RS-2022

Consolidated financial statements

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1. General information

1.1. Information about the Group of Companies

The Apator Group of Companies consists of the 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 headquarters 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 activities in the territory of Poland on the basis of the provisions of the Commercial Companies Code.
Registered office address 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

In accordance with the parent company's Statute, the core business activity is production and service activity in the field of electricity distribution and control equipment and the sale of the device and measurement systems. The shares of Apator S.A. are listed on the main market – the "electromechanical industry" sector according to Warsaw Stock Exchange's classification.
The entities comprising the Group of Companies are generally focused on activities related to the production and sale of measuring instruments and devices, control and measurement instruments, distribution and control equipment, IT systems of SCADA class and their supporting telemechanics devices, security and other network devices for distributed systems ensuring the possibility of remote control and supervision of the power grid in the full voltage range, as well as data reading and transmission devices. The entities comprising the Group prepare separate financial statements.

1.1.3. Composition of the Group of Companies

In 2022, the Apator Group of Companies included 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 Elkomtech S.A. (Łódź) – a subsidiary of Apator S.A., merger with Apator S.A. on 3 January 2022
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. (Aarhus, Denmark) – a subsidiary of Apator Powogaz S.A.
George Wilson Industries Ltd. (Coventry, Great Britain) – a subsidiary of Apator Metrix S.A.

As of 31 December 2022, The Apator Group had no shares in associates. On 20 May 2022, the subsidiary Apator Powogaz S.A. sold all of its shares in ZAO Teplovodomer, with its headquarters in Russia (representing 50% of the share capital), whereas on 20 December 2022, the subsidiary George Wilson Ltd. sold its entire shares (representing 35% of the share capital) in Inda d.o.o. with its headquarters in Slovenia.

The entities comprising the Group of Companies included in full consolidation

Company	Headquarter	Core business activity	Competent court/ registering authority	Share of capital	Method of consolidation	Notes
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.	Poznań	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.	Słupsk	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
APATOR METRA S.R.O.	Sumperk Czech Republic	Manufacture of cost allocator system, 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	Companies House, 02873275	100.00%	Full	Subsidiary Indirect share

		metering in gas metering				
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

1.1.4. Members of the Management Board and Supervisory Board

Management Board
Arkadiusz Chmielewski – President of the Management Board (from 28 February 2023)
Maciej Wyczesany – President of the Management Board (since 1 March 2023)
Tomasz Łątka – Member of the Management Board

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

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 31 December 2022 have been prepared in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of regulations of the European Commission.
Annual consolidated financial statements of Apator S.A. cover the year 2022 and include comparative data for 2021.

2.2. Accounting principles

The annual consolidated financial statements have been prepared according to the historical cost principle (concept), except for the valuation of certain fixed assets (investment properties) and financial instruments (derivatives), which are measured at fair value. In preparing the annual consolidated financial statements for the period from 1 January 2022 to 31 December 2022, the same accounting principles (policies) and calculation methods were applied as in the most recent separate financial statements for the year ended 31 December 2021.

2.3.. Applied International Financial Accounting Standards

CHANGES IN INTERNATIONAL FINANCIAL ACCOUNTING STANDARDS AND THEIR IMPACT ON THE CONSOLIDATED FINANCIAL STATEMENTS
Standards that came into effect on 1 January 2022 but do not have a material impact in the preparation of the Group's annual consolidated financial statements are:

- Amendments to IFRS 3 (Business combinations),
- IAS 16 (Property, Plant and Equipment),
- IAS 37 (Provisions, Contingent Liabilities and Contingent Assets),
- Annual Improvements to IFRSs 2018 – 2022 (Amends standards: IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and to the Illustrative Examples to IFRS 16 "Leases"; The amendments provide explanations and clarify the standards' guidance on recognition and measurement).

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 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" (introducing the requirement to disclose material information on accounting policies),
- Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors",
- Amendments to IAS 12 "Income Taxes",
- Amendments to IFRS 16 "Leases",
- Amendments to IAS 1 "Presentation of Financial Statements" (presentation of liabilities as long-term and short-term)
- IFRS 14 "Regulatory accruals",
- Amendments to IFRS 10 and IAS 28 concerning the sale or contribution of assets between an investor and its associates or joint venture.

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

2.4. Reporting and functional currency and the applied rounding level

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 translated 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 translation 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 parent company's Management Board on 26 April 2023.

3. Consolidated financial statements of the Apator Group of Companies

3.1. Consolidated statement of financial position

ITEM	NOTE	as on	
		31 December 2022	31 December 2021
Fixed assets		**527,979**	**528,549**
Intangible assets	8.4	105,831	107,527
Goodwill	8.5	122,275	125,777
Tangible fixed assets	8.6	212,844	221,144
Right to use assets	8.7	46,690	34,099
Investment properties	8.8	2,282	1,733
Investments in jointly controlled entities consolidated using the equity method	8.9	0	2,242
Other long-term financial assets	8.10	1,352	247
- in other entities		*1,352*	*247*
Long-term receivables	8.12	6,437	4,429
- from other entities		*6,437*	*4,429*
Long-term prepayments and accruals	8.15	55	96
Deferred tax assets	8.23	30,213	31,255
Current assets		**514,068**	**470,711**
Inventory	8.11	251,617	238,934
Other current assets		0	1,626
Trade receivables:	8.12	189,804	145,998
- from related entities		*0*	*4,657*
- from other entities		*189,804*	*141,341*
Receivables from corporate income tax	8.12	5,741	1,367
Receivables from other taxes, customs duties and social insurances	8.12	12,309	9,759
Other short-term receivables	8.12	6,642	29,470
- from other entities		*6,642*	*29,470*
Other short-term financial assets	8.10	273	226
- in other entities		*273*	*226*
Cash and cash equivalents	8.14	28,980	36,832
Cash with restricted use		0	556
Short-term prepayments and accruals	8.15	5,839	5,920
Fixed assets classified as held for sale	8.13	12,863	23
TOTAL ASSETS		**1,042,047**	**999,260**

ITEM	NOTE	as on	
		31 December 2022	31 December 2021
Equity		**539,148**	**551,275**
Equity attributable to the shareholders of the parent company		**537,347**	**547,345**
Share capital	8.16	3,265	3,278
Own shares		-3,522	-3,972
Other capitals	8.17	562,967	553,460
Capital from the revaluation of a defined benefit plan		1,147	-86
Capital from valuation of hedging transactions and foreign exchange differences on consolidation		2,705	1,684
Undistributed financial result	8.18	-29,215	-7,019
Non-controlling interests	8.19	**1,801**	**3,930**
Liabilities		**502,899**	**447,985**
Long-term liabilities and provisions		**45,174**	**71,501**
Long-term credits and loans	8.20	3,119	35,980
- from other entities		*3,119*	*35,980*
Other long-term liabilities		52	3,518
- towards other entities		*52*	*3,518*
Long-term liabilities from the right to use assets	8.7	33,299	19,642
Provision for deferred income tax	8.23	2,939	4,432
Long-term liabilities due to employee benefits	8.21	4,474	7,227
Other long-term provisions		1,291	702
Short-term liabilities and provisions		**457,725**	**376,484**
Short-term credits and loans	8.20	237,350	175,448
- from other entities		*237,350*	*175,448*
Trade liabilities	8.22	121,894	95,974
- towards related entities		*1,006*	*611*
- towards other entities		*120,888*	*95,363*
Contractual liabilities		0	976
Liabilities due to corporate income tax	8.22	1,976	12,589
Liabilities due to other taxes, customs duties and social insurances	8.22	17,107	14,646
Other short-term liabilities	8.22	41,978	38,519
- towards other entities		*41,978*	*38,519*
Short-term liabilities from the right to use assets	8.7	9,556	8,974
Short-term liabilities due to employee benefits	8.21	15,382	17,608
Other short-term provisions	8.21	12,482	11,727
Liabilities related to fixed assets classified as held for sale	8.13	0	23
TOTAL LIABILITIES AND EQUITY		**1,042,047**	**999,260**

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

ITEM		for the period	
		from 1 January 2022	from 1 January 2021
		to 31 December 2022	to 31 December 2021
Revenue from sales and services	**8.3**	**1,081,792**	**940,083**
- to related parties		3,783	20,478
- to other entities		1,078,009	919,605
Cost of goods sold		**(857,531)**	**(726,506)**
- to related parties		(2,528)	(13,014)
- to other entities		(855,003)	(713,492)
Gross profit on sales		**224,261**	**213,577**
Selling costs		(42,422)	(36,552)
General administrative costs		(136,749)	(128,285)
Profit on sales		**45,090**	**48,740**
Result on other operating activity, including:		**(14,194)**	**44,425**
Revenue	8.25	4,924	46,032
Costs	8.25	(19,118)	(1,607)
- including the result due to reversal of receivables		(8)	2,203
Share in profit of entities consolidated using the equity method		**444**	**1,636**
Profit on operating activity		**31,340**	**94,801**
Result on financial activity, including:		**(15,425)**	**(9,557)**
Revenue	8.26	5,268	1,307
Costs	8.26	(20,693)	(10,864)
- including the result from impairment loss of net financial assets		(1,002)	(24)
Profit before tax		**15,915**	**85,244**
Current income tax	8.23	(9,019)	(24,929)
Deferred income tax	8.23	309	3,021
Net profit on continuing operations		**7,205**	**63,336**

ITEM	for the period	
	from 1 January 2022	from 1 January 2021
	to 31 December 2022	to 31 December 2021
Other comprehensive income		
Other net comprehensive income	**4,767**	**5,873**
Items that may be reclassified to profit or loss in the future:		
Foreign exchange differences on translation of foreign operations	2,402	2,961
Result on hedge accounting with tax effect	1,132	2,745
Items that will not be reclassified to profit or loss in the future:		
Actuarial gains and losses	1,233	167
Total comprehensive income	**11,972**	**69,209**
Net profit, of which attributable to:	**7,205**	**63,336**
the company's shareholders	6,616	62,201
non-controlling shareholders	589	1,135
Total comprehensive income, of which attributable to:	**11,972**	**69,209**
the company's shareholders	11,383	68,074
non-controlling shareholders	589	1,135
Net profit per ordinary share:		
from continuing operations		

	- basic	0.23	2.13
	- diluted	0.23	2.13
Weighted average number of shares		**29,070,559**	**29,178,619**

3.3. Consolidated statement of changes in equity

ITEM	CAPITAL ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY							NON-CONTROLLING SHAREHOLDINGS	TOTAL EQUITY
	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 on consolidation	Undistributed financial result	Total		
Balance as at 1 January 2022	**3,278**	**(3,972)**	**553,460**	**(86)**	**1,684**	**(7,019)**	**547,345**	**3,930**	**551,275**
Changes in equity from 1 January 2022 to 31 December 2022									
Comprehensive income:									
Net profit for the period from 1 January 2022 2022 to 31 December 2022	0	0	0	0	0	6,616	**6,616**	589	**7,205**
Distribution of result to supplementary capital	0	0	44,762	0	0	(44,762)	**0**	0	**0**
Loss coverage from supplementary capital	0	0	(34,014)	0	0	34,014	**0**	0	**0**
Other comprehensive income:									
Items that may be reclassified to profit or loss in the future:									
Result on hedge accounting with tax effect	0	0	0	0	1,132	0	**1,132**	0	**1,132**
Net foreign exchange differences on translation of financial statements into presentation currency	0	0	0	0	2,402	0	**2,402**	0	**2,402**
Items that will not be reclassified to profit or loss in the future									

Revaluation of the defined benefit plan provision including tax effect	0	0	0	1,233	0	0	**1,233**	0	**1,233**
Total other comprehensive income	**0**	**0**	**0**	**1,233**	**3,534**	**0**	**4,767**	**0**	**4,767**
Comprehensive income recognised in the period from 1 January 2022 to 31 December 2022	**0**	**0**	**10,748**	**1,233**	**3,534**	**(4,132)**	**11,383**	**589**	**11,972**
Transactions with owners recognised directly in equity:									
Dividends	0	0	0	0	0	(14,553)	**(14,553)**	(220)	**(14,773)**
Purchase of own shares	0	(1,950)	0	0	0	0	**(1,950)**	0	**(1,950)**
Redemption of own shares	(13)	2,400	(2,387)	0	0	0	**0**	0	**0**
Other capital changes	0	0	1,146	0	0	(15)	**1,131**	0	**1,131**
Purchase of additional shares of a subsidiary	0	0	0	0	0	(3,429)	**(3,429)**	(2,498)	**(5,927)**
Result on sale of shares in an associate	0	0	0	0	(2,513)	(67)	**,(2,580)**	0	**,(2,580)**
Balance as at 31 December 2022	**3,265**	**(3,522)**	**562,967**	**1,147**	**2,705**	**(29,215)**	**537,347**	**1,801**	**539,148**

ITEM	**CAPITAL ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY**							**NON-CONTROLLING SHAREHOLDINGS**	**TOTAL EQUITY**
	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 on consolidation**	**Undistributed financial result**	**Total**		
Balance as at 1 January 2021	**3,281**	**(3,823)**	**522,191**	**(253)**	**(4,022)**	**(7,285)**	**510,089**	**7,485**	**517,574**
Changes in equity from 1 January 2021 to 31 December 2021									
Comprehensive income:									
Net profit for the period from 1 January 2021 to 31 December 2021	0	0	0	0	0	62,201	**62,201**	1,135	**63,336**
Distribution of result to supplementary capital	0	0	31,926	0	0	(31,926)	**0**	0	**0**
Other comprehensive income:									

Items that may be reclassified to profit or loss in the future:									
Result on hedge accounting with tax effect	0	0	0	0	2,745	0	**2,745**	0	**2,745**
Net foreign exchange differences on translation of financial statements into presentation currency	0	0	0	0	2,961	0	**2,961**	0	**2,961**
Items that will not be reclassified to profit or loss in the future									
Revaluation of the defined benefit plan provision including tax effect	0	0	0	167	0	0	**167**	0	**167**
Total other comprehensive income	**0**	**0**	**0**	**167**	**5,706**	**0**	**5,873**	**0**	**5,873**
Comprehensive income recognised in the period from 1 January 2021 to 31 December 2021	**0**	**0**	**31,926**	**167**	**5,706**	**30,275**	**68,074**	**1,135**	**69,209**
Transactions with owners recognised directly in equity:									
Dividends	0	0	0	0	0	(21,883)	**(21,883)**	(573)	**(22,456)**
Purchase of own shares	0	(809)	0	0	0	0	**(809)**	0	**(809)**
Redemption of own shares	(3)	660	(657)	0	0	0	**0**	0	**0**
Result from the purchase of additional shares recognised in equity	0	0	0	0	0	(8,126)	**(8,126)**	(4,117)	**(12,243)**
Balance at 31 December 2021	**3,278**	**(3,972)**	**553,460**	**(86)**	**1,684**	**(7,019)**	**547,345**	**3,930**	**551,275**

3.4. Consolidated statement of cash flows

ITEM		NOTE	for the period from 1 January 2022 to 31 December 2022	for the period from 1 January 2021 to 31 December 2021
Cash flows from operating activities				
Profit before tax			**15,915**	**85,244**
Adjustments:			**82,331**	**24,953**
	Amortisation of intangible assets	8.4	14,530	14,803
	Depreciation of tangible fixed assets	8.6, 8.7	41,197	40,969
	Impairment write-downs on goodwill		3,918	0
	Impairment write-downs on value of tangible fixed assets.		1,246	0
	Profit on sale of tangible fixed assets and intangible assets		(2,881)	(37,017)
	Impairment write-downs on value of development work		10,698	0
	Profits on fair value measurement of investment properties	8.8	(325)	(257)
	(Profits) losses due to change in fair value of derivatives		(3,493)	3,678
	Interest costs		14,690	2,411
	Shares in profit of associates		(444)	(1,636)
	Revenue from interest		(178)	(187)
	Other adjustments	8.27	3,373	2,189
Cash from operating activities before changes in working capital			**98,246**	**110,197**
	Change in inventories	8.11	(12,682)	(83,860)
	Change in depreciated contract asset		1,625	1,625
	Change in receivables	8.27	(49,607)	1,552
	Change in liabilities	8.27	38,617	25,245
	Change in provisions	8.27	(1,423)	(7,063)
	Change in cash with restricted use		556	223
	Change in prepayments and accruals	8.27	666	(1,629)
Cash generated in the course of operating activities			**75,998**	**46,290**
	Tax return		1,427	0
	Income tax paid		(25,272)	(14,726)
Net cash from operating activities			**52,153**	**31,564**
Cash flows from investment activities				
	Expenditure on the acquisition of intangible assets	8.27	(24,101)	(22,931)
	Expenditure on the acquisition of tangible fixed assets and lease assets	8.27	(38,911)	(68,986)
	Proceeds from the sale of tangible fixed assets	8.27	25,806	35,192
	Investments in subsidiaries		(10,860)	(7,127)
	Proceeds from sale of subsidiaries		379	0
	Interest received		3	50
	Dividends received		0	1,109
	Other proceeds (expenses)	8.27	618	(3,776)
Net cash used from investing activities			**(47,066)**	**(66,469)**
Cash flows from financing activities				
	Purchase of own shares		(1,950)	(810)
	Proceeds from credits and loans		90,033	130,422
	Repayment of credits and loans		(60,488)	(49,589)
	Interest paid		(13,877)	(1,983)
	Dividends paid		(14,730)	(22,347)
	Repayment of lease liabilities		(10,912)	(12,630)
	Other expenditure	8.27	(1,015)	(577)
Net cash from financing activities			**(12,939)**	**42,486**

Net increase (decrease) in cash and cash equivalents		**(7,852)**	**7,581**
Opening balance cash and cash equivalents	8.14	**36,832**	**29,251**
Closing balance of cash and its equivalents	8.14	**28,980**	**36,832**

4. Applied accounting principles

4.1. Basis for the 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 properties) 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. Non-controlling shares are recognised at the attributable fair value of net assets.
In the case of acquisitions of non-controlling shares, namely the acquisition of additional shares already in control, no new fair value is determined for the acquired assets and liabilities. This operation is recognised as a capital transfer between the non-controlling shares and the parent company's share at a value based on the fair value of the net assets at the date of acquiring control.
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.
Where necessary, adjustments are made to the financial statements of subsidiaries or associates to unify the accounting principles used by the entity with those used by the parent company.
The consolidated financial statements exclude all transactions, balances, revenue and costs between related parties included in the consolidation.

4.2.2. Investments in associates

Associates are entities whose operating and financial policies are significantly influenced by the Group but not controlled by it.
A joint venture is a contractual arrangement whereby two or more parties undertake a jointly controlled business activity and both parties are entitled to the net assets of the joint venture.
The consolidated financial statements include the Group's share of the profit or loss of associates and joint ventures accounted for using the equity method, from the moment of obtaining significant influence or joint control until its expiry.
The Group also measures the impairment of its interests in the net assets of associates and joint ventures and makes appropriate write-downs. Where the Group's share of losses exceeds the carrying

amount of an associate or joint venture, this amount is reduced to zero and no further losses are recognised if the Group has no obligation to cover them.

4.2.3. 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 of Companies

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 losses.

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 losses.

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
Amortisation 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:
- Patients and licences from 2 to 5 years
- Development work from 3 to 5 years
- Computer software from 3 to 5 years
- Customer relations up to 10 years
- Other intangible assets up to 5 years (except for a non-amortisable trademark)

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 losses.

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.
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:
- 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 lease agreements 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 properties

Investment properties are considered to be properties that are treated as a source of rental income and/or are held due to expected appreciation in value. Investment properties are valued at fair value at the reporting date, which is based on historical experience, market assumptions and judgements regarding their potential. Profit and loss arising from changes in the fair value of investment properties is recognised in the financial result in the period in which it arises.

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. Inventories

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.
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-offs 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. Borrowing costs

The Group capitalises borrowing costs (interest and other costs incurred by the Group in connection with the mobilisation of financing) directly attributable to the acquisition or construction of tangible assets. Capitalisation rules are not applied to investment properties and inventories produced on a repetitive basis, with a short production cycle.
To the extent that the Group borrows funds specifically to finance the acquisition of an asset, the amount of external financing costs that can be capitalised is the difference between the actual borrowing costs in a given period and the income of the entities from the temporary investment of these borrowed funds. Where the Group borrows funds for a general purpose and then uses the funds to acquire an asset, the capitalisation rate (weighted average of borrowing costs, comprising all credits and loans outstanding during the period in question) shall be applied to the expenditure incurred during this period.

4.3.8. 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 Group'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 other comprehensive income - debt instruments, the flows of which represent solely payments of principal and interest and which are held for the purpose of collecting contractual cash flows and for sale; they are measured at fair value through other comprehensive income, except for impairment gains and losses, interest income and foreign exchange gains and losses, which are recognised in financial result (in particular forward contracts). On 1 January 2022 and 31 December 2022, the Group had no debt instruments classified in this category. In respect of equity instruments held that do not give control, joint control or significant influence on entities, after initial recognition, the Group measures these investments in equity instruments at fair value with a presentation of gains and losses from changes in fair value in other comprehensive income.
– 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 profit or loss. The Group classifies derivatives (in particular swap and forward contracts) into 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 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 profit or loss, are recognised at amortised cost using the effective interest rate method.

Financial assets and liabilities classified as measured at fair value through profit or loss (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 losses 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 losses 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 losses at the amount of credit losses 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 losses are made on the basis of 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).

Assets measured at fair value through other comprehensive income
The Group assesses the expected credit loss associated with assets measured at fair value through other comprehensive income, regardless of whether there is any indication of impairment.

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

Trade liabilities and other liabilities
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 by allowing, among other things, the credit interest rate to be converted from a floating rate to a fixed rate, providing an opportunity to hedge against increases in credit cost.
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 gain 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 gains or losses 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 adjusts the reporting value of this asset when it is recognised. If a forecast transaction is not expected to occur, gains or losses recognised in the statement of financial position are 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.

4.3.9. 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.

4.3.10. 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 result (other operating expenses);
- net interest on the net defined benefit liabilities – recognised in result (other operating expenses);
- revaluation of the 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.

4.3.11. Revenue

Revenue from sales of goods
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 are met:

1. Identification of the agreement,
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 agreement asset is 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.

4.3.12. 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.

Selling 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.

4.3.13. 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 the subsidiary GEORGE WILSON INDUSTRIES Ltd. – GBP. As of the reporting date, the assets and liabilities of these foreign subsidiaries are translated into the Group's presentation currency at the exchange rate applicable at the reporting date, and their statements of comprehensive income are translated at the weighted average exchange rate for the financial year. Foreign exchange differences arising from such translation 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.

4.3.14. 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 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%).

4.3.15. 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 activities.
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.

4.3.16. 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.

4.3.17. 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.

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 section on 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 liabilities for which revenue is recognised over time,
- the recognition of deferred tax assets on tax losses 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 properties,
- estimate of the pension liability under the defined benefit plan,
- estimation of other provisions,
- impairment of financial and non-financial assets,
- impairment of inventory,
- 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 4.2.3, 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 properties (note 4.3.4, note 8.8),
- Other financial assets (note 4.3.8, note 8.10),
- Inventories (note 4.3.6, note 8.11),
- Trade receivables and other receivables (note 4.3.8, note 8.12),
- Provisions for liabilities (notes 4.3.9, 4.3.10; note 8.21),
- Deferred income tax (notes 4.3.13, 4.3.15; note 8.23),
- Derivatives (note 4.3.8, note 8.29).

7. Information on seasonality of operations

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

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 in IFRS and does not represent a standardised measure, therefore this indicator should not be analysed separately or as a substitute for measures defined by IFRS. In addition, for reporting purposes, the Group applies the EBITDA measure adjusted for the effect of one-off events.
The calculation of EBITDA is presented in the table below.

ITEM	from 1 January 2022	from 1 January 2021
	to 31 December 2022	to 31 December 2021
Net profit for the financial period	7,205	63,336
(+) Income tax	8,710	21,908
Gross profit	**15,915**	**85,244**
(+) Financial costs	20,693	10,864
(-) Financial revenue	5,268	1,307
(+) Amortisation	55,727	55,772
EBITDA	**87,067**	**150,573**
One-off events (titles in note 8.2)	14,616	(34,079)
Adjusted EBITDA	101,683	116,494

8.2. Operating segments

The activities of the 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	Unallocated	Total
Financial results of operating segments for the period from 1 January 2022 to 31 December 2022					
Sales revenue	439,511	281,342	360,939	-	1,081,792
Cost of goods sold	369,839	235,520	252,172	-	857,531
Gross profit on sales	**69,672**	**45,822**	**108,767**	**-**	**224,261**
Selling 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**

Other financial revenue (costs)	**(7,209)**	**(3,781)**	**(4,436)**	**-**	**(15,425)**
Gross profit	**(920)**	**(9,224)**	**30,519**	**(4,461)**	**15,915**
Amortisation	**27,804**	**14,169**	**13,754**	**-**	**55,727**
EBITDA	**34,093**	**8,726**	**48,709**	**(4,461)**	**87,067**
Impact of one-off transactions - write-downs of development work and goodwill	**-**	**14,616**	**-**	**-**	**14,616**
Adjusted EBITDA	**34,093**	**23,342**	**48,709**	**(4,461)**	**101,683**
Financial results of operating segments for the period from 1 January 2021 to 31 December 2021					
Sales revenue	375,043	269,627	295,413	-	940,083
Cost of goods sold	312,624	215,424	198,458	-	726,506
Gross profit on sales	**62,419**	**54,203**	**96,955**	**-**	**213,577**
Selling costs	14,060	8,981	13,202	309	36,552
General administrative costs	51,923	26,560	46,087	3,715	128,285
Profit on sales	**(3,564)**	**18,662**	**37,666**	**(4,024)**	**48,740**
Other operating revenue (costs)	5,156	2,259	37,010	-	44,425
Share of profit of associated companies	-	-	1,636	-	1,636
Profit on operating activity	**1,592**	**20,921**	**76,312**	**(4,024)**	94,801
Other financial revenue (costs)	**(2,629)**	**(1,540)**	**(5,388)**	**-**	**(9,557)**
Gross profit	**(1,037)**	**19,381**	**70,924**	**(4,024)**	**85,244**
Amortisation	**27,112**	**17,280**	**11,380**	**-**	**55,772**
EBITDA	**28,704**	**38,201**	**87,692**	**(4,024)**	**150,573**
Impact of one-off transactions	**-**	**-**	**(34,079)**	**-**	**(34,079)**
Adjusted EBITDA	**28,704**	**38,201**	**53,613**	**(4,024)**	**116,494**

8.3. Revenue

The following table presents the specification of sales revenue.

ITEM	for the period	
	from 1 January 2022 to 31 December 2022	from 1 January 2021 to 31 December 2021
Sales revenue	**1,081,792**	**940,083**
Sales revenue of products and services	992,524	883,241
Sales revenue of goods and materials	89,268	56,842

Contract settlement
In 2022, all of the Group's revenue was recognised at a point in time.

ITEM	from 1 January 2022 to 31 December 2022	from 1 January 2021 to 31 December 2021
Contract revenue recognised of which:	**1,081,792**	**940,083**
- revenue recognised at a point in time	1,081,792	939,106
- revenue recognised over time	-	977

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

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

ITEM	Country	Export outside the EU	European Union	Total
Sales revenue of geographical segments for the period from 1 January 2022 to 31 December 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**
Sales revenue of geographical segments for the period from 1 January 2021 to 31 December 2021				
Total revenue	**497,696**	**115,963**	**326,424**	**940,083**
External sales	497,696	95,485	326,424	919,605
Sales to related entities	-	20,478	-	20,478

8.4. Intangible assets

Data on intangible assets is presented in the tables below.

ITEM	as on	
	31 December 2022	31 December 2021
Customer relations	5,757	8,738
Patents and licences, computer software	12,432	11,382
Development costs	86,596	78,480
Other intangible assets	1,046	8,927
Total	**105,831**	**107,527**

ITEM	CUSTOMER RELATIONS	PATENTS AND LICENCES, COMPUTER SOFTWARE	DEVELOPMENT COSTS	OTHER INTANGIBLE ASSETS	TOTAL
Net value as at 1 January 2021	**11,719**	**11,883**	**70,190**	**8,987**	**102,779**
Increase due to reclassification - other	-	1,132	-	-	**1,132**
Increase due to expenditure on intangible assets		1,554	17,363	-	**18,917**
Decrease due to liquidation	-	(281)	(29)	-	**(310)**
Decrease due to reclassification - other	-	-	(1,444)	(265)	**(1,709)**
Amortisation	(2,981)	(3,183)	(8,236)	(403)	**(14,803)**
Decrease in existing amortisation due to liquidation	-	281	10	-	**291**
Decrease in existing depreciation due to reclassification - other	-	-	-	70	**70**
Net foreign exchange differences on translation of financial statements into presentation currency	-	(4)	626	538	**1,160**
Net value as at 31 December 2021	**8,738**	**11,382**	**78,480**	**8,927**	**107,527**
Net value as at 1 January 2022	**8,738**	**11,382**	**78,480**	**8,927**	**107,527**
Increase due to reclassification - other	0	1,573	9,882	-231	**11,224**
Increase due to expenditure on intangible assets		2,547	21,589	3,741	**27,877**
Decrease due to liquidation		-557	-98	-29	**-684**
Decrease due to abandonment of investments		0	-1,185	0	**-1,185**
Decrease due to reclassification - other				-11,224	**-11,224**
Other impairment write-downs on assets	0	0	-11,945	0	**-11,945**

Amortisation	-2,981	-3,108	-8,274	-167	**-14,530**
Decrease in existing amortisation due to liquidation	0	557	0	29	**586**
Decrease in existing depreciation due to reclassification - other	0	0	9	0	**9**
Net foreign exchange differences on translation of financial statements into presentation currency	0	38	-397	0	**-359**
Other changes - gross	0	0	-98	39	**-59**
Other changes - amortisation	0	0	-1,368	-39	**-1,407**
Net value as at 31 December 2022	**5,757**	**12,432**	**86,596**	**1,046**	**105,831**

ITEM	CUSTOMER RELATIONS	PATENTS AND LICENCES, COMPUTER SOFTWARE	DEVELOPMENT COSTS	OTHER INTANGIBLE ASSETS	TOTAL
Situation as at 31 December 2021					
Gross value	29,809	31,180	128,916	23,500	**213,405**
Total accumulated amortisation and impairment losses to date	(21,071)	(19,798)	(50,436)	(14,573)	**(105,878)**
Net value	**8,738**	**11,382**	**78,480**	**8,927**	**107,527**
Situation as at 31 December 2022					
Gross value	29,809	34,794	158,998	15,795	**239,396**
Total accumulated amortisation and impairment losses to date	(24,052)	(22,362)	(72,402)	(14,749)	**(133,565)**
Net value	**5,757**	**12,432**	**86,596**	**1,046**	**105,831**

In 2022, write-offs for development work in the amount of PLN 11.9 million were created.

ITEM	DEVELOPMENT COSTS	TOTAL
Value of write-offs as of 1 January 2022	**-**	**-**
Increase - creation of a write-off charged against current result	11,945	**11,945**
Value of write-offs as of 31 December 2022	**11,945**	**11,945**

ITEM	as on	
	31 December 2022	**31 December 2021**
Gross value of all fully amortised intangible assets still in use	35,849	27,381
Value of research and development expenditure recognised as an expense during the period	15,430	8,362
Amount of borrowing costs capitalised during the period	376	12

8.5. Goodwill of subsidiaries

Data on goodwill is presented in the tables below.

Specification		as on	
		31 December 2022	**31 December 2021**
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.	792	755
Gas	George Wilson Industries Ltd.	-	3,903
Water and Heat	Miitors ApS	20,470	20,106
Net goodwill		**122,275**	**125,777**

On 3 January 2022, the merger of Apator Elkomtech S.A. with Apator S.A. took place. This event had no impact on the consolidated data. The Automation and ICT Business Line in Apator S.A. is presented after the merger in the individual balance sheet of Apator S.A. Additionally, in 2022, a write-off of 100%

of the value of George Wilson Industries Ltd. was made in the amount of PLN 3.9 million. As a result of the conducted test, it was determined that the carrying amount of this company exceeds the estimated recoverable amount. The lack of recoverable amount surplus over the carrying amount is mainly due to the deteriorating macroeconomic situation, including: declining margins, worsening economic crisis-related environment, limited supply chains and high inflation and consequently rising discount rates.

ITEM	in the period	
	from 1 January 2022	from 1 January 2021
	to 31 December 2022	to 31 December 2021
Gross goodwill at the beginning of the period	**126,112**	**125,881**
Net foreign exchange differences on translation of financial statements into presentation currency	416	231
Gross goodwill at the end of the period	**126,528**	**126,112**
Impairment write-down at beginning of period	**(335)**	**(335)**
Impairment write-down created during the period	(3,918)	-
Impairment write-down at the end of the period	**(4,253)**	**(335)**
Net goodwill at the end of the period	**122,275**	**125,777**

As of 31 December 2022, the Management Board has conducted an impairment test of goodwill. A weighted average cost of capital of 13.0% (previously 8.8%) and a five-year forecast period were assumed based on the companies' financial plans for 2023 – 2027.
Based on the conducted tests, apart from the impairment of the goodwill of GWI, no asset impairment was identified within the individual Cash Generating Units (CGU) of the Apator Group. 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). The residual value was determined using a 3.5% growth rate for the years beyond 2027. The growth rate was set at a level close to the inflation target of the National Bank of Poland.
In the Apator Group of Companies, Cash Generating Units are 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.
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. Although, due to the uncertain situation caused by COVID-19, the order of the segment's integration activities was temporarily changed (in the first phase, Apator Elkomtech was merged with Apator S.A., while the merger of subsidiaries: Apator Rector Sp. z o.o. and Apator Elkomtech S.A. planned already in 2019 will be realised in subsequent phases which are currently being analysed), the core integration objectives and activities remain valid and will be consistently implemented in the coming periods. 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 merger of Apator Elkomtech S.A. and Apator S.A., carried out earlier than originally planned, did not in any way weaken the current and target level of integration of the Network Automation Centre.
As a result of the conducted test, the Company found no impairment of goodwill. 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 a 2.1 p.p. increase in WACC or an 18.5% decrease in EBIT in each of the forecast years could cause the recoverable amount to become equal to the carrying amount (both factors were analysed separately).
Therefore, changes in the value of the discount rate and the degree of decline in operating profit do not materially affect the result of the conducted test.

8.6. Tangible fixed assets

The most significant expenditures on tangible fixed assets during 2022, apart from the construction of the new headquarters of Apator Powogaz S.A., included investments in machinery and equipment and other property, plant and equipment (tools, instrumentation and workstations).
There were no indications of impairment of tangible fixed assets.
Data on tangible fixed assets, grouped in accordance with the classification of fixed assets, are presented in the tables below.

ITEM	Land, buildings and structures	Machinery and equipment	Means of transport	Other tangible fixed assets	Total
Net value as at 1 January 2021	**73,828**	**60,714**	**1,534**	**51,051**	**187,127**
Increase due to reclassification - from right to use leased assets to tangible fixed assets	-	3,249	1,990	1,291	**6,530**
Increase due to reclassification - other	-	-	-	37	**37**
Increase due to expenditures on tangible fixed assets	30,116	19,014	580	15,646	**65,356**
Decrease due to disposal	(313)	(4,803)	(616)	(361)	**(6,093)**
Decrease due to liquidation	-	(2,710)	(711)	(3,480)	**(6,901)**
Decrease due to abandonment of investments	-	-	-	(19)	**(19)**
Decrease due to reclassification - to assets held for sale	(1,289)	-	-	-	**(1,289)**
Decrease due to reclassification - other	-	(37)	-	-	**(37)**
Amortisation	(3,166)	(15,749)	(851)	(11,951)	**(31,717)**
Increase in existing depreciation due to reclassification - from right to use leased assets to tangible fixed assets	-	(2,146)	(1,475)	(422)	**(4,043)**
Decrease in existing depreciation due to disposal	38	3,559	590	243	**4,430**
Decrease in existing amortisation due to liquidation	-	2,640	711	3,425	**6,776**
Decrease in existing depreciation due to reclassification - to assets held for sale	9	-	-	-	**9**
Decrease in existing depreciation due to reclassification - other	-	35	-	(35)	**-**
Net foreign exchange differences on translation of financial statements into presentation currency	424	523	2	30	**979**
Net value as at 31 December 2021	**99,647**	**64,274**	**1,754**	**55,469**	**221,144**

ITEM	Land, buildings and structures	Machinery and equipment	Means of transport	Other tangible fixed assets
Net value as at 1 January 2022	**99,647**	**64,274**	**1,754**	**55,469**
Increase due to reclassification - from right to use leased assets to tangible fixed assets	-	2,765	1,237	2,969
Increase due to reclassification - other	-	272	-	(272)
Increase due to expenditures on tangible fixed assets	18,079	13,897	1,146	11,687
Decrease due to disposal	(6,316)	(9,836)	(720)	(225)
Decrease due to liquidation	(23)	(4,506)	(32)	(9,745)
Decrease due to abandonment of investments		(21)	-	(10)
Decrease due to reclassification - to assets held for sale	(15,898)	-	-	-
Decrease due to reclassification - from tangible fixed assets to right to use leased assets	-	(3,272)	(713)	(2,514)
Decrease due to reclassification - other	(1,367)	650	-	717
Amortisation	(4,251)	(15,179)	(754)	(12,222)

Increase in existing depreciation due to reclassification - from right to use leased assets to tangible fixed assets	-	(1,513)	(804)	(889)
Decrease in existing depreciation due to disposal	3,825	7,451	791	219
Decrease in existing amortisation due to liquidation	23	3,886	32	9,745
Decrease in existing depreciation due to reclassification - to assets held for sale	3,035	-	-	-
Net foreign exchange differences on translation of financial statements into presentation currency	365	1	2	(9)
Other changes - gross		(273)	(374)	142
Other changes - amortisation		94	374	34
Net value as at 31 December 2022	**97,119**	**58,690**	**1,939**	**55,096**

ITEM	Land, buildings and structures	Machinery and equipment	Means of transport	Other tangible fixed assets	Total
Situation as at 31 December 2021					
Gross value	137,124	197,817	12,092	187,428	**534,461**
Total accumulated amortisation and impairment losses to date	(37,477)	(133,543)	(10,338)	(131,959)	**(313,317)**
Net value	**99,647**	**64,274**	**1,754**	**55,469**	**221,144**
Situation as at 31 December 2022					
Gross value	131,964	197,494	12,638	190,168	**532,264**
Total accumulated amortisation and impairment losses to date	(34,845)	(138,804)	(10,699)	(135,072)	**(319,420)**
Net value	**97,119**	**58,690**	**1,939**	**55,096**	**212,844**

The following collaterals were established on tangible fixed assets as of 31 December 2022:

- Contractual mortgage on the real estate of Apator S.A. in Ostaszewo up to PLN 40 million, 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,
- Mortgage of PLN 23.3 million (together with the assignment of rights under the insurance agreement) established on the property of Apator Metrix S.A. as collateral for the repayment of liabilities under the credit agreement concluded with Bank Millenium - collateral in the course of the release procedure,
- Transfer of fixed assets with the value of PLN 2.4 million as collateral for the repayment of liabilities of Apator Metrix S.A. resulting from the credit agreement concluded with Bank Millenium - collateral in the course of the release procedure,
- Registered pledge over fixed assets (together with the assignment of the insurance policy) with the value of PLN 31.1 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 long-term credit agreement concluded with CITI Bank Handlowy S.A. for financing the purchase of shares in Apator Telemetria Sp. z o.o. in the amount of PLN 13 million,
- Registered pledge over fixed assets of Apator S.A. with the value of PLN 8.4 million (together with the assignment of the insurance policy), in connection with an overdraft agreement with CITI Bank Handlowy S.A. with a limit of PLN 10 million;

In addition, in connection with the sale of the property of Apator S.A. located in Łódź, a total contractual mortgage in the amount of PLN 9 million was established on them, and declarations of submission to enforcement were signed up to the amount of PLN 9 million for the return of the deposit.
As of 31 December 2022, there were no indications of impairment of material tangible fixed assets.

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,
- instrument, tools
- means of transport.

The discount rate for property lease agreements was determined in accordance with the adopted principle. Currently, it ranges from 1% to 7.7% due to the different agreement periods and significant interest rate volatility. For other lease liabilities, the discount rate results directly from the agreement terms.

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

ITEM	as on	
	31 December 2022	31 December 2021
Land, buildings and structures	30,021	18,090
Machinery and equipment	9,792	7,743
Means of transport	1,271	1,819
Other tangible fixed assets	5,606	5,995
Tangible fixed assets under construction	0	452
Value at the end of the period	**46,690**	**34,099**

ITEM	Land, buildings and structures	Machinery and equipment	Means of transport	Other tangible fixed assets
Net value as at 1 January 2021	**19,260**	**10,676**	**3,064**	**5,587**
Increase due to reclassification - other	224	-	-	-
Increase due to expenditures on tangible fixed assets	2,682	745	683	1,978
Decrease due to disposal	-		(64)	-
Decrease due to liquidation	-	-	(741)	-
Decrease due to reclassification - to assets held for sale	(23)	-	-	-
Decrease due to reclassification - from right to use leased assets to tangible fixed assets	-	(3,249)	(1,990)	(1,291)
Amortisation	(5,049)	(2,122)	(1,380)	(701)
Decrease in existing depreciation due to disposal	-	-	31	-
Decrease in existing amortisation due to liquidation	-	-	741	-
Decrease in existing depreciation due to reclassification - from right to use leased assets to tangible fixed assets	-	2,145	1,475	422
Decrease in existing depreciation due to reclassification - other	677	-	-	-
Net foreign exchange differences on translation of financial statements into presentation currency	319	-	-	-
Net value as at 31 December 2021	**18,090**	**8,195**	**1,819**	**5,995**
Net value as at 1 January 2022	**18,090**	**8,195**	**1,819**	**5,995**
Increase due to reclassification - other	127	0	0	0
Increase due to expenditures on tangible fixed assets	17,750	4,633	950	2,514
Decrease due to disposal	-416	0	-418	0
Decrease due to liquidation	-605	0	-122	0
Decrease due to reclassification - from right to use leased assets to tangible fixed assets		-2,765	-1,237	-2,969
Amortisation	-5,418	-1,784	-766	-823
Decrease in existing depreciation due to disposal	0	0	119	0
Decrease in existing amortisation due to liquidation	605	0	122	0

	Decrease in existing depreciation due to reclassification - from right to use leased assets to tangible fixed assets	0	1,513	804	889
	Net foreign exchange differences on translation of financial statements into presentation currency	-112	0	0	0
Net value as at 31 December 2022		**30,021**	**9,792**	**1,271**	**5,606**

ITEM		Land, buildings and structures	Machinery and equipment	Means of transport	Other tangible fixed assets	Total
Situation as at 31 December 2021						
	Gross value	31,016	12,972	4,395	8,018	**56,401**
	Total accumulated amortisation and impairment losses to date	(12,925)	(4,777)	(2,576)	(2,024)	**(22,302)**
Net value		**18,091**	**8,195**	**1,819**	**5,994**	**34,099**
Situation as at 31 December 2022						
	Gross value	47,759	14,840	3,568	7,564	**73,731**
	Total accumulated amortisation and impairment losses to date	-17,738	-5,048	-2,297	-1,958	**-27,041**
Net value		**30,021**	**9,792**	**1,271**	**5,606**	**46,690**

ITEM		as on	
		31 December 2022	31 Dec 20
	Long-term finance lease liabilities	33,299	
	Short-term finance lease liabilities	9,556	
Total finance lease liabilities		**42,855**	

ITEM		as of 31 Decemeber 2022		as of 31 Decemeber 20	
		Payments	Present value of payments	Payments	Presen of pay
	Payable within 1 year	10,240	9,555	9,345	
	Payable in the period from 1 to 5 years	23,451	21,467	14,029	
	Payable over 5 years	15,623	11,833	10,209	
Total future minimum lease payments under finance lease contracts		**49,314**	**42,855**	**33,583**	
	Future financial liabilities (-)	(6,459)	X	(4,967)	
Present value of minimum lease payments		**42,855**	**42,855**	**28,616**	

The statement of profit or loss and other comprehensive income shows the following lease amounts:

ITEM	2022	2021
Depreciation of right-of-use assets		
Buildings	5,418	5,049
Machinery and equipment, other assets	2,607	2,823
Means of transport	766	1,380
Total depreciation	**8,791**	**9,252**
Interest costs (included in financial costs)	1,345	650
Costs associated with short-term leases (included in cost of goods sold and general administrative costs)	49	36
Costs associated with leases of low-value assets not shown above as short-term leases (included in general administrative costs)	178	25

8.8. Investment properties

The Apator Group of Companies classified the purchased land with buildings as investment property, which were leased to unrelated entities.

ITEM	in the period	
	from 1 January 2022	from 1 January 2021
	to 31 December 2022	to 31 December 2021
Value at the beginning of the period	**1,733**	**1,441**
Increase due to acquisition	190	-
Net foreign exchange differences on translation of financial statements into presentation currency	34	35
Increase in fair value	325	257
Value at the end of the period	**2,282**	**1,733**

These properties were valued at fair value by an independent valuer.
Income and expenses from the investment properties are presented in the table.

ITEM	in the period	
	from 1 January 2022	from 1 January 2021
	to 31 December 2022	to 31 December 2021
Rental income included in current result	232	76
Direct operating costs relating to an investment property that generated rental income during the period	90	22

As of 31 December 2022, the Group valued investment properties by referring to market transaction prices for similar properties. Due to the low revaluation value, valuations are updated once a year.
The Group classifies investment properties at Level II of the fair value hierarchy.

8.9. Investments in associates consolidated using the equity method

On 20 May 2022, the company Apator Powogaz S.A. sold all of its shares (i.e. 18,018 shares) in AO Teplovodomer, with its headquarters in Russia, while on 20 December 2022, George Wilson Industries Ltd (an indirect subsidiary of Apator S.A.) sold all of its 35% shares in INDA d.o.o. with its headquarters in Slovenia.

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	**-**	**-**	-
Value as of 1 January 2021	**1,822**	**226**	**2,048**
Changes in equity due to dividend payments	(1,342)	-	(1,342)
Share of profit (loss) of jointly controlled entities	1,636	19	1,655
Net foreign exchange differences on translation of financial statements into presentation currency	114	15	129
Change due to unrealised margin on sales	(230)	-	(230)
Other changes	-	(18)	(18)
Value as of 31 December 2021	**2,000**	**242**	**2,242**

8.10. Other financial assets

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

ITEM	as on	
	31 December 2022	31 December 2021
Other long-term financial assets	**1,352**	**247**
Derivatives	1,352	247

Other short-term financial assets, including:	**273**	**226**
Derivatives	273	224
Total other financial assets, including:	**1,625**	**473**
- in other entities	1,625	473

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

ITEM	as on	
	from 1 January 2022	from 1 January 2021
	to 31 December 2022	to 31 December 2021
Value of write-downs at the beginning of the period	**190**	**191**
Exercise of a write-down - write-off	**-**	**(1)**
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 on	
	31 December 2022	31 December 2021
Materials	146,993	148,378
Work in progress	54,680	47,712
Finished products	41,697	32,828
Goods	6,622	6,355
Other inventories	1,625	3,661
Total value of inventories	**251,617**	**238,934**

Changes in inventory write-downs are presented below.

ITEM	in the period	
	from 1 January 2022	from 1 January 2021
	to 31 December 2022	to 31 December 2021
Total inventory write-down		
Value of write-downs at the beginning of the period	**17,971**	**18,616**
Increase - creation of a write-down charged against current result	9,305	6,433
Decrease - write-down of unused amounts as income	(3,192)	(4,012)
Exercise of a write-down - write-off	(3,314)	(3,098)
Net foreign exchange differences on translation of financial statements into presentation currency	29	32
Value of write-downs at the end of the period	**20,799**	**17,971**

Additional information on inventories is presented in the table below.

ITEM	as on	
	31 December 2022	31 December 2021
Value of inventories recognized as costs in the period	764,563	654,862
Value of inventories pledged as collateral for liabilities	167,049	120,713

A registered pledge has been established on inventories owned by Apator S.A., Apator Telemetria Sp. z o.o., Apator Powogaz S.A. and FAP Pafal S.A. with the book value of inventories not less than PLN 148.8 million (together with the assignment of the insurance policy), in connection with the multi-product agreement concluded with ING Bank Śląski S.A.

A registered pledge has been established on inventories owned by Apator Metrix S.A. with the book value of not less than PLN 18.2 million, in connection with the limit granted by Bank Handlowy for bank guarantees.

8.12. Trade and other receivables

ITEM	as on	
	31 December 2022	31 December 2021
Long-term receivables	**6,437**	**4,429**
Deposits, bid bonds, sureties	1,928	951
Long-term trade receivables	3,135	3,478
Other	1,374	-
Short-term receivables, including:	**214,496**	**183,025**
Trade receivables:	**189,804**	**145,998**
Gross trade receivables	193,621	150,512
Impairment loss on trade receivables	(3,817)	(4,514)
Receivables from corporate income tax	**5,741**	**1,367**
Receivables from other taxes, customs duties and social insurances	**12,309**	**9,759**
Receivables from other taxes, customs duties and social insurances	12,309	9,759
Other short-term receivables	**6,642**	**29,470**
Receivables from sold tangible fixed assets and intangible assets	2,112	21,500
Dividend receivables	953	-
Deposits, bid bonds, sureties	1,380	1,722
Disputed claims	1	82
Prepayments - advances for the purchase of services	583	1,283
Advances for tangible fixed assets and intangible assets	1,470	4,637
Other receivables	1,134	342
Impairment loss on other short-term receivables	(991)	(96)
Total receivables, including:	**220,933**	**191,023**
- from related entities	-	4,657
- from other entities	220,933	186,366

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

ITEM	31 December 2022		31 December 2021	
	Gross value	Impairment loss on financial assets	Gross value	Impairment loss on financial assets
Not due	168,851	(153)	132,341	(92)
Overdue from 0-30 days	16,102	(16)	8,522	-
Overdue from 31-180 days	4,898	(10)	5,290	(63)
Overdue from 180 days - 1 year	514	(382)	288	(288)
Overdue over one year	3,256	(3,256)	4,071	(4,071)
Total	**193,621**	**(3,817)**	**150,512**	**(4,514)**

Impairment write-down on receivables not due is immaterial.

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

ITEM	as on	
	31 December 2022	31 December 2021
Total write-down of receivables		
Value of write-downs at the beginning of the period	**4,610**	**7,708**
Creation of individual write-downs (step 3 of the impairment model)	4,397	594
Creation/(reversal) of write-downs according to the write-down matrix	33	-
Reversal of individual write-downs	(3,429)	(2,773)
Exercise of individual write-downs	(803)	(919)
Closing balance	**4,808**	**4,610**
Individual write-down	4,756	4,591
Write-down calculated based on matrix	52	19

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 properties of Apator S.A. located in Łódź for PLN 14 million. The final agreement is to be concluded no later than 30 June 2023.
In view of the above, on 31 December 2022, these properties were reclassified as assets held for sale.

ITEM	in the period	
	from 1 January 2022	from 1 January 2021
	to 31 December 2022	to 31 December 2021
Value at the beginning of the period	**23**	**23,201**
Change due to acquisition/disposal of an entity	-	
Increase due to reclassification	12,863	23
Decrease due to disposal	(23)	(23,201)
Value at the end of the period	**12,863**	**23**

ITEM	REPORTING VALUE
Land, buildings and structures	12,863
Fixed assets classified as held for sale as at 31 December 2022.	**12,863**

In connection with the conclusion of the preliminary contract, a joint contractual mortgage in the amount of PLN 9 million was established on these properties and a declaration of submission to enforcement up to the amount of PLN 9 million was signed for the return of the deposit.
In the first half of 2022, fixed assets classified as held for sale at the end of 2021 belonging to FAP Pafal S.A. were disposed of.

8.14. Cash and its equivalents

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

ITEM	as on	
	31 December 2022	31 December 2021
Cash in hand	17	38
Cash at bank	25,548	31,058
Cash in VAT accounts (split payment)	3,381	5,703
Depository	32	33
Other - cash in transit	2	-
Total cash and cash equivalents	**28,980**	**36,832**

As of the balance sheet date of 31 December 2022, 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.

ITEM	as on	
	31 December 2022	31 December 2021
Cash in VAT accounts (split payment)	-	556
Total cash and cash equivalents	**-**	**556**

8.15. Prepayments and accruals

Information on accruals and prepayments is presented in the table.

ITEM	as on

	31 December 2022	31 December 2021
Long-term prepayments and accruals	**55**	**96**
Insurance	2	3
Other prepayments and accruals	53	93
Short-term prepayments and accruals	**5,839**	**5,920**
Administrative fees	1	121
Certification, legalisation	24	-
Insurance	1,477	1,156
IT services	2,712	2,479
Marketing services	14	55
Replacement of water meters (costs settled over time)	829	1,055
Rent and media	-	473
Other prepayments and accruals	782	581

8.16. Share capital

On 14 November 2022, the Regional Court in Toruń, 7th Commercial Division of the National Court Register registered the redemption of 130,155 bearer shares.
In view of the above, the share capital is PLN 3,264,707.30 and is divided into 32,647,073 shares, including:
- 7,332,491 registered shares with a voting preference of 1:4,
- 25,314,582 bearer shares.

The above shares entitled to exercise 54,644,546 votes at the General Shareholders Meeting of 31 December 2022.
Information concerning share capital is presented in the tables below.

ITEM	as on	
	31 December 2022	**31 December 2021**
Number of shares issued, fully paid up	32,647,073	32,777,228
Nominal value of shares	0.10	0.10
Share capital	**3,265**	**3,278**

ITEM	in the period	
	from 1 January 2022 to 31 December 2022	**from 1 January 2021 to 31 December 2021**
Opening balance of share capital	3,278	3,281
Decrease in share capital during the period	(13)	(3)
Redemption of own shares	(13)	(3)
Closing balance of share capital	3,265	3,278

The shareholder structure as at 31 December 2022 is shown in the table below.

Full name	Registered shares	Bearer shares	Total shares	Number of votes	Share of capital	Share of votes
Mariusz Lewicki	1,187,376	1,126,624	2,314,000	5,876,128	7.09%	10.75%
T. Sosgórnik with a closely associated person	1,470,000	506,060	1,976,060	6,386,060	6.05%	11.69%
Danuta Guzowska	954,214	566,065	1,520,279	4,382,921	4.66%	8.02%
Zbigniew Jaworski	766,348	698,652	1,465,000	3,764,044	4.49%	6.89%
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	2,289,779	14,112,136	16,401,915	23,271,252	50.24%	42.58%
TOTAL	**7,332,491**	**25,314,582**	**32,647,073**	**54,644,546**	**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.

A registered pledge was established on 3,600 thousand shares of Apator S.A. held by Apator Mining Sp. z o.o. (under an agreement concluded on 7 December 2020) by Apator Mining Sp. z o.o. with PKO Bank Polski S.A., up to the highest insured amount of PLN 61.5 million (the registration of the registered pledge in the Pledge Register was made on 8 January 2021). The pledge is a collateral for an investment credit granted to Apator Powogaz S.A. The pledge will be maintained until the date of the contractual mortgage on the constructed property; the application for registration of the mortgage was submitted on 19 May 2022.

8.17. Other capitals

Information on other capitals is presented in the table.

ITEM		as on	
		31 December 2022	**31 December 2021**
	Supplementary capital, including:	532,451	524,090
	Share premium reserve	*15,142*	*15,142*
	Other supplementary capital	*517,309*	*508,948*
	Merger capital	1,146	-
	Reserve capitals	29,370	29,370
Total other capitals		**562,967**	**553,460**

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

Dividend PLN 16,352,623.00

Supplementary capital PLN 2,083,513.32

An advance payment was made on 24 January 2022 against the expected dividend from the profit for the financial year 2021 (PLN 0.50 per share), in the total amount of PLN 9,823,208.40, or PLN 0.30 per share. The remaining dividend in the amount of PLN 6,529,414.60, or PLN 0.20 per share, was paid on 31 August 2022.

Pursuant to Resolution 26/VI/2022, the Share Repurchase Programme (adopted pursuant to Resolution 23/VI/2021) was closed and the related Share Redemption Fund was liquidated (in the original amount of PLN 10 million). Unused Fund resources of PLN 7.6 million were transferred to supplementary capital. At the same time, by resolution 32/VI/2022, a new Share Repurchase Programme was opened with a Share Redemption Fund of PLN 10 million.

8.18.. Undistributed financial result

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

ITEM		as on	
		31 December 2022	**31 December 2021**
	Undistributed financial result	(29,215)	(7,019)
	- undistributed result from previous years	*(35,831)*	*(69,220)*
	- result for the current period	*6,616*	*62,201*

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 2022. This recommendation will be made closer to the date of the General Shareholders Meeting.

8.19. Non-controlling interests

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

NAME OF SUBSIDIARY	as on	
	31 December 2022	31 December 2021
Apator Telemetria Sp. z o.o.	1,801	3,930
Total non-controlling interests	**1,801**	**3,930**

Item	as on	
	31 December 2022	31 December 2021
Financial result attributable to non-controlling interests, including:		
Apator Telemetria Sp. z o.o.	589	1,135
Total	**589**	**1,135**
Dividends		
Apator Telemetria Sp. z o.o.	(220)	(573)
Total	**(220)**	**(573)**
Ownership interests / voting rights held by non-controlling interests		
Apator Telemetria Sp. z o.o.	7.3%	17.4%

8.20. Credits and loans

Information on credits and loans is presented below.

ITEM	as on	
	31 December 2022	31 December 2021
Long-term credits and loans	**3,119**	**35,980**
payable over 1 and up to 2 years	3,119	8,600
payable over 2 and up to 5 years	-	16,800
payable over 5 years	-	10,580
Short-term credits and loans	**237,350**	**175,448**
Total credits and loans, including	**240,469**	**211,428**
- from other entities	240,469	211,428

The long-term credits presented in 2021 relating to Apator Powogaz S.A. are now, due to this company's failure to meet covenants, presented as short-term loans.

The parent company Apator S.A.
As of 31 December 2022, Apator S.A. had a total credit debt of PLN 78,473 thousand (as of 31 December 2021, PLN 105,691,000). 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 addenda thereto	22 June 2016, Addendum No 15 of 8 September 2022
Amount of credit granted	Limit up to PLN 135 million – this limit may be used in the form of working capital credits, bank guarantees and letters of credit; the maximum limit for the Apator Group of Companies in total cannot exceed PLN 250 million
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, Registered pledge over fixed assets of PLN 20.6 million, Assignment of rights under an all-risk property insurance policy, Registered pledge over the receivables of Apator S.A. under the bank account agreement with ING Bank Śląski, Blank promissory note and promissory note declaration.
Interest rate	WIBOR 1M + margin per annum

Credit (2)

Bank name	CITI Bank Handlowy S.A.
Date of conclusion of the agreement and any addenda thereto	13 January 2017, last addendum of 5 April 2022
Amount of credit granted	PLN 10 million
Credit repayment date	22 March 2023
Type of security	Registered pledge over fixed assets of PLN 8.4 million, Assignment of rights under an all-risk property insurance policy.
Interest rate	WIBOR 3M + margin per annum

Credit (3)

Bank name	CITI Bank Handlowy S.A.
Date of conclusion of the agreement and any addenda thereto	13 August 2021, last addendum of 29 June 2022
Amount of credit granted	PLN 13 million - long-term credit for the purchase of shares in Apator Telemetria Sp. z o.o., the credit was converted to EUR by virtue of an addendum of 29 June 2022,
Credit repayment date	9 August 2024
Type of security	Registered pledge over acquired shares of PLN 12.1 million and over fixed shares of PLN 2.8 million, Registered pledge over the receivables of Apator S.A. under the bank account agreement with CITI Bank Handlowy S.A., Assignment of rights under an all-risk property insurance policy, Declaration of submission to enforcement up to the amount of PLN 15.6 million.
Interest rate	WIBOR 3M + margin per annum

Credit (4)

Credit line denominated in EUR within the limit defined as Credit (1).

Credit (5)

A non-revolving credit of PLN 5 million provided within the limit defined as Credit (1), repaid in full on 31 August 2022.

Apator Metrix S.A. Group

As of 31 December 2022, the company had a credit debt of PLN 59,743 thousand (as of 31 December 2021 – PLN 44,305 thousand) under the credit agreements, the terms of which are presented below:

Credit (6) – Apator Metrix

Bank name	Bank Millenium S.A.
Date of conclusion of the agreement and any addenda thereto	23 February 2015, addendum of 21 September 2017
Amount of credit granted	PLN 22.1 million – investment credit for the acquisition of GWI
Credit repayment date	31 December 2022
Type of security	Mortgage on real estate up to PLN 23.3 million, Transfer of fixed assets up to an amount of not less than PLN 2.4 million, Declaration of submission to enforcement up to the amount of PLN 31.7 million, Assignment of rights under an all-risk property insurance policy, Pledge of bank accounts,
Interest rate	WIBOR 3M + margin per annum

Credit (7) – Apator Metrix

Bank name	ING Bank Śląski S.A.
Date of conclusion of the agreement and any addenda thereto	22 June 2016, addendum no. 15 of 8 September 2022
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, Registered pledge over the receivables under the bank account agreement with ING Bank Śląski, Blank promissory note and promissory note declaration.
Interest rate	WIBOR 1M + margin per annum

Credit (8) – GWI

Bank name	CITI Londyn
Date of conclusion of the agreement and any addenda thereto	28 September 2017
Amount of credit granted	Limit up to GBP 4 million
Credit repayment date	Rolled over annually
Type of security	The warranty of Apator Metrix S.A. in the form of a bank guarantee Registered pledge on inventories of Apator Metrix of PLN 18.2 million Declaration of submission to enforcement up to the amount of PLN 25.4 million
Interest rate	SONIA + margin per annum

Apator Powogaz Group

As of 31 December 2022, the Group had a credit debt of PLN 83,810 thousand (as of 31 December 2021 – PLN 24,978 thousand) under the credit agreements, the terms of which are presented below:

Credit (9) – Apator Powogaz S.A.

Bank name	ING Bank Śląski S.A.
Date of conclusion of the agreement and any addenda thereto	22 June 2016, addendum no. 15 of 8 September 2022
Amount of credit granted	Limit up to PLN 40 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 over fixed assets of PLN 3.1 million, Assignment of rights under an all-risk property insurance policy, Registered pledge over the receivables under the bank account agreement with ING Bank Śląski, Blank promissory note and promissory note declaration.
Interest rate	WIBOR 1M + margin per annum

Credit (10) – Apator Powogaz S.A.

Bank name	mBank S.A.
Date of conclusion of the agreement and any addenda thereto	6 August 2018, addendum of 4 August 2022
Amount of credit granted	PLN 10 million – overdraft facility
Credit repayment date	28 September 2023
Type of security	Blank promissory note and promissory note declaration.
Interest rate	WIBOR ON + margin per annum

Credit (11) – Apator Powogaz S.A.

Bank name	PKO BP S.A.
Date of conclusion of the agreement and any addenda thereto	4 December 2020, addendum of 6 May 2022
Amount of credit granted	PLN 41.9 million
Credit repayment date	From 31 July 2022 to 4 December 2030
Type of security	Registered pledge on 3.6 million bearer shares of Apator S.A. held by Apator Mining Sp. z o.o., up to the highest collateral amount of PLN 61.5 million, along with a share lock-up with the total value of not less than 120% of the future property value (the pledge is maintained until the date of the contractual mortgage), Liability of Apator S.A. to provide warranty in case of breach of the agreement by Apator Powogaz S.A. Blank promissory note and promissory note declaration.
Interest rate	up to PLN 39.1 million - fixed interest rate of 1.3% p.a. + margin per annum, above PLN 39.1 million (up to a maximum of PLN 41 million) – WIBOR 1M + margin per annum

Credit (12) – Apator Telemetria Sp z o.o.	
Bank name	ING Bank Śląski SA
Date of conclusion of the agreement and any addenda thereto	22 June 2016, addendum no. 15 of 8 September 2022
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 over fixed assets of PLN 1.5 million, Assignment of rights under an all-risk property insurance policy, Registered pledge over the receivables under the bank account agreement with ING Bank Śląski, Blank promissory note and promissory note declaration.
Interest rate	WIBOR 1M + margin per annum

Credit (13) – Apator Metra s.r.o.	
Bank name	Raiffeisen Bank a.s.
Date of conclusion of the agreement and any addenda thereto	23 December 2008, last addendum of 2 April 2020
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 of 31 December 2022, the company had a credit debt of PLN 6,079 thousand (as of 31 December 2021 – PLN 10,388 thousand) under the credit agreement, the terms of which are presented below:

Credit (14)	
Bank name	ING Bank Śląski SA
Date of conclusion of the agreement and any addenda thereto	22 June 2016, addendum no. 15 of 8 September 2022
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	Registered pledge over the receivables under the bank account agreement with ING Bank Śląski, Blank promissory note and promissory note declaration.
Interest rate	WIBOR 1M + margin per annum

Subsidiary FAP Pafal S.A.

As of 31 December 2022 (similarly to 31 December 2021), the company did not have any credit debt :

Credit (15)	
Bank name	ING Bank Śląski SA
Date of conclusion of the agreement and any addenda thereto	22 June 2016, addendum no. 15 of 8 September 2022
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, Registered pledge over the receivables under the bank account agreement with ING Bank Śląski, Blank promissory note and promissory note declaration.
Interest rate	WIBOR 1M + margin per annum

In the reporting period, the Apator Group of Companies timely settled the liabilities arising from the concluded credit agreements. All companies of the Group (except Apator Powogaz S.A.) complied with the established covenants. In the case of Apator Powogaz S.A., the covenant of the debt-to-EBITDA

ratio was not met as at the balance sheet date (amounted to 4.85 compared to the contractual 4.6). Apator Powogaz received a statement of PKO BP S.A. on the application of a sanction increasing the credit margin by 0.3 percentage points from 1 April 2023 and the assurance that PKO BP will not demand the establishment of additional collateral, will not terminate the Agreement, the Agreement will not be declared due and the amount of credit will not be reduced. In accordance with the principles expressed in IFRS, the long-term part of the credit was presented in the short-term part – the reclassification value amounts to PLN 34.5 million.
The summary of credit liabilities is presented below.

ITEM	LIABILITY	COSTS	LIABILITY	COSTS
	as on	from 1 January 2022	as on	from 1 January 2021
	31 December 2022	to 31 December 2022	31 December 2021	to 31 December 2021
Credits	**240,469**	**13,874**	**211,428**	**2,087**
Total	**240,469**	**13,874**	**211,428**	**2,087**

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	GUARANTEES	OTHER	
Value of provisions as at 1 January 2021	**9,580**	**11,290**	**4,679**	**15,852**	**1,110**	**42,511**
Increase - creation of a provision charged against current result	-	13,275	1,448	6,126	330	**21,179**
Decrease - write-down of unused amounts as income	(605)	-	-	-	-	**(605)**
Exercise of a provision - cost settlement	(536)	(13,089)	(1,025)	(10,715)	(296)	**(25,661)**
Revaluation of a provision recognised in other comprehensive income	(208)	-	-	-		**(208)**
Net foreign exchange differences on translation of financial statements into presentation currency	-	11	15	22	-	**48**
Value of provisions as of 31 December 2021, including:	**8,231**	**11,487**	**5,117**	**11,285**	**1,144**	**37,264**
- long-term provisions	7,227	-	-	702	-	**7,929**
- short-term provisions	1,004	11,487	5,117	10,583	1,144	**29,335**
Value of provisions as at 1 January 2022	**8,231**	**11,487**	**5,117**	**11,285**	**1,144**	**37,264**
Increase - creation of a provision charged against 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 recognised 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**

Employee benefits – actuarial assumptions

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

Discount rate as at 31 December 2022 8.4%

Wage growth rate 4.1%

Future increase in the rate of revalorisation of the basis for calculating jubilee awards 0%

Number of employees: 2,195

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

The following mobility parameters were also applied:

For people up to 40 years of age 5%

For people between 41 and 45 years of age 4%

For people between 46 and 50 years of age 3%

For people over 50 years of age 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 Aktuarialnych Michał Stańczuk.

Employees going on disability pension or retirement are entitled to a one-time 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.

Guarantees

The provision for warranty repairs is mainly related to the sale of instruments manufactured by the Group in the reporting periods ending 31 December 2020, 31 December 2021 and 31 December 2022. 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.

8.22. Liabilities

ITEM	as on	
	31 December 2022	31 December 2021
Long-term liabilities	**33,351**	**23,160**
Derivative liabilities	-	3,513
Other liabilities	52	5
Long-term liabilities from the right to use leased assets	33,299	19,642
Short-term liabilities, including:	**192,511**	**171,678**
Trade liabilities	**121,894**	**95,974**
Current liabilities	105,125	84,731
Overdue liabilities	16,769	11,243
Liabilities due to corporate income tax	**1,976**	**12,589**
Liabilities due to other taxes, customs duties and social insurances	**17,107**	**14,646**
Other short-term liabilities	**41,978**	**38,519**
Payroll liabilities	8,791	6,373
Derivative liabilities	1,935	2,158
Investment liabilities	2,007	2,986
Liabilities due to the purchase of shares	-	5,109
Prepayments - advances received for deliveries	4,926	631
Deferred revenue	3,380	4,432
Factoring	18,407	14,549
Other liabilities	2,532	2,281
Contractual liabilities	**-**	**976**
Short-term liabilities from the right to use leased assets	**9,556**	**8,974**
Total liabilities, including:	**225,862**	**194,838**
- towards related entities	1,006	611
- towards other entities	224,856	194,227

Two-thirds of the value of overdue liabilities as of 31 December 2022 are those with the shortest period of overdue liabilities - up to one month.

8.23. Income tax

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

ITEM	in the period	
	from 1 January 2022	from 1 January 2021
	to 31 December 2022	to 31 December 2021
Profit and loss account		
Current income tax	**9,019**	**24,929**
Current income tax burden	9,019	25,878
Adjustments relating to current tax of previous years (continuing operations)	-	(949)
Deferred income tax	**(309)**	**(3,021)**
Associated with the emergence and reversal of temporary differences	(309)	(3,021)
Tax burden recognised in the condensed consolidated statement of comprehensive income	**8,710**	**21,908**
Other comprehensive income		
Deferred income tax	**553**	**212**
Net deferred income tax on cash flow hedges settled during the financial year	266	171
Deferred income tax on actuarial provision revaluation	287	41
Other		
Deferred income tax on revaluation of defined benefit plan provision		
Tax benefit (burden) shown in equity	**553**	**212**

ITEM	Assets		Provisions	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021

	Tangible fixed assets	1,955	2,413	9,190	11,116
	Financial assets	-	-	1,377	1,482
	Derivatives	305	1,140	310	214
	Inventory	3,836	3,359	-	-
	Liabilities due to employee benefits	4,184	4,783	-	-
	Provisions	3,880	3,119	-	-
	Write-downs of receivables	651	725	-	-
	Tax loss	10,707	11,001		
	Tax credit to be settled in future periods	10,517	10,517	-	-
	Other	2,536	3,093	420	515
Total		**38,571**	**40,150**	**11,297**	**13,327**
	Netting assets and provisions	(8,358)	(8,895)	(8,358)	(8,895)
Deferred tax assets / liabilities recognised in the condensed statement of financial position		**30,213**	**31,255**	**2,939**	**4,432**

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 PLN due to the utilisable tax relief (the value of this asset in this regard as of 31 December 2022 amounts to PLN 10,517 thousand).
The total value of tax loss for which an asset was not created in the Group amounted to PLN 15.8 million as of 31 December 2022 (Apator S.A. – PLN 4 million, GWI Industries Ltd. – PLN 11.8 million).
The effective tax rate is presented in the table.

ITEM		**in the period**	
		from 1 January 2022	**from 1 January 2021**
		to 31 December 2022	**to 31 December 2021**
	Tax base	15,915	85,244
	Tax rate applied	19.00%	19.00%
	Income tax calculated at the applicable rate	2,697	16,540
Adjustments:		**6,013**	**5,368**
	Tax on tax-exempt income (permanent differences)	(1,660)	(214)
	Uncreated asset from losses on zone activities	771	5,361
	Tax on non-tax-deductible expenses (permanent differences)	2,819	519
	Tax on intra-group transactions (permanent differences)	3,638	590
	Tax on customer relationships recognised on the acquisition of Apator Elkomtech S.A. (permanent differences)	509	-
	Tax on items not recognised in the financial result of the period	(63)	(72)
	Adjustment of tax loss from previous years	(642)	(324)
	Other additions to tax	646	50
	Other tax deductions	(5)	(542)
	Income tax	8,710	21,908
Effective tax rate		**54.73%**	**25.70%**

The maximum estimated value of the asset due to the relief for the activities conducted within PSEZ is PLN 23,564 thousand.

8.24. Other costs by type

ITEM		**for the period**	
		from 1 January 2022	**from 1 January 2021**
		to 31 December 2022	**to 31 December 2021**
	Amortisation	55,727	55,772
	Consumption of materials and energy	542,970	442,899
	External services	118,474	125,691
	Employee benefits	240,150	228,783
	Other costs	31,813	25,437

Total	989,134	878,582

The cost of goods sold in 2022 amounted to PLN 857,531 thousand, while the cost of sales amounted to PLN 42,422 thousand.

8.25. Other operating revenue and costs

ITEM	in the period	
	from 1 January 2022	from 1 January 2021
	to 31 December 2022	to 31 December 2021
Operating revenue	**4,924**	**46,032**
Result on sales of fixed tangible assets	2,893	37,007
Valuation of investment property	325	257
Release of write-downs of receivables	-	2,203
Release of provisions for liabilities	-	719
Inventory surpluses	-	323
Compensation received for tangible fixed assets	292	211
Compensations and contractual penalties received	917	3,510
Donations received	80	37
Grants – Covid-19	-	1,074
Other revenues	417	691
Operating expenses	**(19,118)**	**(1,607)**
Cost of liquidated tangible fixed assets	(79)	(120)
Write-down of goodwill	(3,918)	-
Creation of write-downs on intangible assets	(11,720)	-
Creation of provisions for liabilities	(82)	-
Random losses and other damage to assets	(496)	(429)
Investments abandoned	(1,280)	(18)
Donations made	(66)	(62)
Penalties, fines, compensation paid	(526)	(665)
Other costs	(951)	(313)
Net operating revenues (expenses)	**(14,194)**	**44,425**

8.26. Financial revenue and costs

Financial revenue and costs are presented in the table.

ITEM	in the period	
	from 1 January 2022	from 1 January 2021
	to 31 December 2022	to 31 December 2021
Financial revenues	**5,268**	**1,307**
Interest on funds in bank accounts	127	15
Interest on receivables	162	151
Other interest	23	11
Revenues from foreign exchange transactions (including derivatives)	4,330	-
Reduction in the discount of receivables	185	359
Guarantees provided	173	501
Other revenues	268	270
Financial expenses	**(20,693)**	**(10,864)**
Interest on credits and loans	(13,510)	(1,906)
Interest payable to the budget	(26)	(6)
Interest on promissory notes (or bonds) paid	(149)	-
Interest on liabilities	(157)	(23)

	Interest on lease liabilities	(1,358)	(650)
	Other interest	(1,119)	(342)
	Negative exchange differences	(1,700)	(3,485)
	Expenses on foreign exchange transactions (including derivatives)	-	(2,972)
	Creation of write-downs on receivables	(1,002)	(24)
	Discount of receivables	(196)	-
	Commissions on credits and loans	(396)	(196)
	Reduction in the discount of liabilities	-	(131)
	Bank guarantees and commissions (excluding loan commissions)	(697)	(1,000)
	Other costs	(383)	(129)
Net financial revenues (expenses)		**(15,425)**	**(9,557)**

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 inventories, 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.

ITEM		in the period	
		from 1 January 2022 to 31 December 2022	from 1 January 2021 to 31 December 2021
Change in receivables			
	Change in long-term receivables	(2,008)	1,348
	Change in trade receivables	(43,806)	1,376
	Change in corporate tax receivables	(4,374)	3,151
	Change in receivables from other taxes, customs duties and social insurances	(2,550)	(2,460)
	Change in other receivables	19,258	(20,085)
	Change in advances for tangible fixed assets	(684)	0
	Change in advances for intangible assets	16	0
	Adjustment for income tax receivables	4,374	(3,151)
	Adjustment for investment receivables	(18,449)	21,353
	Other changes	(1,384)	20
Change in the balance shown in the cash flow statement		**(49,607)**	**1,552**
Change in liabilities			
	Change in long-term liabilities	(3,466)	1,413
	Change in long-term contractual liabilities	0	(976)
	Change in long-term liabilities from the right to use leased assets	13,657	(3,048)
	Change in trade liabilities	25,920	21,968
	Change in contractual liabilities	(976)	(1)
	Change in corporate tax liabilities	(10,614)	7,197
	Change in liabilities from other taxes, customs duties and social insurances	2,461	(1,264)
	Change in other liabilities	3,459	(7,603)
	Change in short-term liabilities from the right to use leased assets	582	(1,159)
	Adjustment for liabilities due to the purchase of shares	5,109	(5,109)
	Adjustment for lease liabilities	(14,239)	4,207

Adjustment for derivative liabilities	3,736	(1,164)
Adjustment for income tax liabilities	10,614	(7,197)
Adjustment for investment liabilities	1,085	7,449
Other changes	1,289	10,532
Change in the balance shown in the cash flow statement	**38,617**	**25,245**
Change in provisions		
Change in long-term provisions for employee benefits	(2,753)	(1,127)
Change in other long-term provisions	589	(295)
Change in short-term provisions for employee benefits	(2,225)	413
Change in other short-term provisions	755	(4,238)
Other changes	2,211	(1,816)
Change in the balance shown in the cash flow statement	**(1,423)**	**(7,063)**
Change in prepayments and accruals		
Change in long-term prepayments	41	(18)
Change in short-term prepayments	81	(1,521)
Change in accruals	544	(90)
Change in the balance shown in the cash flow statement	**666**	**(1,629)**

ITEM	in the period	
	from 1 January 2022	from 1 January 2021
	to 31 December 2022	to 31 December 2021
Other adjustments to cash flows from operating activities		
Liquidation of tangible fixed assets and intangible assets	109	119
Investments abandoned	215	9
Grant settlement	97	-
(Profit) loss on settlement of derivatives	(619)	30
Write-downs of shares	-	(1)
Commissions and fees on credits and loans	393	178
Unrealised margin on inventories in associates	-	230
Exchange rate differences on consolidation	1,760	2,020
Other	1,418	(396)
Total	**3,373**	**2,189**

ITEM	in the period	
	from 1 January 2022	from 1 January 2021
	to 31 December 2022	to 31 December 2021
Proceeds from the sale of tangible fixed assets		
Sales revenue of fixed assets	8,812	65,537
Change in net receivables from sale of fixed assets	18,449	(21,353)
Settlement of deposit on sale of tangible fixed assets	-	(9,000)
Other	(1,455)	8
Total	**25,806**	**35,192**

ITEM	in the period	
	from 1 January 2022	from 1 January 2021

	to 31 December 2022	to 31 December 2021
Expenditure on the acquisition of tangible fixed assets and lease assets		
Purchase of tangible fixed assets	(70,962)	(72,840)
Change in inventory due to own work (internal projects)	303	(262)
Advances on tangible fixed assets settled with the opening balance		23
Exclusion from leasing	25,846	7,731
Change in net investment liabilities	(1,086)	(3,908)
Other	6,988	270
Total	**(38,911)**	**(68,986)**

ITEM	**in the period**	
	from 1 January 2022	**from 1 January 2021**
	to 31 December 2022	**to 31 December 2021**
Expenditure on the acquisition of intangible assets		
Purchase of intangible assets	(20,630)	(4,368)
Change in development work under construction	(3,480)	(14,553)
Advances for intangible assets settled with the opening balance sheet	-	(4)
Change in net investment liabilities	2	(3,541)
Other	7	(465)
Total	**(24,101)**	**(22,931)**

ITEM	**in the period**	
	from 1 January 2022	**from 1 January 2021**
	to 31 December 2022	**to 31 December 2021**
Other proceeds (expenses) from investing activities		
Advances for tangible fixed assets under construction	-	(783)
Advances for intangible assets	-	(2,956)
Proceeds and expenses related to forward contracts and options	619	(30)
Other	(1)	(7)
Total	**618**	**(3,776)**
Other proceeds (expenses) from financing activities		
Lease interest	(709)	(380)
Commissions and fees on credits and loans	(388)	(191)
Other	82	(6)
Total	**(1,015)**	**(577)**

ITEM	**in the period**	
	from 1 January 2022	**from 1 January 2021**
	to 31 December 2022	**to 31 December 2022**
Cash inflows / outflows from credits		
balance sheet change in long-term credits	1,608	31,797
balance sheet change in short-term credits	27,433	50,230
other	504	(1,194)
Total	**29,545**	**80,833**

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, cash on the VAT account,
- 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 values are described in note 4.3.8.

ITEM	NOTE	Assets measured at fair value through profit or loss	Assets measured at amortised cost	Financial liabilities measured at fair value through profit or loss	Liabilities measured at amortised cost	Lease liabilities	Total
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**
Carrying amount as at 31 December 2021							
Derivatives	8.10	471	-	-	-	-	**471**
Trade and other receivables	8.12	-	175,274	-	-	-	**175,274**
Cash and cash equivalents	8.14	-	36,832	-	-	-	**36,832**
Cash on the VAT account;	8.14	-	556	-	-	-	**556**
Derivative liabilities	8.22	-	-	5,671	-	-	**5,671**
Trade liabilities and other liabilities	8.22	-	-	-	121,689	-	**121,689**
Debt	8.7, 8.20	-	-	-	211,428	28,616	**240,044**
TOTAL		**471**	**212,662**	**5,671**	**333,117**	**28,616**	**580,537**

The items of revenue, costs, profit and loss recognised in financial result by category of financial instrument are presented below.

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 of 31 Decemeber 2022		as of 31 Decemeber 2021	
	Level 1	**Level 2**	**Level 1**	**Level 2**
Derivatives (assets)	-	1,625	-	471

	Derivatives (liabilities)	-	(1,935)	-	(5,671)
Total		**-**	**(310)**	**-**	**(5,200)**

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 of 31 December 2022, 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.
Due to the unstable macroeconomic and geopolitical situation, including the recently notable inflation factor, the credit risk associated with financial instruments has significantly increased since the initial recognition.
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 2022, 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.
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 no later than 14 June 2024.
Nominal value	EUR 27.160 thousand

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.

The table below shows the fair value of derivatives.

ITEM	as on

	31 December 2022	31 December 2021
Long-term assets	**1,352**	**247**
Hedging instruments	1,352	247
Short-term assets	**273**	**224**
Hedging instruments	273	224
Total assets	**1,625**	**471**
Long-term liabilities	**-**	**3,513**
Hedging instruments	-	3,513
Short-term liabilities	**1,935**	**2,158**
Hedging instruments	1,935	2,158
Total liabilities	**1,935**	**5,671**

The table below shows the amounts for cash flow hedge accounting recognised by the Group in 2022 in result and capital.

ITEM	as on	
	31 December 2022	31 December 2021
Valuation of instruments, including:	**(310)**	**(5,200)**
Capital from the valuation of hedging transactions (changes in the fair value measurement of hedging derivatives for hedged risk, corresponding to effective hedging)	(2,043)	(3,441)
Financial result of the period (changes in the valuation of hedging derivatives for hedged risks, corresponding to ineffective hedging)	1,733	(1,759)

The table below shows the changes in capital from the valuation of hedging transactions due to cash flow hedge accounting in 2022:

ITEM	in the period	
	from 1 January 2022	from 1 January 2021
	to 31 December 2022	to 31 December 2021
Opening balance	**(3,441)**	**(6,357)**
Reversal of valuation from previous period	3,441	6,357
Closing valuation	(2,043)	(3,441)
Closing balance	**(2,043)**	**(3,441)**

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.
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 2022, 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 of 31 Decemeber 2022
EUR	4.6818
USD	4.3767

CNY	0.6339

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). In 2022, there was a continuation of the unfavourable trend in the PLN/USD exchange rate, affecting the incurred costs of raw materials and consumables.

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 forward contracts as at 31 December 2022 are presented in note 8.29 and the table below.

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

ITEM	as of 31 Decemeber 2022		as of 31 Decemeber 2021	
	in currency	in PLN	in currency	in PLN
Items in euro (EUR)	**9,120**	**42,264**	**7,642**	**32,524**
Trade receivables:	15,286	71,352	10,222	45,447
Advances provided for purchase of materials and services	26	125	8	38
Cash	85	290	2,316	10,272
Trade liabilities	(5,700)	(26,798)	(4,836)	(22,914)
Advances received for deliveries	(6)	(30)	(68)	(319)
Other liabilities	(571)	(2,675)	-	-
Items in US dollars (USD)	**(2,819)**	**(12,518)**	**(1,663)**	**(7,221)**
Trade receivables:	2,358	10,320	347	1,353
Advances provided for purchase of materials and services	95	431	636	2,542
Cash	306	1,320	146	572
Trade liabilities	(5,230)	(23,057)	(2,792)	(11,688)
Advances received for deliveries	(18)	(88)	-	-
Other liabilities	(330)	(1,444)	-	-
Items in pounds sterling (GBP)	**1,965**	**10,410**	**969**	**5,106**
Trade receivables:	1,241	6,572	579	3 061
Cash	738	3,912	432	2,284
Trade liabilities	(14)	(74)	(42)	(239)
Items in Czech crowns (CZK)	**397**	**77**	**8,272**	**1,530**
Trade receivables:	9,700	1,882	4,898	906
Advances provided for purchase of materials and services	979	190	670	124
Cash	58	11	4,850	897
Trade liabilities	(10,180)	(1,975)	(1,902)	(352)
Advances received for deliveries	(160)	(31)	(244)	(45)
Items in Swiss francs (CHF)	**-**	**-**	**2**	**9**
Trade receivables:	-	-	2	9
Items in Danish kroner (DKK)	**4,519**	**2,845**	**3,656**	**2,261**
Cash	4,740	2,984	4,202	2,599
Trade liabilities	(221)	(139)	(546)	(338)
Items in Hungarian forints (HUF)	**24,100**	**281**	**-**	**-**
Trade receivables:	24,100	281	-	-
Items in Chinese yuan (CNY)	**(845)**	**(496)**	**594**	**384**
Advances provided for purchase of materials and services	852	561	638	412
Cash	8	5	-	-

	Trade liabilities	(1,705)	(1,062)	(44)	(28)

As of 31 December 2022, the Apator Group of Companies held forward foreign exchange contracts.

ITEM		as of 31 Decemeber 2022	
		in currency	in PLN at the date of the contract
	Cash flow hedging instruments in EUR	(27,160)	(130,953)

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		from 1 January 2022 to 31 December 2022		from 1 January 2021 to 31 December 2021	
		Impact on gross financial result	Direct impact on equity	Impact on gross financial result	Direct impact on equity
EUR / PLN					
	+10%	4,226	(2,716)	3,252	(20,604)
	- 10%	(4,226)	2,716	(3,252)	20,604
USD / PLN					
	+10%	(1,252)	-	(722)	997
	- 10%	1,252	-	722	(997)
GBP / PLN					
	+10%	1,041	-	511	-
	- 10%	(1,041)	-	(511)	-
CZK / PLN					
	+10%	8	-	153	-
	- 10%	(8)	-	(153)	-
CHF / PLN					
	+10%	-	-	1	-
	- 10%	-	-	(1)	-
DKK / PLN					
	+10%	285	-	226	-
	- 10%	(285)	-	(226)	-
HUF / PLN					
	+10%	28	-	-	-
	- 10%	(28)	-	-	-
CNY / PLN					
	+10%	(50)	-	38	-
	- 10%	50	-	(38)	-

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 on	
	31 December 2022	31 December 2021
Financial instruments with a fixed interest rate	**(38,177)**	**(31,280)**
Financial liabilities	(38,177)	(31,280)
Financial instruments with a variable interest rate	**(203,201)**	**(184,255)**
Financial assets	31,495	31,598
Financial liabilities	(234,696)	(215,853)

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	from 1 January 2022 to 31 December 2022	
	Impact on gross financial result	Impact on equity
WIBOR		
+ 250 basis points	(4,349)	-
- 250 basis points	4,349	-
SONIA		
+ 250 basis points	(679)	-
- 250 basis points	679	-
EURIBOR		
+ 250 basis points	2	-
- 250 basis points	(2)	-
PRIBOR		
+ 250 basis points	71	-
- 250 basis points	(71)	-
SOFR		
+ 250 basis points	(125)	-
- 250 basis points	125	-

Due to the reform and the replacement of various interbank reference rates (IBORs) by others, many of them have already ceased to be published and some will cease to be published by 30 June 2023.

In the Apator Group, only one liability was based on LIBOR, i.e. a credit of GBP 4 million; therefore, the reform of the IBOR system (abolition of the LIBOR reference rate and replacement by the SONIA rate) has no material impact on the Group.

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					
			over 6 months	from 6 to 12 months	from 1 to 2 years	from 2 to 5 years	over 5 years	TOTAL
Situation as at 31 December 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**
	Lease 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**
Situation as at 31 December 2021		**364,422**	**238,861**	**66,796**	**19,841**	**24,722**	**19 169**	**369,389**
	Credits and loans	211,428	113,723	61,725	9,005	18,015	8,960	**211,428**
	Lease liabilities	28,616	5,254	4,091	7,322	6,707	10,209	**33,583**
	Derivative payments	5,671	1,177	980	3,514	-	-	**5,671**
	Trade liabilities	95,974	95,974	-	-	-	-	**95,974**
	Investment liabilities	2,986	2,986	-	-	-	-	**2,986**
	Other financial liabilities	19,747	19,747	-	-	-	-	**19,747**

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 profits, 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 the Apator Group's capital management is to maintain a good credit rating and safe capital ratios that would support the operating and investing activities and increase its value for shareholders. The Group manages the 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

The growing impact of climate risks makes it crucial to integrate this area of risk into organisational management, which can 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.

8.31. Information about related entities

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

ITEM		for the period from 1 January 2022 to 31 December 2022	for the period from 1 January 2021 to 31 December 2021
	Short-term employee benefits	14,050	13,206
	Post-employment benefits	60	142
Total		**14,110**	**13,348**

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, Great Britain) – a 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 point b and c.

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

Other members of management:
- Małgorzata Mazurek – Finance Director, Proxy
- Jolanta Dombrowska – Management and Promotions Director, Proxy
- Artur Bratkowski – Metering Equipment & Systems 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.

ITEM	ZAO Teplovodomer**	INDA d.o.o.**	OTHER RELATED ENTITIES	TOTAL
Transactions in the period from 1 January 2022 to 31 December 2022 and as at 31 December 2022				

	Sales of products and services*	3,783	-	-	**3,783**
	Sales of goods and materials	-	-	-	
	Cost relating to sales transactions	2,528	-	-	**2,528**
	Trade receivables:	-	-	-	
	Purchase of products, services, goods and materials	-	35	4,882	**4,917**
	Trade liabilities	-	-	1,006	**1,006**
Transactions in the period from 1 January 2021 to 31 December 2021 and as at 31 December 2021					
	Sales of products and services*	20,475	-	-	**20,475**
	Sales of goods and materials	3	-	-	**3**
	Cost relating to sales transactions	13,014	-	-	**13,014**
	Trade receivables:	4,657	-	-	**4,657**
	Purchase of products, services, goods and materials	53	166	2,735	**2,954**
	Trade liabilities	-	-	611	**611**

* including adjustment for unrealised margin on sales to associates
** entities divested during 2022

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

Guarantees

As of 31 december 2022 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 17,940 thousand until 23 December 2024 at the latest,
   - For the removal of defects and faults in the amount of PLN 4,851 thousand until 29 June 2029 at the latest,
2. TU InterRisk S.A.:
   - For a performance bond in the amount of PLN 238 thousand until 31 March 2023 at the latest
   - For the removal of defects and faults in the amount of PLN 74 thousand, until 14 November 2024 at the latest.
3. ING Bank Śląski S.A.:
   - For a performance bond in the amount of PLN 3.423 thousand, until 31 March 2026 at the latest,
   - For the removal of defects and faults in the amount of PLN 2,191 thousand until 9 December 2025 at the latest,
   - For the payment of a bid bond in the amount of PLN 7,676 thousand, until 6 March 2023 at the latest,
   - For the performance of contractual payments in the amount of PLN 397 thousand, until 31 May 2025 at the latest,
   - For a letter of credit in the amount of PLN 135 thousand, until 14 September 2023.
4. PZU S.A.:
   - For a performance bond in the amount of PLN 490 thousand, until 31 July 2023 at the latest,
   - For the removal of defects and faults in the amount of PLN 257 thousand until 15 January 2027 at the latest,
   - For the payment of a bid bond in the amount of PLN 2,000 thousand, until 6 March 2023 at the latest.
5. KUKE 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,

- For the payment of a bid bond in the amount of PLN 4,000 thousand, until 6 March 2023 at the latest.

In addition, as of 31 December 2022, the Apator Group companies were parties to the following intra-group guarantees and sureties:

1. Apator S.A.:
   - surety for three lease agreements for Apator Rector Sp. z o.o. for a total of PLN 0.7 million, with a maximum deadline of 14 December 2024.
2. Apator Metrix S.A. subsidiary:
   - guarantee for the subsidiary George Wilson Industrial Ltd. (GWi) of GBP 4 million, i.e. PLN 21.2 million, until 31 October 2023, securing payment of GWi's credit liabilities to Citibank N.A.

In addition, as of 31 December 2022, Apator S.A. was the beneficiary of a payment guarantee for the amount of PLN 103 thousand, issued by STU Ergo Hestia S.A., with a deadline of 30 June 2023, while 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 a deadline of 15 March 2025.

Promissory notes

In addition to the promissory notes issued in connection with the credit agreements and the General Limit Agreement, as of 31 December 2022 the Apator Group companies were the issuers of 55 blank promissory notes (together with promissory note declarations) relating to concluded lease agreements, insurance guarantee agreements, factoring agreements and agreements with contractors (due performance).

Other

As a security for the performance of the agreements concluded, at the end of 2022, the Apator Group companies submited declarations of voluntary submission to enforcement up to the total amount of PLN 104 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 1 January 2022 to 31 December 2022	from 1 January 2021 to 31 December 2021
Average employment in FTEs for the period	**2,334**	**2,269**
Blue-collar workers	1,386	1,342
White-collar workers	948	927
FTEs at the end of the period	**2,356**	**2,278**
Blue-collar workers	1,408	1,343
White-collar workers	948	935

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 2021-2023.

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

ITEM	VALUE

		2022	2021
	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	90
	Audit of annual separate statements of Apator S.A./Audit of annual consolidated statements of the Apator Group	140	130
	Audit of the annual separate statements of other Group companies	556	524
Total Group		**796**	**744**

In addition to the above remuneration, the Apator Group also covers other additional documented costs of the audit (e.g. travel and accommodation), as well as the costs of the assurance service concerning the report in XBRL format (PLN 34 thousand) and the evaluation of the Report on the Remuneration of the Members of the Management Board and Supervisory Board (PLN 22 thousand).

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

As at the date of this report, the Griup identifies risks arising from the war in Ukraine; however, their level depends on the further development of the situation and its impact on exchange rates, prices of raw materials and other areas of operation. Sales revenues in 2022 from the Russian, Ukrainian and Belarusian markets accounted for approx. 1.6% of the Group's total sales. Since the outbreak of the war, sales in the Russian and Belarusian markets have been halted, which, due to the small scale, has not translated significantly into the Group's operations.
The disruption to supply chains and difficulties in sourcing 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 for raw materials but also for energy and transport. These phenomena have negatively impacted the performance of the Apator Group. Unfavourable fluctuations in exchange rates and interest rates following rising inflation exacerbated the decline in the margins generated.
The Group is continuously working to introduce substitutes and alternative materials (while maintaining product quality), actively seeking other sources of purchases and conducting inventory management that is optimal in the current situation and involves, among other things, purchasing a larger inventory volumes in order to protect against supply chain slowdowns (access to a fixed base of a certain volume of essential materials).

10. Events after the balance sheet date

On 31 January 2023, the Supervisory Board of Apator S.A. has received Arkadiusz Chmielewski's resignation as President of the Company's Management Board, with effect from 28 February 2023. At the same time, the Company's Supervisory Board appointed Maciej Wyczesany as President of the Management Board of Apator S.A. as of 1 March 2023.

As of 22 March 2023, Apator S.A.'s overdraft agreement concluded with CITI Bank Handlowy S.A. has expired. The Company's financial position is not affected by the discontinuation of this funding.

11. Signatures

Management Board

26 April 2023

Maciej Wyczesany
President of the Management Board, General Director

Tomasz Łątka
Member of the Management Board, Director of Business Development for Automation and ICT Solutions

The person responsible for maintaining the accounting records

26 April 2023

Małgorzata Mazurek
Financial Director