Total value of inventories	270 117	238 934

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

SPECIFICATION	in the period	
	from 01.01.2022	from 01.01.2021
	till 30.06.2022	till 31.12.2021
Revaluation write-off on total inventories		
Value of write-offs at the beginning of the period	17 971	18 616
Increase - creation of a write-down on the current result	4 683	6 433
Decrease - write-down of unused amounts in revenues	(1 813)	(4 012)
Use of write-off- write-down	(94)	(3 098)
Net exchange differences translated from financial statement to currency presented	(6)	32
Value of write-offs at the end of the period	20 741	17 971

7.8. Fixed assets intended for sale

SPECIFICATION	in the period	
	from 01.01.2022	from 01.01.2021
	till 30.06.2022	till 31.12.2021
Value at the beginning of the period	23	23 201
Increase due to retraining	-	23
Decrease due to disposal	(23)	(23 201)
Value at the end of the period	-	23

During the half-year, there was a disposal of fixed assets held for sale at the end of 2021, belonging to FAP Pafal S.A.

7.9. Trade receivables and other receivables

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

SPECIFICATION	30.06.2022		31.12.2021	
	Gross value	Impairment due to losses on financial assets	Gross value	Impairment due to losses on financial assets
Not required	161 220	(174)	132 341	(92)
Past due from 0 to 30 days	18 569	-	8 522	-
Past due from 31 to 180 days	9 732	(1 745)	5 290	(63)
Past due from 181 days to one year	113	(113)	288	(288)
Past due over a year	3 641	(3 641)	4 071	(4 071)
Total	193 275	(5 673)	150 512	(4 514)

As of June 30, 2022, all receivables over 180 days were individually written off.

The impairment charge for unmatured receivables is immaterial.

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The following tables present data on total receivables allowances.

SPECIFICATION	as of	
	30.06.2022	31.12.2021
Opening balance	4 610	7 708
Creation of individual write-downs (level 3 of the impairment model)	2 988	594
Reversal of individual deductions	(1 249)	(2 773)
Use of individual allowances	(675)	(919)
Closing balance	5 674	4 610
Individual deduction	5 653	4 591
Write-off calculated on the basis of the matrix	21	19

SPECIFICATION	in the period	
	from 01.01.2022	from 01.01.2021
	till 30.06.2022	till 31.12.2021
<i>Revaluation write-off on total receivables</i>		
Value of write-offs at the beginning of the period	4 610	7 708
Increase - creation of a write-down on the current result	2 988	594
Decrease - write-down of unused amounts in revenues	(1 249)	(2 773)
Use of write-off- write-down	(676)	(923)
Net exchange differences translated from financial statement to currency presented	1	4
Value of write-offs at the end of the period	5 674	4 610

The following table presents the specification of other short-term receivables.

SPECIFICATION	as of	
	30.06.2022	31.12.2021
Other short-term liabilities	8 207	25 901
Receivables from sales of property, plant and equipment and intangible assets	1 302	21 500
Dividend receivables	990	-
Deposits	1 955	1 722
Disputed claims	-	82
Prepayments - advances for the purchase of services	676	1 283
Advances on property, plant and equipment	1 667	1 068
Other receivables	1 618	342
Write-off for impairment of other short-term receivables	(1)	(96)

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7.10. Capital stock

The shareholders' structure as at 30 June 2022 is presented in the table below.

Name and surname	Registered shares	Bearer shares	Total number of shares	Number of votes	Equity participation	Votes participation
Mariusz Lewicki	1 187 376	1 126 624	2 314 000	5 876 128	7.06%	10.73%
T. Sosgórnik with a person closely associated	1 353 602	573 212	1 926 814	5 987 620	5.88%	10.93%
Danuta Guzowska	954 214	566 065	1 520 279	4 382 921	4.64%	8.00%
Zbigniew Jaworski	766 348	688 652	1 455 000	3 754 044	4.44%	6.85%
Apator Mining Sp. z o. o.	0	3 600 000	3 600 000	3 600 000	10.98%	6.57%
Kazimierz Piotrowski and his wife	664 774	159 181	823 955	2 818 277	2.51%	5.15%
Aviva Otwarty Fundusz Emerytalny Aviva Santander SA	0	3 338 991	3 338 991	3 338 991	10.19%	6.10%
Others	2 406 177	15 392 012	17 798 189	25 016 720	54.30%	45.67%
TOTAL	7 332 491	25 444 737	32 777 228	54 774 701	100.00%	100.00%

In accordance with the Resolution No. 27/VI/2022 of the Ordinary General Meeting of Shareholders of Apator S.A. dated On June 28, 2022, 130,155 treasury shares purchased by the Company under the Share Repurchase Program established on June 29, 2021 were cancelled. The total acquisition price amounted to PLN 2395.5 thousand.

Pursuant to Resolution No. 28/VI/2022, the share capital was reduced by PLN 13,050.50 in connection with the redemption of shares. After the capital reduction is registered in the National Court Register, the Company's share capital will amount to PLN 3,265 thousand. As of the date of signing the report, the capital reduction has not been registered in the National Court Register [KRS].

7.11. Other capitals

Information on other capital is presented in the table below.

SPECIFICATION	as of	
	30.06.2022	31.12.2021
Supplementary capital, including:	532 451	524 090
<i>Supplementary capital from the sale of own shares above their nominal value</i>	15 142	15 142
<i>Other reserve capital</i>	517 309	508 948
Reserve capitals	31 757	29 370
Other total capitals	564 208	553 460

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Detailed changes in other capitals during the first half of 2022 are presented in the table below.

SPECIFICATION	SUPPLEMENTARY CAPITAL FROM THE SALE OF OWN SHARES ABOVE THEIR NOMINAL VALUE	OTHER RESERVE CAPITAL	RESERVE CAPITALS	TOTAL
Status as of 01.01.2022	15 142	508 948	29 370	553 460
Increase in the period from 01.01.2022 to 30.06.2022	-	38 293	10 000	48 293
Breakdown of the result	-	48 293	-	48 293
Increase in reserve capital	-	(10 000)	10 000	-
Decrease in the period from 01.01.2022 to 30.06.2022	-	(29 932)	(7 613)	(37 545)
Decrease of the supplementary capital	-	7 613	(7 613)	-
Coverage of losses from supplementary capital	-	(37 545)	-	(37 545)
Status as of 30.06.2022	15 142	517 309	31 757	564 208

In accordance with the Resolution No. 24/VI/2022 of the Ordinary General Meeting of Shareholders of Apator S.A. dated On June 28, 2022, net profit for the financial year 2021 in the amount of PLN 18,436,136.32 was distributed in following way:

Dividend PLN 16 352 623.00
 Supplementary capital PLN 2 083 513.32

For the expected dividend from the profit for the 2021 fiscal year, an advance payment was made on January 24, 2022 in the total amount of PLN 9,823,208.40, or PLN 0.30 per share. The remaining part of the dividend in the amount of PLN 6,529,414.60, i.e. PLN 0.20 per share, will be paid on August 31st 2022.

Under Resolution 26/VI/2022, the Share Repurchase Program (enacted under Resolution 23/VI/2021) was closed and the related Share Redemption Fund (in the original amount of PLN 10 million) was liquidated. Unused Fund resources in the amount of PLN 7.6 million were transferred to supplementary capital.

At the same time, under Resolution 32/VI/2022, a new Share Repurchase Program was opened with a Share Redemption Fund worth PLN 10 million.

7.12. Credits and loans

Information on loans and borrowings is presented below.

SPECIFICATION	as of	
	30.06.2022	31.12.2021
Long-term loans and borrowings	42 298	35 980
payable over 1 to 2 years	10 291	8 600
payable over 2 to 5 years	14 772	16 800
payable over 5 years	17 235	10 580
Short-term loans and borrowings	225 126	175 448
Total loans and borrowings, including	267 424	211 428
- from other entities	267 424	211 428

In connection with the liabilities under the loans, the Group holds the following collateral.

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Multi-product agreement with ING Bank Śląski S.A.

- Contractual mortgage on real estate of Apator SA in Ostaszewo to the amount of PLN 40 million,
- Registered pledge on inventories owned by Apator S.A., Apator Telemetria Sp. z o.o., Apator Powogaz S.A., FAP Pafal S.A., with book value of 148.8 million PLN,
- Pledge on tangible fixed assets owned by Apator S.A., Apator Powogaz S.A., Apator Metrix S.A., Apator Telemetria Sp. z o.o. The contractual value of the pledge is PLN 31 million,
- Registered pledge on receivables under current and future bank account agreements maintained by the bank for the Group companies,
- Blank promissory notes together with promissory notes declarations submitted by 6 borrowers' companies (joint and several liability of Group's companies),
- Assignment of rights under the property insurance policy against all risks.

Other collateral for loans and credits:

- Apator S.A.
 - ✓ overdraft agreement (limit PLN 10 million) concluded with CITI Bank Handlowy S.A:
 - registered pledge on fixed assets of Apator S.A. of the value of PLN 8.4 million,
 - Assignment of rights under the property insurance policy against all risks,
 - registered pledge on receivables of Apator S.A. under the contract of bank account in Bank Handlowy S.A,
 - ✓ credit agreement with Bank Handlowy S.A. (Long-term credit for purchase of shares in Apator Telemetria Sp. z o.o. in the amount of 13 million PLN¹):
 - Registered pledge on acquired shares worth PLN 12.1 million,
 - Registered pledge on fixed assets of PLN 2.8 million,
 - Statement on submission to execution up to the amount of PLN 15.6 million.
 - Assignment of rights under the property insurance policy against all risks.
- Metrix Group
 - ✓ investment credit agreement of Apator Metrix S.A. concluded with Millenium S.A:
 - mortgage in the amount of PLN 23.3 million (with assignment of rights from insurance contract), established on properties of Apator Metrix S.A,
 - transfer of fixed assets with a value of PLN 2.4 million,
 - statement on submission to enforcement pursuant to Art. 777 of the Civil Code for the value of PLN 31.7 million.
 - ✓ agreement on credit on current account of Apator Metra concluded with Raiffeisenbank a.s. (GWi) with Citibank N.A.:
 - Pledge on inventories with the value of PLN 18.2 million being the property of Apator Metrix S.A,
 - guarantee granted by Apator Metrix S.A. in the amount of GBP 4 million, i.e. PLN 22.6 million. from 31st October 2022,
 - statement of submission to execution under Article 777 of the Civil Code. for the value of GBP 4.8 million, i.e. PLN 27.2 million.

¹ Pozostała na dzień 29 czerwca 2022 roku do spłaty kwota 9 mln zł została przewalutowana na euro.

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- Powogaz S.A. Group
 - ✓ contract on investment credit of Apator Powogaz S.A. for construction of manufacturing plant concluded with PKO BP:
 - registered pledge on 3.6 million bearer shares of Apator S.A. being in possession of Apator Mining Sp. z o.o. up to the highest security amount of 61.5 million PLN with blocking of shares of total value not less than 120% of the value of the future property (pledge will be kept till the day of establishing the contractual mortgage on acquired land and constructed property),
 - blank promissory note together with a promissory note declaration.
 - ✓ agreement on credit on current account of Apator Powogaz S.A. concluded with mBank S.A.
 - blank promissory note together with a promissory note declaration.
 - ✓ agreement on credit on current account of Apator Metra concluded with Raiffeisenbank a.s.
 - mortgage in the amount of CZK 50 million (with assignment of rights from the insurance contract), established on the real estate Apator Metra.
 - ✓ credit agreement for financing suppliers of Apator Telemetry Sp. z o.o. concluded with mBank S.A.
 - blank promissory note together with a promissory note declaration.

During the reporting period, the Group's companies fulfilled their obligations under their loan agreements.

7.13. Hedging instruments

In Apator Group the contracts concerning currency derivatives are concluded within the framework of hedging policy against foreign exchange risk. As a general rule, the Group hedges export receipts in excess of import expenses (EUR) and import outflows in excess of export receipts (USD). In H1 2022, in accordance with the recommendation of the Supervisory Boards, new foreign exchange contracts were waived. The nominal value of FX forward instruments as of the reporting date is EUR 34,962 thousand.

Hedging instruments are measured at fair value. The fair value of loans, receivables and liabilities measured at amortised cost was adopted as the book value due to short deadlines for their realisation. The book value of these assets is close to fair value.

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

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The following table shows the fair value of the hedging instruments at the reporting date.

SPECIFICATION	as of	
	30.06.2022	31.12.2021
Long-term assets	83	247
Hedging instruments	83	247
Short-term assets	376	224
Hedging instruments	376	224
Total assets	459	471
Long-term liabilities	2 539	3 513
Hedging instruments	2 539	3 513
Short-term liabilities	4 920	2 158
Hedging instruments	4 920	2 158
Total liabilities	7 459	5 671

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

- Level 1 - fair value is based on stock exchange prices (unadjusted);
- Level 2 - Fair value is determined based on values that are observable in the marketplace but 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.

SPECIFICATION	as at 30.06.2022		as at 31.12.2021	
	Level 1	Level 2	Level 1	Level 2
Derivative instruments (assets)	-	459	-	471
Derivative instruments (assets)	-	(7 459)	-	(5 671)
Total	-	(7 000)	-	(5 200)

There were no transfers between levels.

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

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7.14. Provisions for liabilities

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

SPECIFICATION	RESERVES / LIABILITIES			OTHER PROVISIONS		TOTAL
	RETIREMENT SEVERANCE PAY, JUBILEE AWARDS	BONUSES	ANNUAL LEAVES	GUARANTEES	OTHER	
Provisions as at 01.01.2022	8 231	11 487	5 117	11 285	1 144	37 264
Increase - creation of a provision charged to the current result	-	2 624	3 861	834	1 003	8 322
Use of the provision - settlement of costs	-	(8 481)	(179)	(1 731)	(466)	(10 857)
Net exchange differences translated from financial statement to currency presented	-	4	8	10	-	22
Value of provisions as at 30.06.2022, including:	8 231	5 634	8 807	10 398	1 681	34 751
- long term provisions	7 227	-	-	439	-	7 666
- short-term provisions	1 004	5 634	8 807	9 959	1 681	27 085

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7.15. Income tax

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

SPECIFICATION	in the period	
	from 01.01.2022	from 01.01.2021
	till 30.06.2022	till 30.06.2021
Profit and loss statement		
Current income tax	4 554	19 705
Current income tax expense	4 679	19 705
Adjustments concerning current tax from previous years	(125)	-
Deferred income tax	(560)	(3 750)
Related to the creation and reversal of temporary differences	(560)	(3 750)
Tax burden shown in the condensed consolidated statement of comprehensive income	3 994	15 955
Condensed consolidated statement of changes in equity capital		
Other comprehensive income		
Deferred income tax	(341)	778
Deferred net income tax on cash flow hedges settled during the financial year	(341)	778
Tax advantage (burden) disclosed in the equity capital	(341)	778

SPECIFICATION	Assets		Provisions	
	30.06.2022	31.12.2021	30.06.2022	31.12.2021
Tangible fixed assets	1 760	2 413	10 141	11 116
Financial assets	-	-	1 442	1 482
Derivative instruments	1 266	1 140	(1)	214
Stocks	3 841	3 359	-	-
Liabilities arising from employee benefits	4 753	4 783	-	-
Provisions	3 163	3 119	-	-
Write-downs on receivables	654	725	-	-
Tax loss	10 961	11 001	-	-
Tax relief to be accounted for in future periods	10 517	10 517	-	-
Other	2 767	3 093	569	515
Total	39 682	40 150	12 151	13 327
Netting of assets and reserves	(9 019)	(8 895)	(9 019)	(8 895)
Deferred tax assets/provisions disclosed in the condensed statement of financial position	30 663	31 255	3 132	4 432

On 28th December 2010 Apator S.A. received the Permission No. 69/PSSE to run business activity on the area of Pomeranian Special Economic Zone. As of the date of commencement of operations in the PSSE, deferred tax assets in the amount of PLN 20,357 thousand were recognized due to usable tax credits (the value of this asset as of June 30, 2022 is PLN 10,517 thousand).

On 3rd June 2020 Apator S.A. received the decision on support No. PSSE.DW.11.2020 for the performance of new investment to increase the manufacturing capacity (extension of existing establishment). This will enable you to take advantage of the tax exemption for doing business in the Special Economic Zone.

The conditions of the decision are: realization of a new investment, consisting in an expansion of the plant and incurring eligible costs of at least PLN 30 million (no more than PLN 39 million) by the end of 2025, increasing the current employment by at least 2 employees by December 31, 2025 and maintaining the increased

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employment until December 31, 2030. The decision was made for fixed period of 15 years. By June 30, 2022, expenditures of PLN 2.6 million were incurred for this purpose.

The effective tax rate is presented in the table below.

SPECIFICATION	in the period	
	from 01.01.2022	from 01.01.2021
	till 30.06.2022	till 30.06.2021
Tax base	5 306	67 167
Income tax calculated at the applicable rate	1 149	12 407
Adjustments:	2 845	3 548
Tax on income exempt from taxation (fixed differences)	(1 047)	(435)
Unrecognized asset for losses on zone operations	1 619	2 142
Tax on non-deductible costs (fixed differences)	1 572	1 076
Tax on internal transactions in the group (fixed differences)	663	967
Tax on items not included in financial result of the period	(27)	(26)
Adjustment of tax losses from previous years	(20)	-
Other tax additions	258	46
Other tax deductions	(173)	(222)
Income tax	3 994	15 955
Effective tax rate	75.27%	23.75%

7.16. Revenue

The valuation of the Group's contracts as at 30 June 2022 and in the comparative period is presented below.

Settlement of contracts

SPECIFICATION	from 01.01.2022	from 01.01.2021
	till 30.06.2022	till 30.06.2021
Contract revenue recognized of which:	495 200	461 916
- revenue recognized at a point in time	494 786	461 427
- revenue recognized over time	414	489

Contract assets and liabilities

The contract asset, with a total value of PLN 813 thousand (presented in current assets), relates to the settlement of license execution costs arising from the adjustment of revenue recognition (and commensurate costs) under IFRS 15. They refer to the contract concluded between Tauron Dystrybucja S.A. and Consortium where Apator Rector Sp. z o.o. was included. The contractual assets due to licenses are settled evenly in time for the period of the contract, that is till the end of December 2022.

Contractual liabilities at 30th June 2022 are liabilities of Apator Rector Sp. z o.o. They regard outstanding licenses, warranties and optional service on the balance sheet date and they are settled equally in time for the period of duration of these services based on contractual provisions. These settlements result in a change in the contract liability balance.

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Geographical information

Apator Group distinguished the following three areas of activity:

- Country - including domestic sales
- European Union + UK - sales made in the European Union and the United Kingdom
- Export - sales realized in other countries (except for Great Britain)

SPECIFICATION	CONTINUED OPERATION			
	Country	Export	Union	Total
Sales revenues in geographical segments since 01.01.2022 till 30.06.2022				
Total revenue	251 904	49 016	194 280	495 200
Sales outside	251 904	49 016	194 280	495 200
Sales to subsidiaries	-	-	-	-
Sales revenue in geographical segments since 01.01.2021 till 30.06.2021				
Total revenue	242 304	54 325	165 287	461 916
Sales outside	242 304	47 159	165 287	454 750
Sales to subsidiaries	-	7 166	-	7 166

7.17. Other operating income and costs

SPECIFICATION	in the period	
	from 01.01.2022	from 01.01.2021
	till 30.06.2022	till 30.06.2021
Operating revenue	1 855	40 040
Result on sale of property, plant and equipment	657	116
Income from sale of land, buildings and structures	80	36 572
Reversal of provisions for future liabilities	-	246
Inventory surpluses	-	5
Reimbursement of costs (trade fairs and conferences)	10	-
Compensations received for property, plant and equipment	148	74
Compensations and contractual penalties received	788	1 717
Donations received	10	16
Reimbursement of costs of court proceedings, representation in proceedings	45	22
Other revenues	117	1 272
Operating expenses	(2 368)	(903)
Cost of liquidated property, plant and equipment	(35)	(57)
Creation of revaluation write-offs on receivables	(1 736)	(95)
Random losses and other damage to assets	(340)	(123)
Discontinued investments	-	(9)
Donations made	(43)	(37)
Penalties, fines, damages paid	(89)	(472)
Court fees, bailiff's fees, representation in court	(26)	(45)
Optional contributions	(7)	(7)
Other costs	(92)	(58)
Net operating income (expenses)	(513)	39 137

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7.18. Financial revenue and costs

Financial income and expenses are presented in the table below.

SPECIFICATION	in the period	
	from 01.01.2022	from 01.01.2021
	till 30.06.2022	till 30.06.2021
Financial revenue	2 816	642
Dividends and shares in profits	990	-
Interest received	89	63
Revenues from the sale of shares and stocks	380	-
Revenue from foreign exchange transactions (including derivative instruments)	1 098	-
Decrease in receivables discount	176	229
Guarantees issued	35	283
Other revenues	48	67
Financial costs	(12 698)	(6 094)
Interest on loans and borrowings	(5 092)	(622)
Interest on lease liabilities	(494)	(365)
Other interest	(527)	(143)
Sale of shares and stocks according to purchase price	(315)	-
Negative exchange rate differences	(5 609)	(3 340)
Costs on account of foreign exchange transactions (including derivative instruments)	-	(853)
Commissions on loans and borrowings	(367)	(127)
Decrease in the discount on liabilities	-	(94)
Bank guarantees and commissions (except credit commissions)	(118)	(257)
Other costs	(176)	(293)
Net financial income (expenses)	(9 882)	(5 452)

7.19. Profit per one share

Earnings per share were calculated by dividing net income attributable to shareholders Apator S.A. by number of shares being in possession of entities from outside Apator Group. The calculation of earnings per share is set out in the consolidated statement of profit or loss and other comprehensive income in point 3.2.

7.20. Notes to the consolidated statement of cash flows

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

The table below presents an explanation of inconsistencies between the changes in the consolidated statement of financial position and the changes in these items disclosed in the consolidated statement of cash flows.

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SPECIFICATION	in the period	
	from 01.01.2022	from 01.01.2021
	till 30.06.2022	till 30.06.2021
Change in receivables		
Change in long-term receivables	(711)	670
Change in trade receivables	(41 603)	(11 450)
Change in the balance of corporate income tax receivables	(747)	4 031
Change in other taxes, customs duties and social security receivables	(2 123)	(3 787)
Change in other receivables	17 693	(21 517)
Change in advances for property, plant and equipment	724	
Adjustment for dividend receivables	990	878
Adjustment for income tax receivables	747	(4 031)
Adjustment for investment receivables	(20 270)	21 479
Other changes	97	-
Change in the balance as disclosed in the statement of cash flows	(45 203)	(13 727)
Change in liabilities		
Change in long-term liabilities	(974)	(1 064)
Change in long-term liabilities due to the right to use assets under lease	11 944	(3 266)
Change in trade liabilities	11 511	26 648
Change in contractual liabilities	(489)	(489)
Change in liabilities due to corporate income tax	(11 181)	7 920
Change in liabilities due to other taxes, customs duties and social security	7 039	(715)
Change in other liabilities	14 835	7 041
Change in short-term liabilities due to the right to use assets under lease	(598)	(481)
Adjustment for liabilities due to purchase of shares	5 109	-
Adjustment for dividend liabilities	(5 987)	(22 347)
Adjustment for lease liabilities	(11 346)	3 747
Adjustment for derivative liabilities	(1 788)	4 058
Adjustment for income tax liabilities	11 181	(7 920)
Adjustment for investment liabilities	3 267	7 567
Other changes	985	11 936
Change in the balance as disclosed in the statement of cash flows	33 508	32 635
Changes in provisions		
Change in other long-term provisions	(263)	-
Change in short-term provisions for employee benefits	(2 163)	3 202
Change in other short-term provisions	(87)	(1 815)
Other changes	136	(1 951)
Change in the balance as disclosed in the statement of cash flows	(2 377)	(564)
Changes in prepayments and accruals		
Change in long-term prepayments and accrued income	(367)	(27)
Change in short-term prepayments and accrued income	(760)	(1 800)
Change in prepayments and accrued income	204	(167)
Change in the balance as disclosed in the statement of cash flows	(923)	(1 994)

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SPECIFICATION	in the period	
	from 01.01.2022	from 01.01.2021
	till 30.06.2022	till 30.06.2021
Other cash flow adjustments from operating activities		
Liquidation of property, plant and equipment and intangible assets	35	57
Discontinued investments	13	9
Settlement of subsidies	57	-
(Profit) loss on settlement of derivative instruments	(696)	527
Commissions and fees on credits and loans	362	122
Unrealised inventory margin in associated companies	-	(104)
Foreign exchange gains/losses on consolidation	(2 025)	336
Receivables paid by bills of exchange	-	(120)
Initial lease payment	-	2 802
Negative differences on loans and dividends	507	-
Other	(86)	1 303
Total	(1 833)	4 932

SPECIFICATION	in the period	
	from 01.01.2022	from 01.01.2021
	till 30.06.2022	till 30.06.2021
Other inflows (expenses) from investment activities		
Advances on property, plant and equipment under construction	-	(1 158)
Advances for intangible assets	-	(1 526)
Revenue and expenditure relating to forward contracts and options	696	(527)
Other	-	(1)
Total	696	(3 212)
Other inflows (expenses) from financing activities		
Leasing interest	(281)	(186)
Commissions and fees on credits and loans	(361)	(118)
Other	(27)	(4)
Total	(669)	(308)

SPECIFICATION	in the period	
	from 01.01.2022	from 01.01.2021
	till 30.06.2022	till 30.06.2021
Proceeds from sales of fixed assets		
Revenue from disposals of fixed assets	2 164	64 336
Change in net receivables due to sales of fixed assets	20 270	(21 479)
Other	-	(9 000)
Total	22 434	33 857

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7.21. Information on subsidiaries

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

SPECIFICATION	for period	
	from 01.01.2022	from 01.01.2021
	till 30.06.2022	till 30.06.2021
Short-term employee benefits	8 222	9 530
Post-employment benefits	-	25
Termination benefits	60	-
Total	8 282	9 555

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

SPECIFICATION	INDA d.o.o.	OTHER RELATED ENTITIES	TOTAL
<i>Transactions in the period from 01.01.2022 to 30.06.2022 and as of 30.06.2022</i>			
Purchase of goods and services	22	2 188	2 210
Commercial liabilities	-	1 034	1 034

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

Guarantees

As of 30th June 2022 capital group Apator had active guarantees issued by the Company:

1. TU Euler Hermes S.A.:
 - ✓ Under performance bonds in the amount of PLN 19.301 thousand, until 22 June at the latest year 2025,
 - ✓ Under the guarantee for removal of defects and faults in the amount of PLN 3,733 thousand, up to June 8 2029,
 - ✓ On account of payment of the deposit in the amount of PLN 50 thousand, until 18 July 2022 at the latest,
 - ✓ From the performance of contract payments in the amount of PLN 59 thousand, until April 13, 2023,
2. TU InterRisk S.A.:
 - ✓ Under removal of defects and faults in the amount of PLN 80 thousand, up to November 14, 2024.
 - ✓ On account of the performance bond in the amount of PLN 106 thousand until March 31st at the latest year 2023,
 - ✓ From the payment of a deposit of PLN 81 thousand, until July 26, 2022,
3. ING Bank Śląski S.A.:
 - ✓ Due to performance bonds in the amount of PLN 3,534 thousand until 27 April at the latest year 2026,

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- ✓ For the removal of defects and faults in the amount of PLN 2.066 thousand, until 9 December 2025 at the most,
- ✓ From the performance of contract payments in the amount of PLN 343 thousand, until May 31, 2025,
- ✓ On account of payment of the deposit in the amount of PLN 15 thousand, until August 18th 2022 at the latest,
- ✓ Under a letter of credit in the amount of PLN 139 thousand, until September 14, 2023.

4. PZU S.A.:

- ✓ Under a performance bond in the amount of PLN 857 thousand, up to October 19, 2022,

5. KUKI S.A.:

- ✓ Under performance bonds in the amount of PLN 12 thousand, until 15 June 2026 at the most,

In addition, as at 30 June 2022, the Group companies were parties to the following guarantees and sureties:

1. Company Apator S.A.:

- ✓ surety of three lease contracts for Apator Rector Sp. z o.o. for the total amount of PLN 0.7 million with the term to 14th December 2024.

2. Subsidiary of Apator Metrix SA:

- ✓ guarantee for the subsidiary George Wilson Industrial Ltd. (GWi) of GBP 4 million, i.e. PLN 22.6 million, until October 31, 2022, serving as security for the payment of liabilities by GWi under a loan to Citibank N.A.

Additionally, at the 30th June 2022 Apator S.A. was the beneficiary of payment guarantee for the amount of PLN 250 thousand, issued by Bank Millenium S.A., with a term until August 31, 2022.

Promissory notes

In connection with the Agreement on the general limit of contract guarantees in TU Euler Hermes S.A. (Group limit PLN 25 million), the bill of exchange collateral was established:

- ✓ Apator S.A. submitted 10 blank promissory notes together with the promissory note declarations,
- ✓ Apator Rector Sp. z o.o. submitted 3 blank promissory notes with the promissory note declarations,
- ✓ Apator Powogaz SA submitted 3 blank promissory notes together with the promissory note declarations,
- ✓ Apator Metrix SA submitted 3 blank promissory notes together with the promissory note declarations,
- ✓ Apator Rector Sp. z o.o. submitted 3 blank promissory notes with the promissory note declarations.

In addition to the notes issued in connection with the Credit Agreements and the General Limit Agreement, as of 30 June 2022, the Group companies were the issuers of 59 blank promissory notes related to the concluded lease agreements, insurance guarantee agreements and contracts with contractors (due performance of contract).

Other

As the security for the performance of the concluded contracts (apart from loan contracts, note 7.12), at 30th June 2022 the companies of Apator Group made the statements on voluntary submission to enforcement to the total amount of PLN 100 million. The statements made correspond to the companies' maximum liability plus bank charges.

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7.23. Employment structure

Employment in Apator Group is presented in the table below.

SPECIFICATION	period	
	from 01.01.2022	from 01.01.2021
	till 30.06.2022	till 31.12.2021
Average employment in full-time jobs for the period	2 349	2 269
Manual workers	1 385	1 342
Intellectual workers	964	927
Employment in full-time equivalents at the end of the period	2 312	2 278
Manual workers	1 380	1 343
Intellectual workers	932	935

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

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

SPECIFICATION	VALUE	
	year 2022	year 2021
Survey/review of interim reports	100	90

Except the remuneration specified above, Apator S.A. is obliged to cover documented costs of stay of the auditing team outside the seat of the Auditors (travelling, accommodation).

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8. Events after the balance sheet date

There were no events after the balance sheet date of June 30, 2022 that had a significant impact on the Group.

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9. Signatures

The Management Board

2022-08-30

Arkadiusz Chmielewski

President of Management Board, Business Development Director of Apator Group

Tomasz Łątka

Member of the Management Board, Chief Executive fOfficer

Person responsible for the book-keeping

2022-08-30

Małgorzata Mazurek

FEO

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