



Report of the Management Board on activity of Apator SA and the Apator Group in the first half of 2022.

Toruń, 30th August 2022

Selected financial data, including basic items of the consolidated financial statements (also converted into EUR)

SPECIFICATION	in PLN thousand		in EUR thousand	
	current period	previous period	current period	previous period
Consolidated statement	First half of 2022	First half of 2021	First half of 2022	First half of 2021
Revenue from sales and services	495 200	461 916	106 662	101 583
Operating income	15 188	72 619	3 271	15 970
<i>Operating income excluding real estate*</i>	<i>15 188</i>	<i>38 540</i>	<i>3 271</i>	<i>8 476</i>
EBITDA	43 492	99 923	9 368	21 975
<i>EBITDA excluding real estate*</i>	<i>43 492</i>	<i>65 844</i>	<i>9 368</i>	<i>14 480</i>
Gross profit	5 306	67 167	1 143	14 771
<i>Gross profit excluding real estate*</i>	<i>5 306</i>	<i>33 088</i>	<i>1 143</i>	<i>7 277</i>
Net profit	1 312	51 212	283	11 262
<i>Net profit without real estate*</i>	<i>1 312</i>	<i>23 608</i>	<i>283</i>	<i>5 192</i>
Net profit attributable to shareholders of the Group's parent company	992	49 512	214	10 888
Net profit for non-controlling interest	320	1 700	69	374
Weighted average number of shares	29 094 435	29 182 783	29 094 435	29 182 783
Net profit per one ordinary share [PLN/ share]	0.03	1.70	0.01	0.37
Cash flows from operating activities	(26 312)	5 032	(5 667)	1 107
Net cash flow from investment activities	(27 535)	(10 641)	(5 931)	(2 340)
Cash flows from financial activities	32 913	11 325	7 089	2 491
Total cash flows	(20 934)	5 716	(4 509)	1 257
Consolidated statement	30.06.2022	31.12.2021	30.06.2022	31.12.2021
Assets in total	1 058 983	999 260	226 249	217 259
Fixed assets	554 615	532 118	118 492	115 693
Current assets	504 368	467 142	107 757	101 566
Equity capital with non-controlling interests	526 750	551 275	112 539	119 858
Share capital	3 278	3 278	700	713
Long-term liabilities and provisions	87 226	71 501	18 636	15 546
Short-term liabilities and provisions	445 007	376 484	95 075	81 855
Weighted average number of shares	29 094 435	29 178 619	29 094 435	29 178 619
Net book value per ordinary share [PLN/ share].	18.10	18.89	3.87	4.11

*) results cleared of the influence of sale of real estate of Apator Powogaz SA in Poznań

The above financial figures for the 6 months of 2022 and 2021 have been translated into EUR as follows:

- individual items of the statement of comprehensive income - according to the exchange rate being the arithmetic mean of average EUR exchange rates determined by the National Bank of Poland on the last day of each month of the reporting period: from 1 January to 30 June 2022 - 4.6427 EUR/PLN and from 1 January to 30 June 2021 - 4.5472 EUR/PLN;
- individual items of the statement of cash flows - at an exchange rate representing the arithmetic mean of the average EUR exchange rates set by the National Bank of Poland on the last day of each month of the reporting period: from January 1 to June 30, 2022 - 4.6427 EUR/PLN and from January 1 to June 30, 2021 - 4.5472 EUR/PLN;
- individual items of the statement of financial position - at the average EUR exchange rate set by the National Bank of Poland as at June 30, 2022 - 4.6806, as at December 31, 2021 - 4.5994.

Entity name:	Apator Group		
Period covered by the financial statements:	01.01.2022 – 30.06.2022	Reporting currency:	Polish zloty (PLN)
Level of rounding:	all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise)		



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1. General information

This report of the Board of Directors for the first half of 2022 should be read together with the annual report on the activities of the Apator Group in 2021, available at the link: <https://www.apator.com.pl/relacje-inwestorskie/dane-finansowe-i-raporty-okresowe>.

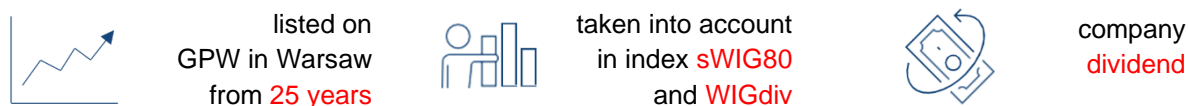
1.1. Organisation of the Apator Group

Apator Group is an international capital group of manufacturers of metering equipment and systems and suppliers of solutions supporting the operation of power, water networks and gas.



The companies of the Apator Group are part of the electromechanical sector and they focus their activity on manufacturing and sales of metering equipment (electricity, gas, water and heat), control and measurement, distribution and control equipment, SCADA class IT systems and cooperating with them telemechanical devices, protections and other network equipment for distributed systems, providing the possibility of remote control and supervision of the power network in the full range of voltages and devices reading and transmitting data. The Apator Group also implements solutions to support energy transformation and renewable energy development (including automation equipment, RES monitoring systems, energy storage).

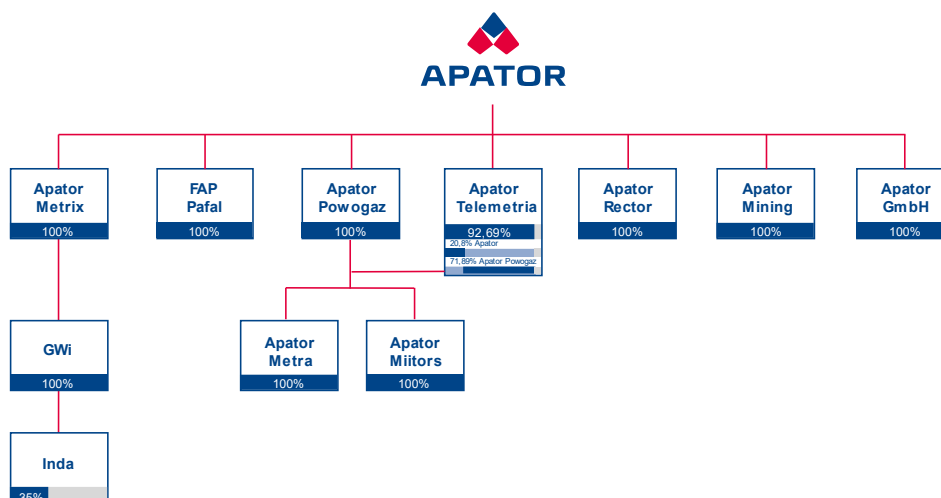
Parent entity in Apator Group is Apator SA with headquarters in Toruń.



1.2. Composition of the Apator Group and its business segments

The structure of the group as of 30 June 2022 was as follows:

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Activity of Apator Group is organized in three segments:

Business segments	electricity	gas	water&heat
Lines Business*	<ul style="list-style-type: none"> electricity metering switchgear automation ICT 		
Companies included in the Segment	<ul style="list-style-type: none"> Apator SA (Toruń) Apator Rector (Zielona Góra) FAP Pafal (Świdnica) Apator GmbH (Germany) 	<ul style="list-style-type: none"> Apator Metrix (Tczew) GWi (United Kingdom) Inda (Slovenia) Apator GmbH (Germany) 	<ul style="list-style-type: none"> Apator Powogaz (Jarjyski) Apator Telemetry (Słupsk) Apator Metra (Czech Republic) Apator Miitors (Denmark)
Solutions	<ul style="list-style-type: none"> Electronic energy meters (domestic, residential, industrial, prosumer), including smart class solutions (with remote reading function) Power distribution systems Control and monitoring systems Measurement data management systems Solutions for RES (automation, RES management systems, energy storage) 	<ul style="list-style-type: none"> Bellows gas meters (domestic, industrial), including smart class solutions (with remote reading function) Remote reading services, system that allows interrupting and resuming gas supply via GSM network 	<ul style="list-style-type: none"> Mechanical water meters (residential, domestic, industrial) - including smart class solutions (with remote reading function) Ultrasonic water meters Heat meters, heat cost allocators Remote reading services and billing of utilities consumption, management of systems

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<i>Main customers</i>	<ul style="list-style-type: none"> electricity utilities (DSOs) electricity wholesalers, electrical assembly and installations companies construction, industry, railroad photovoltaic and wind farms, energy clusters and cooperatives, other participants in the RES sector 	<ul style="list-style-type: none"> gas companies/ distributors and gas suppliers 	<ul style="list-style-type: none"> water and sewerage companies and thermal energy housing cooperatives construction industry
<i>The main markets</i>	Poland, Germany, Brazil, Romania, Lithuania, Israel	Poland, United Kingdom, Belgium, Germany, Hungary	Poland, Czech Republic, Spain, France, Lithuania and Romania
<i>Sales scale in H1 2022</i>	PLN 183.3 million	PLN 143.1 million	PLN 168.8 million
<i>Share of export in segment revenues in H1 2022</i>	26.6%	68.0%	57.6%

* as a result of the consolidation process of the Electricity Segment (the merger of Apator SA with Apator Elkomtech SA) and the work on the use of product synergies, the Apator Group reorganized the business lines within this Segment. Currently, the Segment includes the following lines: electricity metering (e.e. meters), switchgear (equipment for distribution of e.e. and protection of electrical circuits against the effects of short circuits and overloads), automation (solutions for the operation, supervision and control of power grid operations in the form of protection, controllers, telemechanics and industrial automation), ICT (SCADA systems, asset and network asset management systems).

2. Summary of financial results

This section identifies significant achievements or failures with a list of the most important events concerning the Issuer and its Group, as well as factors and events, including those of an unusual nature, that have a significant impact on the financial statements. This half-yearly report should be read together with the annual report on activity of Apator Group for 2021, available at the link: <https://www.apator.com.pl/relacje-inwestorskie/dane-finansowe-i-raporty-okresowe>.

Apator Group in the first half of 2022 achieved the following financial results:

Specification	H1 2022	H1 2021	Change	Dynamics
Sales revenues, including:	495 200	461 916	33 284	107.2%
Country	251 904	242 304	9 600	104.0%
Export	243 296	219 612	23 684	110.8%
Cost of goods sold	389 709	346 783	42 926	112.4%
Gross sales profit	105 491	115 133	- 9 642	91.6%
Sales costs	19 688	16 901	2 787	116.5%
General administrative costs	70 102	65 332	4 770	107.3%
Sales profit	15 701	32 900	- 17 199	47.7%
Result on other operating activities	- 513	39 137	- 39 650	-
Share in profits of companies consolidated using the equity method	-	582	- 582	-
Operating income	15 188	72 619	- 57 431	20.9%
EBITDA	43 492	99 923	- 56 431	43.5%
<i>EBITDA excluding real estate*</i>	<i>43 492</i>	<i>65 844</i>	<i>- 22 352</i>	<i>66.1%</i>
Result on financial activity	- 9 882	- 5 452	- 4 430	181.2%
Profit before tax	5 306	67 167	- 61 861	7.9%
Current income tax	- 4 554	- 19 705	15 151	23.1%
Deferred income tax	560	3 750	- 3 190	14.9%

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Specification	H1 2022	H1 2021	Change	Dynamics
Net profit	1 312	51 212	- 49 900	2.6%
<i>Net profit without real estate*</i>	<i>1 312</i>	<i>23 608</i>	<i>- 22 296</i>	<i>5.6%</i>
Profitability ratio:				
Gross profit margin on sales	21.3%	24.9%		
Profit margin on sales	3.2%	7.1%		
Profit margin EBITDA*	8.8%	14.3%		
Net profit margin*	0.3%	5.1%		

**) results cleared of the influence of sale of real estate of Apator Powogaz SA*

The main factors influencing the financial results of H1 2022 include:

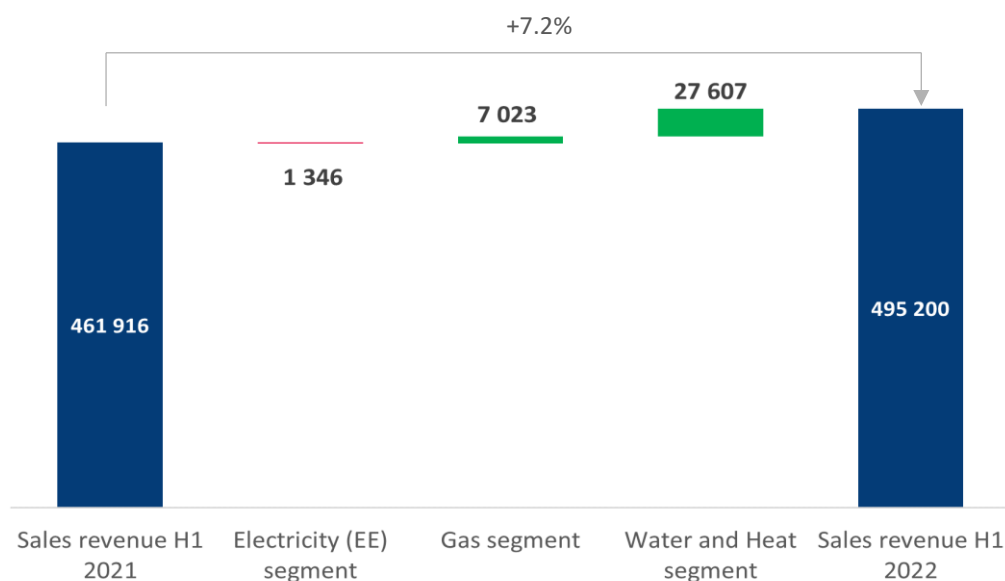
- high level of quarterly sales of Apator Group, for the first time in the history of the CG the limit of PLN 250 million turnover for the second quarter of 2022 was broken. In the perspective of the half-year, solid revenue growth thanks to the consistently high sales dynamics of the Water and Heat segment and the systematic recovery of turnover in Electricity;
- difficulties in the availability of components for production and deepening inflation resulting in continued dynamic cost increases (mainly raw materials, materials, transportation and energy) and, consequently, a decline in margins. In addition, the war in Ukraine has exacerbated previous supply chain disruptions and is compounding difficulties in sourcing some of the components ordered and lengthening lead times. Cost increases, which in 2021 mainly affected Electricity, in the first half of this year was also felt in other segments, which was reflected in the level of margins generated by them and ultimately reflected on the results of the entire Apator Group;
- countermeasures implemented since last year (in response to the deterioration of results) focused on securing continuity of production, reducing cost pressure on margins and ensuring greater flexibility of selling prices (including in long-term contracts) and acquired through tenders) resulting in a restoration of financial results in the second quarter of 2022 (although due to the long-term nature of the measures taken, their full effects are expected in the following quarters);
- creation of allowances for receivables from Ukraine - due to the armed aggression of Russia in Ukraine, the Apator Group in February this year took the decision to create write-downs (in the original amount of the 2.2 million) updating the majority of receivables from Ukraine. Due to the successive runoff of amounts written off, the write-off partially reversed to PLN 1.5 million at the end of June year 2022;
- creation of write-downs on inventories in Apator SA in the amount of 1.7 million PLN - higher weight of working capital and longer, but corresponding to the current market conditions, time of backlog of inventories (mainly electronic components) cause the necessity to create write-downs according to with the accounting policy adopted in Apator Group. These are statistical write-offs and are created as an expense of the core business. However, when components are used in production, the write-downs are reversed (in the second quarter of this year, the write-down reversed for PLN 0.9 million);
- high financing costs associated with maintaining increased working capital, and, consequently, the level of net debt, which - especially in view of rising interest rates - translates into higher interest on loans and borrowings (PLN 5.1 million after H1 2022, up by PLN 4.5 million compared to H1 2021);
- the situation in the foreign exchange markets - H1 results were also adversely affected by the continued volatility of foreign exchange rates (especially the USD), which translated into inflation of manufacturing costs and a negative result on foreign exchange differences (PLN -5.6 million, i.e. 2.3 million below H1 2021) presented in financial activities.

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Sales revenue

In the first half of 2022, the Apator Group generated revenue higher year-on-year by 7.2% (PLN 495.2 million). Sales increased in the Gas and Water and Heat segments, and the latter - thanks to high turnover dynamics in both domestic and export markets - posted record sales for another consecutive quarter, exceeding PLN 88 million in the second quarter of this year.

Specification	H1 2022 (PLN thousand)	H1 2021 (PLN thousand)	Change y/y (PLN thousand)	Dynamics (%)
Electricity (EE) segment	183 340	184 686	- 1 346	99.3%
<i>country</i>	134 578	140 418	- 5 840	95.8%
<i>export</i>	48 762	44 268	4 494	110.2%
<i>ratio of exports in the segment EE in total sales revenue</i>	9.8%	9.6%		
Gas segment	143 065	136 042	7 023	105.2%
<i>country</i>	45 713	40 742	4 971	112.2%
<i>export</i>	97 352	95 300	2 052	102.2%
<i>ratio of exports in the segment Gas in total sales revenue</i>	19.7%	20.6%		
Water and Heating segment (W&H)	168 795	141 188	27 607	119.6%
<i>country</i>	71 613	61 144	10 469	117.1%
<i>export</i>	97 182	80 044	17 138	121.4%
<i>ratio of exports in the segment W&H in total sales revenue</i>	19.6%	17.3%		
Total sales revenues	495 200	461 916	33 284	107.2%
<i>country</i>	251 904	242 304	9 600	104.0%
<i>export</i>	243 296	219 612	23 684	110.8%
<i>share of total exports in total revenues</i>	49.1%	47.5%		



Changes in sales of particular segments were as follows:

- Electric Energy (EE) segment - sales maintained at a comparable y/y level thanks to high export dynamics while domestic turnover was reduced (visible improvement in sales dynamics in Poland in the second quarter). In the first half of the year, dynamic sales growth recorded primarily in the switchgear line (+6.7 million PLN, +13.5% y/y, including exports +22.1%). Higher (by PLN 1.0 million, or 10.7%) sales in

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the ICT line and (by PLN 0.5 million, +2.2%) meter exports. The largest decrease in turnover (by PLN 6.1 million, i.e. 23.7% year-on-year) in automation (mainly lower sales of equipment for the operation and supervision of networks and substations, as well as protection automation). In domestic sales of metering lines, the effect of the high base of the first quarter of 2021 is still visible (the last large deliveries within the Power Market were made at that time), in the second quarter of 2022 domestic meter sales higher compared to the second quarter of 2021;

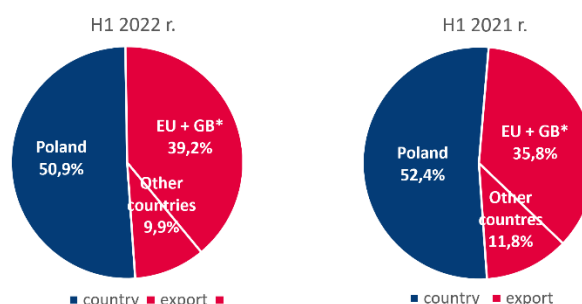
- Gas segment - increase in domestic sales (+12.2% y/y) as a result of the tender for PSG Sp. z o.o., while maintaining positive export growth (+2.2% y/y, sales in the second quarter 2022 at the level of the second quarter of 2021), despite order reductions from some of the segment's existing major markets (Belgium, the Netherlands and, increasingly, the United Kingdom). Thanks to active sales activities, higher year-on-year sales in the German, Hungarian, Romanian, Czech and Georgian markets, among others;
- Water and Heat segment - another quarter of record segment sales (PLN 88.1 million, +21.7% q2/q2). Turnover for the entire six months was higher by PLN 27.6 million (+19.6% year-on-year), thanks to high growth rates in both export sales (+21.4%) and domestic sales (+17.1%). The sequential increase in sales performance in subsequent quarters is confirmation of favourable trends in the water and heat metering market, accompanied by pressure to conserve natural resources and demand for solutions for precise measurement of water and heat that are in the offer of the Apator Group. Segment successfully filled revenue gap created by war in Ukraine and related sales declines in eastern markets.

In view of the above, in the sales structure of the Apator Group, the Water and Heat segment increased its share.



Geographical structure of sales

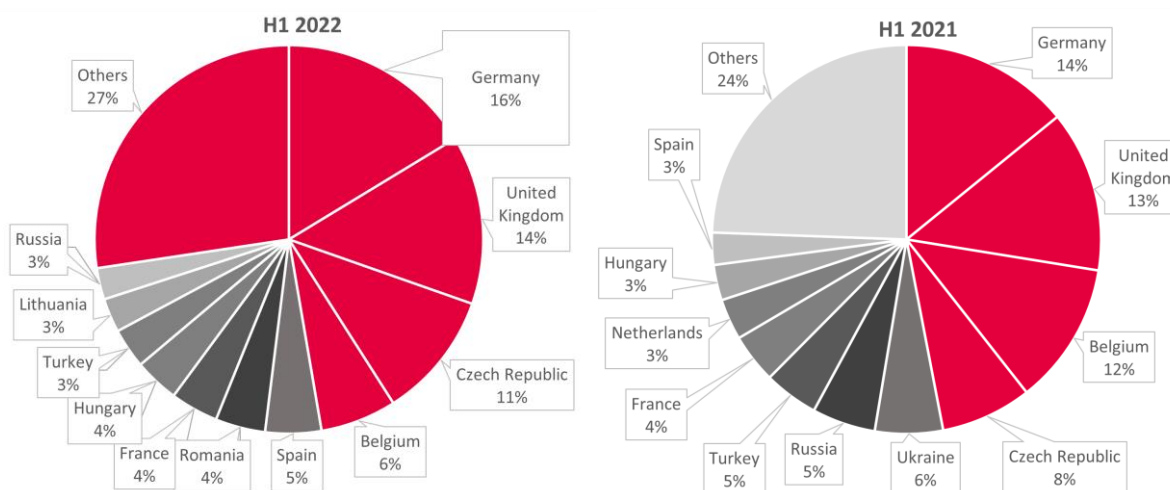
Although both the Apator Group's domestic turnover and exports were higher year-on-year after H1 2022, thanks to the continued predominance of export dynamics, the geographic structure of sales changed in favour of foreign countries, and its share in the Group's total turnover increased by 1.6 p.p. compared to H1 2021, to 49.1% of total revenues. The level of export sales was positively influenced by both the increase in demand in European countries and the high level of foreign exchange rates (mainly the euro).



The main sales market of the Apator Group is Poland. The European Union remains second among the Group's trading partners (with a dominant share of the German, Czech, Belgian markets and Spanish) and the United Kingdom. Despite the stoppage of sales to the Russian and Belarusian markets

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and the reduction of turnover in Ukraine (due to the ongoing war), thanks to the activity of all three segments, the Apator Group successively compensates for the declines in sales in the East with revenues from other geographic directions.



Foreign sales - countries with a share of more than 5%	Share of exports in H1 2022	Sold range
Germany	16%	mainly electricity and gas meters
United Kingdom	14%	gas meters
Czech Republic	11%	mainly water meters and cost allocators
Belgium	6%	gas and inductive electricity meters
Spain	5%	mainly water meters and cost allocators

Operating expenses by function and type

Specification	H1 2022 (PLN thousand)	H1 2021 (PLN thousand)	Change y/y (PLN thousand)	Dynamics (%)
Costs by function				
Cost of goods sold (COGS)	389 709	346 783	42 926	112.4%
Selling and general administrative expenses (SG&A)	89 790	82 233	7 557	109.2%
Total	479 499	429 016	50 483	111.8%
Costs by type				
Depreciation	28 304	27 304	1 000	103.7%
Materials and energy consumption	264 859	224 058	40 801	118.2%
External services	52 868	59 767	- 6 899	88.5%
Employee benefits	121 555	118 550	3 005	102.5%
Other	46 293	28 482	17 811	162.5%
Change in stocks of finished goods and work in progress	- 34 380	-29 145	- 5 235	118.0%
Total	479 499	429 016	50 483	111.8%

The increase in costs is mainly due to macroeconomic reasons. Pandemic-induced, and now compounded by the war in Ukraine, disruptions in global supply chains and related component availability problems, as well as

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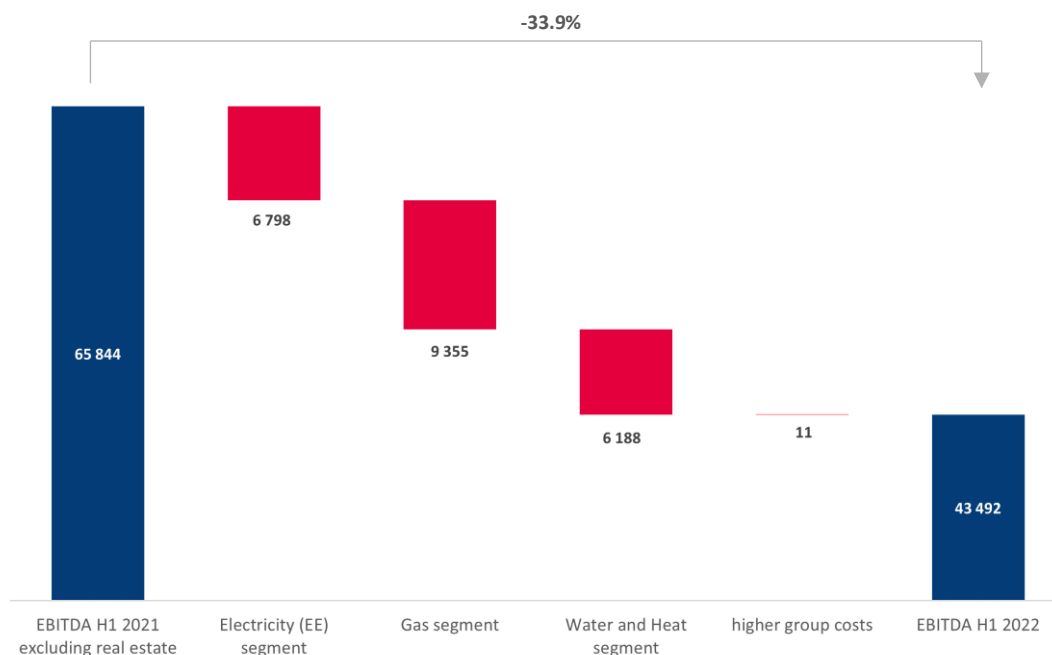
worsening inflation and upward pressure on wages, are fostering price increases primarily in raw materials, materials and components (especially electronics) and transportation costs. Price pressures, which until last year mainly affected the Electricity segment, are now being strongly felt in other segments as well, as reflected in the in the levels of margins they generated in the first half of this year.

EBITDA

The level of consolidated EBITDA was influenced by:

- a decrease in EBITDA in the Electricity segment resulting, with comparable sales year-on-year, from an increase in manufacturing costs (materials, components and raw materials, including primarily semiconductors, copper and plastics) as a result of disruptions in global supply chains with simultaneous strong competitive pressures and order acquisition modes limiting or delaying the ability to adjust selling prices more flexibly. Significantly higher y/y SG&A costs as well. The first symptoms of an improvement in the segment's situation as a result of optimization measures taken and renegotiation of sales contracts can be seen in the results of the second quarter of this year. Lower (by PLN 0.7 million) y/y result on other operating activities mainly related to lower compensation and provision for liabilities released in H1 2021 (PLN 0.3 million);
- a decline in EBITDA in the Gas segment related - with higher turnover - to a significant reduction in margins as a result of higher costs of materials (mainly plastics and sheet metal) and transportation services. Maintained control of fixed costs (limited y/y increases in overheads and sales) despite higher transportation costs and strong upward pressure on wages. Decline (by PLN 0.9 million) of the result on other operating activities related to the funding received in the first half of 2021 from the anti-crisis shield (PLN +1.0 million);
- lower EBITDA of the Water and Heat segment (after eliminating the result on the sale of the property of Apator Powogaz SA in Poznań PLN +34.1 million) resulting from the decrease in margin. The lower profitability of sales is related to the increase in prices of materials and other production factors (mainly wages), which was not sufficiently reflected in the increase in selling prices (despite the consistent change in price lists initiated in the segment's export markets last December, some orders of the first half of 2022, which was realized at prices based on previous contracts and sales orders, significantly reduced profitability). Additional negative impact on segment result of loss on other operating activities related to write-down of receivables from Ukraine (PLN 1.5 million at the end of H1 2022);
- PLN 6.2 million y/y worse (after eliminating the impact of the sale of real estate in Poznań) result on other operating activities related to declines in all segments.

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*EBITDA H1 2021 adjusted for the impact of the sale of the Poznań property

Net result

Consolidated net result was at the level of PLN 1.3 million and was influenced, in addition to the aforementioned factors, primarily by the loss on financing activities (PLN -9.9 million), which consisted of:

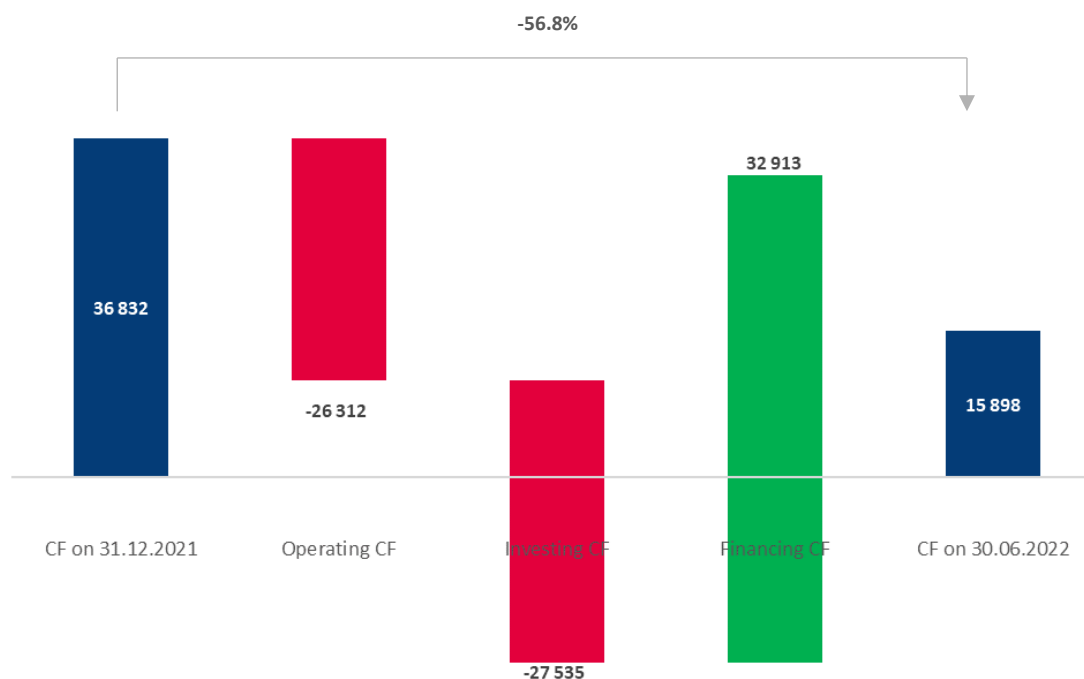
- high debt service costs (PLN 5.1 million) associated with maintaining an increased level of net debt allocated, in addition to investments, to finance higher working capital;
- Negative exchange rate differences compensated to a small extent by a positive result on foreign exchange transactions (total result on items at PLN -4.5 million) related to the uncertain situation on foreign exchange markets and the weakening of the zloty.

Analysis of financial situation

The cash balance as of June 30, 2022 was PLN 20.9 million lower than at the end of 2021, at PLN 15.9 million. Cash and cash equivalents were influenced by the following factors:

- negative flows from operations, with the level of generated flows affected by increased commitment of funds to working capital - procurement and hedging in materials and raw materials as a result of taking the necessary measures to manage risks associated with disruptions in global supply chains;
- negative cash flows from investing activities mainly as a result of capital expenditures on fixed assets and intangible assets (total 40.0 million PLN, including expenditures on completion of construction of new plant of Apator Powogaz SA, new machinery and equipment, R&D works) and investments in subsidiaries (purchase of shares in Apator Telemetria by Apator SA and Apator Powogaz SA - 11.0 million PLN);
- positive cash flow balance primarily related to an increase in credit debt (balance of PLN 56.0 million), less dividends paid (PLN 8.7 million) and repayment of finance lease liabilities (PLN 6.3 million).

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Other basic indicators	H1 2022	YE 2021	H1 2021	Formula
Current liquidity ratio	1.13	1.24	1.27	current assets/short-term liabilities
Quick liquidity ratio	0.53	0.61	0.66	(current assets - inventories)/short-term liabilities
Return on assets ROA	1.31%	6.76%	8.81%	net profit for the last 12 months/average total assets, calculated as an average of the opening and closing balances
Return on equity ROE	2.49%	11.85%	15.16%	net profit for the last 12 months/average equity calculated as an average of the opening and closing balances
Net debt (PLN thousand)	251 526	174 596	115 462	loans and borrowings - cash and equivalents - loans granted
Net Debt/LTM EBITDA*	2.67	1.16	0.70	(loans and credit- cash and cash equivalents - loans granted) / EBITDA for the last 12 months
Capex (PLN thousand)	42 920	90 661	37 308	tangible and intangible investment expenditure
Working capital (PLN thousand)	268 589	229 274	197 646	(current assets - cash) - (short-term liabilities - short-term loans and borrowings)

The level of net working capital (NSR) at the end of June 2022 was PLN 70.9 million higher compared to the with the end of the first half of 2021, and at the same time by PLN 39.3 million higher than at the end of 2021. This is due to higher inventories (by PLN 30.4 million including contract assets) and trade receivables (by PLN 41.6 million) with PLN 20.9 million lower cash at the end of the period. Due to the macroeconomic situation (continuing difficulties with the availability of components, lengthening delivery times), an increase in working capital is evident in all three segments, but applies in particular to the Electricity segment, followed by Water and Heat (here also an increase in working capital accompanying a marked increase in sales), and to the least

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extent to the Gas segment. Although maintaining the current level of NSR involves an additional financial burden on the Apator Group, on the other hand - and more relevant in the current situation - makes the implementation of the recently concluded and renegotiated contracts, as well as on-going procurement, is secured.

Higher capex in the first half of 2022 was incurred mainly in the Water and Heat segment and related primarily to expenditures to complete the construction of a new plant near Poznań (PLN 15.4 million). The bulk of expenditures are related to research and development work carried out throughout the Group (including development of the Ultrimis family of products - new applications and accuracy classes, development of new or implementation of the next generation of software solutions, e.g. a system for remote reading of water and heat meter readings, a system for managing photovoltaic and wind farms, and a number of other solutions to support management and improve energy efficiency for customers).

Due to the need to finance higher working capital to secure the continuity of production (applies to all three segments, most significantly EE) and to finance the construction of a new plant for Apator Powogaz, the financial debt at the end of June 2022 is higher both compared to the end of the first half of 2021, as well as the state at the end of last year. The net debt/EBITDA ratio for the last 12 months is at 2.67x. Apator Group on an ongoing, systematic basis monitors the status of the credits used, keeping it under strict control.

3. Indication of factors that will affect the future results of the Apator Group

3.1. Risk and hazard factors

All significant risk factors are identified, analysed and controlled in Apator Group on current basis. Risk management is based on the three-line model and uniform principles and methodology developed on the basis of the international standard ISO 31000. In individual companies of the Group, risk management is an integral part of their management systems and remains under the supervision of the parent company.

The risk management principles adopted by the Group include control of risk by division:

- financial management risk,
- strategic risk related to development and construction of value of Apator Group,
- operational risk including day-to-day task performance, legal compliance, work safety, information security and environmental protection.

The detailed description of risk factors that can have the influence on the activity of Apator Group was presented in the Report of the Management Board on Activity of Apator Group for 2021 in the chapter 8: <https://www.apator.com.pl/relacje-inwestorskie/dane-finansowe-i-raporty-okresowe>.

In the opinion of the Management Board, the risks indicated in the aforementioned document remain valid. Nonetheless, management notes that the factors that will impact results in the coming quarters are:

- shaky energy security (restrictions on access to solid fuels and natural gas), global weakening of economic growth affecting sales volumes of existing products and changing customer needs. The Apator Group continuously monitors the situation in all markets and seeks new sales opportunities and opportunities to introduce products related to energy transformation;
- widespread inflation, especially the price level of plastic, copper, steel, brass, electronics, and high increases in the cost of energy, fuel, transportation services and labour. The Group attempts to mitigate the negative effects of cost increases by introducing a dynamic pricing policy for partners and distributors and implementing a number of optimization measures concerning,

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among other things, optimization/automation of production, changes in the product mix aimed at improving profitability;

- further extension of delivery times for components and materials for production resulting from increasing lead times (Russia's cessation of shipping) and recurring restrictions on the availability of certain components (i.e.: plastics, copper, steel and electronics).

Apator Group, reducing exposure to supply risks, introduces replacements and alternative materials (while maintaining the required level of product quality), actively seeks other sources of purchase, and carries out optimal inventory management adapted to the current situation. Collaboration and integration of activities in this area between Group entities allows to benefit from synergy effects and reduces exposure to operational risk;

- volatile financial markets, rising interest rates and high exchange rate volatility. Group companies - while reducing exposures to financial risks - take care to hedge currency positions, effectively engage working capital and minimize debt service costs.

The impact of the situation in the East

As of the date of publication of this report, the Apator Group identifies risks arising from the war in Ukraine, but their level depends on further developments and their impact on foreign exchange rates, raw material prices and other areas of activity:

1. Sales revenues for the first half of 2022 from the Russian, Ukrainian and Belarusian markets accounted for about 0.7% in Apator SA's total sales and about 2.5% in the entire Apator Group. Since the war broke out, the Group has halted sales in the Russian and Belarusian markets.
2. In terms of receivables from counterparties in distressed markets, their share of total receivables in Apator Group is almost 1.8%. In view of the above, the situation in the East has no significant impact on the activities of Apator SA and the entire Capital Group.

Detailed values of receivables as at 30.06.2022 are presented in the table below.

Level of receivables as at 30.06.2022 (thousand PLN)	Apator SA	Apator Group
Receivables from counterparties (Ukraine, Russia, Belarus)	0	3 371
Ukraine	0*	204**
Russia	-	3 167
Belarus	-	-
Total trade receivables as of June 30th, 2022.	71 308	187 602
Share of the company's trade receivables	0%	-
Share in trade receivables of Capital Group APATOR	-	1.8%

*Accounts receivable in the amount of PLN 45 thousand written off in March this year.

** Receivables in the amount of PLN 2,197 thousand were written off in February this year, by the end of June, due to repayments received, the write-off was partially reversed to the amount of PLN 1,473 thousand. At the end of July 2022, the write-down further decreased to PLN 996 thousand.

3.2. Prospects

The detailed description of perspectives and development factors for particular segments that will determine the activity and results of Apator Group has been presented in the Report of the Management Board on Activity of Apator Group for 2021 in the chapter 3 and 4. In the opinion of the Management Board, the perspectives indicated in the aforementioned document remain valid. Link to document: <https://www.apator.com.pl/relacje-inwestorskie/dane-finansowe-i-raporty-okresowe>.

Within long-term perspectives of Apator Group the following factors influencing the situation in particular segments should be indicated:

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- in the Electricity segment, the outlook depends primarily on the pace of the energy transition and the availability of key components for production, while optimizing generation costs and working to improve the efficiency of operations in response to further cost and competitive pressures. In the first half of 2022, due to rising inflation, the Apator Group also carried out (in addition to internal optimization measures) a number of activities aimed at updating existing selling prices. Pricing policies were consistently changed to provide greater flexibility in responding to volatile material prices, and renegotiation of contracts to account for inflation in selling prices began. In the long term, this will allow the segment to rebuild its generated margins and improve its performance, the first symptoms of which are already visible in the second quarter data.

Another important element in the further development of the Apator Group in the coming years is the renewable energy sector. The Group is a provider of turnkey solutions aimed at RES (e.g., two-way meters, a system for managing photovoltaic farms or specialized switchgear and protection equipment) and is consistently working to expand its product portfolio.

At the end of the first half of this year, there was an increase in the Polish energy sector's commitment to accelerating the mass deployment of smart meters, which is likely to grow in the following months. The end of the second quarter also brought the resumption of work on sections of work suspended during the pandemic for repairs to electricity, gas and water networks. Catching up was being done on the most urgent work on the network. In the RES sector, there has been a marked change in the structure of demand due to a decrease in the number of new micro installations while medium and large installations have increased, as well as an unblocking of the onshore wind sector. Both trends should work in favour of the Apator Group. Another positive sign for the industry was the public release for public consultation of the European REPowerEU package, which, if implemented, should further accelerate the development of the new RES sector, energy transition and modern technologies related to more efficient management of energy and other utilities. The latter trend is likely to be further reinforced by expected price increases in energy, gas and power utilities. Apator Group offers modern technical solutions that address the need for more economical monitoring and management of energy and utilities. Systems and equipment will continue to be developed not only for metering, but also for more efficient management of electricity and utilities for both small and large business, as well as for homes and apartments. In the first half of 2022 the Apator Group launched the first projects of this type, starting a sales scaling phase that will continue in the following months.

In the first half of this year The National Environmental Protection and Water Management Fund has developed assumptions for a program to roll out smart meters in Poland. Recruitment for the "Electricity - Smart Energy Infrastructure" program began in July this year. The assumed value of the program is PLN 1 billion, with disbursement of funds to last until the end of December 2025. Under the program, distribution system operators will be able to apply to receive up to 100% subsidies, and one of the program's indicators is to be the number of meters installed. Apator plans to participate in the anticipated tender proceedings related to this program, which may translate into winning significant orders for the supply of meters under subsequent tranches of funding from the program.

- in the Gas segment, roll-outs are underway in major foreign markets in Europe. Apator Metrix SA will participate in one of the largest roll-outs in Belgium (in cooperation with one of the global leaders in utility metering Landis+Gyr), as a result of a successful tender for the supply of approximately 1 million gas meters in the period 2023-2031 - a contract with a total value of approx. 300 million PLN in the part attributable to Apator Metrix SA. Additionally, the Segment will develop its offerings due to market demand for new measurement technologies, including in the areas of hydrogen and biogas. With the EU turning away from Russian gas supplies as a consequence of the war in Ukraine, initiatives will also be taken to further product diversification. The further dynamics of cost inflation (materials, components, wages), the state of global supply chains and the activities carried out in the Segment

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aimed at improving the efficiency of the companies' operations by relocating part of the production of gas meters from the British company GWi Ltd. to Apator Metrix SA in Tczew will also have a significant impact on the prospects of the Segment.

- in the Water and Heat segment, there is a clear recovery in demand both at home and abroad. The water and heat industry has very good prospects for dynamic growth as a result of the ongoing throughout Europe (including Poland) replacing water and heat meters with remote reading meters. It is already noticeable that there is a significant increase in interest in fixed systems that allow remote readings, so great opportunities are also opening up in the water billing services sector and heating. The coming year for the W&H segment will see the development of new markets and product initiatives (billing). In the first half of 2022, operations were moved to a state-of-the-art factory in Jaryszki near Poznań, which will allow the business to increase scale and profitability. At the same time, the Segment's operations are also affected by macroeconomic factors, including worldwide cost inflation, difficulties in availability of key components and raw materials, and longer delivery times.

3.3. Strategy of the Apator Group

In view of the high dynamics of changes in the macro-environment, the Apator Group has started work on updating its business strategy covering the years 2020-25. The Group maintains the main directions of its existing strategic activities and continues to implement a number of strategic initiatives, but assumes greater flexibility in its approach to building medium- and long-term plans and activities. Apator wants to be an active participant in the transformation of the energy, water, heat and gas sectors by providing proprietary solutions and services.

Due to the relative stabilization of the pandemic situation at the end of the first half of 2022 Apator Group resumed the work on updating the strategy that had been put on hold in 2021. However, the situation is still so volatile and uncertain that it prevents a return to more precise planning and forces a great deal of flexibility in the approach to building medium- and long-term plans and activities. The Group maintains the main directions of previous strategic activities and continues to implement product initiatives for the RES sector and solutions that support the efficiency of distribution network management.

The Group is betting on capitalizing on market opportunities in the rapidly growing market for renewable energy solutions, as well as on the long-term development of its offerings in the direction of increasingly visible economic trends and sustainable management of utilities, participation in the energy transition, further development of devices for automation, remote control of the grid, or remote measurement, reading and billing of energy. The Gas segment is expected to see an increase in the share of proprietary smart solutions in the product mix, while the Water and Heat segment sees strong growth potential in the water and wastewater business, thanks in part to the growing importance of the need to conserve water resources and the development of equipment related to precise metering and rational management of this valuable resource.

4. List of major events

4.1. List of events in the first half of 2022

- On the 3rd January 2022 District Court in Toruń, 7th Economic Department of National Court Register made the entry of merger of Apator SA with headquarters in Toruń with subsidiary Apator Elkomtech SA with headquarters in Łódź (more in point 5.5).
- On January 21 2022, a subsidiary of Apator Powogaz SA acquired 248 shares of Apator Telemetria Sp. z o.o. (constituting 10.1%) from two natural persons for the total price of PLN 5.9 million (more in point 5.5).

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3. On 24th February 2022 Apator SA signed the contract with Enea Operator Sp. z o.o. in result of selection of the offer of the Company as the most favourable one in one of the tasks of the tender for the supply of static electricity meters with GSM communication module. The value of the contract is PLN 23 million, however, its provisions provide for the option right to double the order. In view of the total maximum value of the contract may amount to PLN 46 million. Delivery of the basic order will be made within 24 months from the date of signing the contract. Shipments of meters under the contract have been made since July this year.
4. On February 24, 2022 The Russian Federation launched military operations against Ukraine, therefore Apator Group made the assessment of current effects of warfare on activity of Apator SA and Apator Group. For more information, see item. 3.1 of this report.
5. On March 9 2022, Apator Powogaz SA concluded a promised contract for the acquisition of real estate with a newly built production plant in Jarzyski (municipality of Żerniki, Poznań district), to which the company's activities were relocated in the second quarter of this year. The total value of the Contract to PLN 52.3 million net, including: PLN 6.4 million net as the price for the acquired land property, PLN 45.9 million net as consideration for the design, construction and transfer of ownership of the production hall with office space, as well as for the transfer of copyrights and rights due to the project (for more information, see section 5.5 of this report).
6. On 11th April 2022 Apator Metrix SA concluded the contract with Landis+Gyr for the supply of smart gas meters in the scope of mass implementation of the smart meters in Belgium. The tender launched by the Belgian distribution network operators (Fluvius, ORES, RESA and Sibelga) and won by Landis+Gyr (Belgium) is for an end-to-end Data-as-a-Service solution (DaaS), consisting of a central master system and smart utility meters. Therefore, Apator Metrix SA as a partner of Landis+Gyr under the concluded contract resulting from the above tender will deliver in 2023 - 2031 ca. 1 million of iSMART2 smart gas meters of the value of ca. EUR 65 million (that is ca. PLN 300 million according to average exchange rate of NBP from 11th April 2022, 1 EUR= 4.6451 PLN).
7. On the 22nd April 2022 the offer of Apator SA was selected as the most favourable one in the tender of Tauron Dystrybucja for the supply of municipal 3-phase electricity meters of the value PLN 34.8 million with an option to increase the order in accordance with the right of option by 30%. The contract for Task 3 was signed on May 31, 2022. The value of the contract is PLN 18 million net and can be increased if TD exercises its option right. Accordingly, the total value of the contract may amount to PLN 23.4 million. Deliveries of the basic order will be made within 15 months from the date of conclusion of the contract. At the same time, the Management Board of Apator SA informed about the withdrawal from signing the contract in the scope of task 4 due to the price level. The first deliveries under the signed contract took place in late July this year.
8. On 22nd April 2022 the offer of consortium of Apator SA and Griffin Group SA Energy Sp. k. was selected as the most favourable one in the tender of Tauron Dystrybucja SA for the supply of the remote reading meters in the area of Smart City Wrocław. Deliveries are expected by May 2025 r. The contract between the Consortium and TD was signed on June 16, 2022. The value of the entire contract is PLN 189 million net, and can be increased if TD exercises its right of option to increase the order by 12%. At the same time, the Management Board of Apator SA informed about the ongoing negotiations on the provisions of the executive agreement between Griffin Group SA Energy Sp. K. and Apator SA, so that the remuneration for Apator SA for the performance of 1-phase supplies and 3-phase meters operating with PLC technology is estimated at 18-20% of the Consortium's contract value. The remuneration may be increased by 16-18% in relation to the value of the remuneration of the basic order for Apator SA in case TD exercises its right of option.
9. On May 20, 2022, Apator Powogaz SA sold the entire block of shares (i.e. 18,018 shares) of AO Teplovodomer seated in Russia (representing 50% of the share capital) at a price of RUB 5 million, i.e. approx. EUR 75 thousand (according to the Bank of Russia exchange rate on May 19, 2022), i.e. approx. PLN 348 thousand.
10. On May 23, 2022 the Management Board of Apator SA announced the conversion of 4,510 registered voting preference shares in the ratio of 1:4 into ordinary bearer shares (no preference).

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As a result of this swap, the total number of votes decreased from 54,788,231 to 54,774,701. The above shares were assimilated and listed on May 23, 2022. After the conversion of shares, the share capital of Apator SA is PLN 3,277,722.80 and consists of 32,777,228 shares with a nominal value of PLN 0.10 each, including 7,332,491 registered shares (preferred to voting in the ratio of 1:4) and 25,444,737 ordinary bearer shares.

11. On May 23, 2022 the Management Board of Apator SA informed about notification received from Mr. Tadeusz Sosgórnik under Article 69 paragraph 1 point 1 of the Act of 29th July 2005 on Public Offer and Conditions of Introducing Financial Instruments to the Organized Trading System and Public Companies about the increase of previously held share above the threshold of 10% of the total number of votes at the General Meeting of Apator SA. The increase in shares was the result of the acquisition of 50,000 registered shares in Apator SA. Before the acquisition of shares, Mr. Sosgórnik held 1,466,738 shares of Apator SA, which was 4.48% of the share capital and 5,377,544 votes from the shares held, representing 9.82% of the total number of votes; after the acquisition of shares, he held 1,516,738 shares of the Company, which is 4.63% of the share in its share capital entitling it to exercise 5,577,544 votes giving 10.18% of the total number of votes.
12. On 28th June 2022 the Ordinary General Shareholders Meeting of Apator SA was held, that among other things adopted the dividend level from the profit in 2021 in amount of 0,50 PLN gross per share (more in Section 6.4.5).
13. On June 29, 2022 the Supervisory Board of Apator SA appointed on June 29, 2022 Management Board of Apator SA for a new joint 3-year term of office, ending on the date of the Ordinary General Meeting of Apator SA to be held in 2025. Since its appointment, the Management Board of Apator SA has been operating in a two-member composition: Arkadiusz Chmielewski - President of the Board, Business Development Director of Apator Group and Tomasz Łątka - Member of the Board, General Director of Apator SA.
14. On June 30, 2022 an annex to the Multi-product Agreement dated June 22, 2016 was concluded between ING Bank Śląski SA and the following companies of the Apator Group: Apator SA, Apator Powogaz SA, Apator Metrix SA, FAP Pafal SA, Apator Rector Sp. z o.o., Apator Telemetria Sp. z o.o. Under the signed annex, the credit period was extended for another 3 years and the revolving credit limit for current financing of the mentioned companies was increased from the amount of PLN 180 million to PL 250 million. The credit limit may be used in the form of working capital loans, bank guarantees, letters of credit, and repurchase of receivables by the Bank. The interest rate on the limit is based on by the WIBOR/EURIBOR 1M rate plus the bank's margin.

In the analysed period there were no other factors and events than those mentioned above, including untypical ones, that would have significant influence on results of Apator Group.

4.2. List of events after the balance sheet date

After the balance sheet date, there were no factors and events, including those of an unusual nature, that would have a significant impact on the results of the Apator Group.

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5. Additional information

5.1. Credits, loans, sureties, guarantees

Balance of credits and loans of Apator Group:

Specification	as of		Change
	30.06.2022	31.12.2021	
Long-term loans and credits	42 298	35 980	6 318
Short-term loans and credits	225 126	175 448	49 678
Total loans and borrowings	267 424	211 428	55 996

5.1.1. Loans

As of June 30, 2022, the status of significant credit agreements is as follows:

1. Apator Group

Multi-product agreement dated June 22, 2016.

On 30th June 2022 between ING Bank Śląski SA and companies of Apator Group: Apator SA, Apator Powogaz SA, Apator Metrix SA, FAP Pafal SA, Apator Rector Sp. z o.o., Apator Telemetry Sp. z o.o. an annex to the above agreement was concluded under which the revolving credit limit for current financing of the companies was increased from PLN 180 million to PLN 250 million. The loan matures on June 30, 2025. The credit limit can be used in the form of working capital loans, bank guarantees, letters of credit and discount transactions of the Bank's redemption of receivables in the form of supplier financing. On February 16, 2022, an annex was concluded by virtue of which an additional sub-limit in the amount of 10 million PLN was made available, exclusively for Apator SA. The sublimit was made available in the form of a non-revolving working capital loan in PLN with repayment in 4 monthly instalments starting from May 2022. The interest rate on the limit is based on the WIBOR/EURIBOR 1M rate plus the bank's margin.

The Agreement is secured by:

- registered pledges on the Companies' inventories with a total value of PLN 148.8 million,
- registered pledges on the fixed assets of companies with a total net value of PLN 31.1 million,
- mortgage on real estate of Apator SA to the value of PLN 40 million,
- assignment of rights under the insurance policy of the above collaterals,
- blank promissory notes together with promissory notes issued by borrowers.

Liabilities resulting from the granted limit shall be jointly and severally charged to the Company, up to a maximum amount of PLN 250 million.

As of June 30, 2022, the Apator Group's debt balance under the multi-product agreement was:

- on account of credit limits used PLN 168.6 million,
- on account of a non-revolving loan of PLN 5 million,
- on guarantees and letters of credit PLN 4.6 million,
- on account of supplier financing PLN 5.1 million.

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2. Apator SA:

- a) has a loan of PLN 10 million from Bank Handlowy SA earmarked for the current financing of the company's business activity. On March 24, 2022, an annex to the agreement was signed, pursuant to which the term of the loan was extended until March 22, 2023. The interest rate on the loan was determined according to a variable interest rate equal to the WIBOR rate for deposits 3 months plus the bank's margin. The loan repayment is secured by a registered pledge on the company's fixed assets with a value of PLN 8.4 million and an assignment of rights under an insurance policy. As of June 30, 2022, the level of used credit was PLN 9.6 million.
- b) on 13 August 2021, concluded an agreement with Bank Handlowy SA for a long-term (acquisition) loan of PLN 13 million. Credit is designated to finance the purchase of shares from minority shareholders of Apator Telemetry sp. z o.o. The interest rate of credit has been established according to variable interest rate equal to WIBOR rate for 3-month deposits increased by margin of the bank. The loan will be repaid in equal quarterly instalments with the final repayment date falling on 9 August 2024. The loan repayment is secured by a registered pledge on fixed assets up to the amount of PLN 2.8 million along with an assignment of rights from the all-risk insurance policy of the property, a registered pledge on the acquired shares up to the amount of PLN 12.1 million and a declaration of submission to enforcement pursuant to Art. 777 of the Civil Code up to PLN 15.6 million. On June 29, an addendum was concluded to convert the outstanding portion of the loan into EUR. The loan after currency conversion bears interest at a variable rate equal to the EURIBOR rate for 3-month deposits plus the bank's margin. As of June 30, 2022, an amount of EUR 2 million remained to repay the loan.
- c) has a full factoring agreement with ING Commercial Finance Polska S.A. with a limit of up to PLN 10 million. intended to finance current operations. The agreement is valid until October 21, 2022. The interest rate on the financing was set at a floating interest rate equal to WIBOR 1M plus the bank's margin. The agreement is secured by a blank promissory note. As of June 30, 2022, the value of used financing was as follows PLN 1.5 million.

3. The Company Apator Metrix SA has got long-term credit (investment credit) for purchase of shares of GWi contracted in Bank Millennium SA. The loan amounted to PLN 22.1 million. The loan is granted for the period until 31.12.2022. The loan bears interest at a variable interest rate equal to WIBOR rate for 3-month deposits increased by the bank's margin. Repayment of the loan is secured by a capped mortgage up to 23.3 million PLN on the real estate of the company located in Tczew, transfer of ownership of fixed assets with a total value of min. PLN 2.4 million, an assignment of rights from the all-risk insurance policy, a pledge on bank accounts and a declaration of submission to enforcement pursuant to Article 777 of the Civil Code up to PLN 31.7 million. As of June 30 a 2022, the outstanding loan balance was PLN 2.1 million.

4. GWi Ltd. has an overdraft facility with CITI London Bank on September 8, 2017 in the amount of GBP 4 million. The credit was taken for the repayment of the loan from BI Group PLC and Apator Metrix SA, which was related to the early redemption of the remaining 50% shares of GWi by Apator Metrix SA in 2017. The term of credit repayment is renewed every year. The collateral of repayment of credit is the guarantee of Apator Metrix SA in form of bank guarantee for the amount of 4 M GBP (that is PLN 22.6 million at ING's June 30, 2022 selling rate for GBP = 5.6601) and a statement of submission to execution under Article 777 of the Civil Code up to the amount of GBP 4.8 million (i.e. PLN 27.2 million according to ING's selling rate of the day 30 June 2022 for GBP = 5.6601). The interest rate on the loan is set at the variable SONIA rate plus the bank's margin. As of June 30, 2022, the outstanding balance of the loan was as follows GBP 4 million (i.e. PLN 21.8 million at the average NBP exchange rate of 30 June 2022 for GBP = PLN 5.4429).

5. Apator Powogaz SA:

- a) on 4 December 2020, concluded with the bank PKO Bank Polski SA with its registered office in Warsaw an Investment Credit Agreement in the amount of PLN 39.1 million with the possibility of increasing to PLN 41 million. On May 6, 2022, an annex was concluded increasing the amount of

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financing by PLN 0.9 million. The loan is intended to finance the purchase of land and construction of a modern production plant in Jarzyski (cadastral precinct Żerniki near Poznań), based on a contract concluded with the General Contractor. The interest rate is set at:

- up to PLN 39.1 million - fixed interest rate of 1.3% p.a. plus the Bank's margin,
- above the amount of PLN 39.1 million, and up to a maximum of PLN 41.9 million - interest rate according to the variable interest rate WIBOR 1M plus the Bank's margin.

As of June 30, 2022, the loan is secured by:

- blank promissory note together with a promissory note declaration,
- registered pledge (established on 8th January 2021) on 3.6 m bearer shares of Apator SA being in possession of Apator Mining Sp. z o.o. to the highest security amount of PLN 61.5 million with blocking of shares of total value not less than 120% of the value of the future property (pledge will be kept till the day of establishing contractual mortgage on acquired land and property under construction in Jarzyski/Żerniki).

The repayment period of the loan is set for the period from July 31, 2022 to December 4, 2030. As of the date of On June 30, 2022, the debt under the above loan amounted to PLN 41.9 million.

- b) has a credit facility with mBank SA in the amount of PLN 10 million designed to finance the company's current business activities with a repayment period until August 11, 2022. The interest rate on the loan was set at a variable rate, depending on usage, equal to WIBOR ON or EURIBOR ON plus the bank's margin. Repayment of the loan is secured by a blank promissory note. As of June 30, 2022, the value of the loan used was PLN 9.1 million. On August 4, an annex to the above agreement was signed extending the repayment period until September 28, 2023. The interest rate on the annexed loan was set at a floating interest rate equal to WIBOR ON plus the bank's margin. The collateral for the loan has not changed.
- c) has a factoring agreement with Santander Faktoring Sp. z o.o. with a limit of up to PLN 15 million for supplier financing. The agreement is for the period from September 19, 2019 to June 30, 2023. The interest rate is set at a variable rate equal to WIBOR 1M plus the bank's margin. The financing is secured by a blank promissory note and a statement of submission to execution under Article 777 of the Civil Code up to PLN 22.5 million. As of June 30, 2022, the amount of financing used was PLN 13.2 million.
- d) has a factoring agreement with ING Commercial Finance Polska S.A. with a limit of up to PLN 4.5 million. earmarked for financing current operations with a term until March 12 year 2023. The interest rate on the financing was set at a floating interest rate, depending on usage, equal to WIBOR 1M or EURIBOR 1M plus the bank's margin. The agreement is secured by a blank promissory note. As of June 30, 2022, the value of used financing was PLN 3.8 million.
6. Apator Metra has a loan from Raiffeisenbank, a.s. in the amount of CZK 30 million, the purpose of which is to finance current business activities. The contract is for an indefinite period. The interest rate on the loan was set based on the variable 1D PRIDOR rate plus the Bank's margin. The loan is secured by a pledge on real estate in the amount of CZK 50 million (i.e. PLN 9.5 million according to the average exchange rate of the National Bank of Poland as of June 30, 2022 for CZK = PLN 0.1892), together with the assignment of rights from an all-risk property insurance policy. As of June 30, 2022, the loan utilization was CZK 3.5 million (PLN 0.7 million).
7. Apator Telemetria Sp. z o.o. on March 24, 2022 entered into an electronic credit agreement with mBank SA for supplier financing, with a limit of PLN 7 million. The interest rate on the financing was set at a variable rate, depending on use equal to WIBOR 1M or EURIBOR 1M plus the bank's margin. The

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agreement is secured by a blank promissory note. As of June 30, 2022, the value of used financing was PLN 4 million.

In the 1st half of 2022 no bank has terminated the credit agreement for the companies in Apator Group and the companies in Apator Group timely performed their obligations resulting from the concluded credit agreements.

5.1.2. Loans

In the first half of 2022 the companies of Apator Group did not grant loans to entities outside Apator Group. The balance of loans granted and received by entities of Apator Group at the 30th June 2022 is as follows:

- Apator Powogaz SA has the receivable due to consolidated loan in amount of EUR 1.5 million granted to the subsidiary Apator Miiitors ApS. The nominal interest rate on the loan is 2%. On 20th November 2020. Apator Powogaz signed with Apator Miiitors Aps. the annex extending the period of the loan repayment till the end of 2029. As of 30 June 2022, the amount of the outstanding loan (including interest) was EUR 1.5 million (i.e. PLN 7 million according to the average exchange rate of the National Bank of Poland on June 30, 2022 for EUR = 4.6806). Interest for 2022 was paid in January 2022.

5.1.3. Sureties and guarantees

In the first half of 2022, the companies of Apator Group did not give any guarantees to the entities outside Apator Group.

The balance of warrants and guarantees outstanding as of June 30, 2022 is as follows:

1. Apator SA:

- conditional surety for payment due to three concluded lease contracts for purchase of fixed assets between Apator Rector Sp. z o.o. and mLeasing Sp. z o.o. in total amount of PLN 0.7 million with a maximum term through December 14, 2024. The guarantee fee is calculated on a quarterly basis at a rate of 1.2% p.a.

2. Subsidiary of Apator Metrix SA:

- guarantee for the subsidiary George Wilson Industries Ltd. (GWi) up to a maximum of GBP 4 million, (i.e. PLN 22.6 million at the GBP selling rate at ING Bank on the 30 June 2022 equal to GBP 1 GBP = 5.6601 PLN) for the period until October 31, 2022. The guarantee secures a loan granted to GWi by Citi Bank for repayment of loans previously granted by NIG and Apator Metrix SA, among others. The guarantee was issued on the basis of the revolving agreement concluded between Apator Metrix SA and Citi Handlowy. The guarantee commission is 0.5% per annum.

At 30th June 2022 Apator Group had also active guarantees issued by insurers and banks, described in note 7.22 of the consolidated financial statements for H1 2022.

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5.2. Proceedings pending before a court, arbitration body or public administration authority

Pending proceedings (including two or more proceedings) concerning liabilities or receivables of Apator SA pending in court, body competent for arbitration proceedings or public administration body concerning the issuer and companies in the Capital Group are not significant.

5.3. Related party transactions

Between companies in Apator Group the cooperation is performed in business areas, in financial activity and in support functions (mainly IT). Within this cooperation in the first half of 2022, similarly as in previous periods, neither Apator SA nor any other entity dependent on it concluded transactions with related entities, which would be concluded on conditions other than market conditions.

5.4. Consolidated entities as of June 30, 2022.

- parent entity: Apator SA, which operates in the Electricity segment in the lines of switchgear, electricity metering and automation,
- subsidiaries (direct and indirect) consolidated using the full method:

Segment	Business line	Company	Office	Share in capital	Relation to Apator SA
Electricity (EE)	Electricity metering	FAP Pafal SA	Świdnica	100%	Subsidiary company of Apator SA
	ICT	Apator Rector Sp. z o. o.	Zielona Góra	100%	Subsidiary company of Apator SA
	Mining equipment trade (small business - not a business line)	Apator Mining Sp. z o. o.	Katowice	100%	Subsidiary company of Apator SA
Electricity / Gas	Electricity and gas metering	Apator GmbH	Berlin (Germany)	100%	Subsidiary company of Apator SA
Gas	-	Apator Metrix SA	Tczew	100%	Subsidiary company of Apator SA
		GW Ltd.	Coventry (UK)	100%	Indirect subsidiary of Apator SA through Apator Metrix SA Indirect share through Apator Metrix SA
Water and Heat (W&H)	-	Apator Powogaz SA	Jaryszki	100%	Subsidiary company of Apator SA
		Apator Metra s. r. o.	Sumperk (Czech Republic)	100%	Indirect subsidiary of Apator SA through Apator Powogaz SA Indirect share through Apator Powogaz SA

Entity name:	Apator Group		
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Segment	Business line	Company	Office	Share in capital	Relation to Apator SA
		Apator Miitors ApS	Aarhus (Denmark)	100%	Indirect subsidiary of Apator SA through Apator Powogaz SA Indirect share through Apator Powogaz SA
		Apator Telemetry Sp. z o. o.	Stupsk	92.69%	Directly dependent on Apator SA in 20.8% and indirect subsidiary by Apator Powogaz SA in 71.89%

and the following affiliate valued using the equity method:

Segment	Business line	Company	Office	Share in capital	Relation to Apator SA
Gas	-	INDA d.o.o.	Ljubljana (Slovenia)	35%	Associated with Apator SA through Apator Metrix SA Indirect participation through GWI Ltd.

5.5. Changes in the organisation of the Apator Group

Acquisitions

Purchase of shares of Apator Telemetry Sp. z o.o.

On 21 January 2022, a subsidiary of Apator Powogaz SA acquired 248 shares from two individuals (partners of Apator Telemetry Sp. z o.o.) for a total price of PLN 5.9 million. Therefore, the subsidiary Apator Powogaz SA currently has 71.89% share in share capital of Apator Telemetry sp. z o. o. and 71.89% share in total number of votes.

After taking into account the above transaction, Apator SA and Apator Powogaz SA have jointly 92.69% share in the share capital of Apator Telemetry Sp. z o. o. and 92.69% share in the total number of votes.

Apator Telemetry Sp. z o.o. that has been part of Apator Group since 2009 is one of the main R&D facilities in Apator Group. In connection with its significant importance for the development of the product offer and remote reading systems, a decision was made to increase the capital involvement in this company.

Mergers

Merger of Apator SA with Apator Elkomtech SA

On January 3, 2022. District Court in Toruń, VII Economic Department of the National Court Register, made the entry of the merger of Apator SA with the seat in Toruń with the subsidiary Apator Elkomtech SA with headquarters in Łódź. Due to the fact that Apator SA was the owner of 100% shares of Apator Elkomtech SA, the merger was performed in simplified procedure based on art. 516 § 6 of Polish Commercial Companies Code, without the increase of share capital of the Issuer and without the issue of new shares.

The merger was made under art. 492 § 1 point 1 of the Polish Commercial Companies Code by transferring all the assets of Apator Elkomtech SA to Apator SA. On the day of registration of the merger in the register of entrepreneurs of National Court Register, Apator SA entered into all rights and obligations of Apator Elkomtech SA. In view of with the above, since January 3, 2022, Apator Elkomtech SA, together with its branches, has been in the structures of Apator SA.

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Apator Elkomtech SA specializes in manufacturing of SCADA class control and supervision systems and specialist equipment supporting management of power network. The company was made up of combined resources from locations: Łódź (registered office), Toruń (former Apator Control sp. z o.o., incorporated into Apator Elkomtech SA in 2019) and Poznań, that is IT team from Atrem SA taken over (which was incorporated into the company in 2020), which has allowed the line to expand its expertise and offerings in gas equipment and software.

The incorporation of Apator Elkomtech SA into Apator SA is the next stage of consolidation of Electric Energy segment planned in business strategy of Apator Group. This action allows us to develop comprehensive solutions for the market (hardware + ICT), as well as to take full advantage of new market opportunities in the areas of RES and energy efficiency.

Sale

Disposal of shares in AO Teplovodomer

On May 20, 2022, Apator Powogaz SA sold the entire block of shares (i.e. 18,018 shares) of AO Teplovodomer with its seat in Russia (constituting 50% of the share capital) at a price of RUB 5 million, i.e. approx. EUR 75 thousand (according to the Bank of Russia exchange rate of 19.05.2022), i.e. approx. 348 thousand zlotys. As of April 30, 2022, the book value in the financial statements of Apator Powogaz SA of the shares sold was as follows PLN 314 thousand, while the valuation in the consolidated statements of the Apator Group was PLN 717 thousand.

Relocation - reorganization of the assets of Apator Group in the direction of the increase of their effectiveness

Relocation of Apator Powogaz SA to Jaryszki near Poznań

On March 9, 2022, Apator Powogaz SA concluded a promised contract for the acquisition of real estate with a newly built production plant in Jaryszki (municipality of Żerniki, Poznań district), to which the company's activities were relocated in the second quarter of this year. The value of the Agreement is PLN 52.3 million net, including:

- PLN 6.4 million net as the price for the acquired land properties,
- PLN 45.9 million net as consideration for the design, construction and transfer of ownership of a production hall with an office section, and for the transfer of copyrights and subsidiary rights to the design.

Relocation of Apator Powogaz SA is the key factor influencing the development and future results of Water and Heat segment. Relocation of the company's manufacturing operations to a modern factory will allow for further automation of production processes, implementation of the highest quality standards and significant increase in efficiency and production capacity. The scale of production of the largest assortment group of the company - water meters, in the perspective of 2025 will reach the level of 4 million units per year, which means an increase by approximately 40% compared to 2021. Volumes in other product groups will also increase significantly.

Relocation of Apator Telemetria Sp. z o.o. in Słupsk

Apator Telemetria Sp. z o.o. concluded a lease contract with Pomorska Agencja Rozwoju Regionalnego SA for a newly built production building with office and social facilities in the Słupsk Special Economic Zone. The relocation of operations took place in late July and early August this year. The new production hall will guarantee an increase in the usable area and the scaling up of production potential, as well as the improvement of productivity and efficiency of production also under the needs of a larger scale of production at Apator Powogaz SA. Apator Telemetria Sp. z o.o., in addition to conducting key R&D activities for the Apator Group and developing remote reading systems, also manufactures, among other things, radio overlays for water meters and heat meters.

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Relocation and reorganization of GWi Ltd. in the United Kingdom

In order to optimize costs and improve efficiency of the operation of George Wilson Industries (GWi) Ltd. (headquarters in Coventry, United Kingdom) which is the subsidiary of Apator Metrix SA and also operates in the gas metering industry, the decision was made to:

- relocation to a smaller hall (optimally scaled down for the company's needs) in Coventry near the current location,
- reorganization of its activity by the transfer of the production of smart gas meters and industrial gas meters to Apator Metrix SA in Tczew.

The company's relocation to its new headquarters took place in July-August this year.

The gas regulator manufacturing and distribution business will remain in GWi Ltd. In addition, GWi Ltd. is an NMO (National Measurement Office) authorized repair and refurbishment center for gas meters used in the United Kingdom, which is also its significant source of revenue.

In addition to the above, there were no other changes in the structure of the business entity in the first half of 2022, including as a result of business combinations, acquisitions or sales of Issuer Group entities, long-term investments, demergers and restructurings.

Entity name:	Apator Group		
Period covered by the financial statements:	01.01.2022 – 30.06.2022	Reporting currency:	Polish zloty (PLN)
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6. Dominant entity - Apator S.A.

Pursuant to § 62 para. 6 of the Regulation of the Minister of Finance on current and periodic information, the Company has prepared the report of the Management Board on the activity of the parent entity Apator SA and the Capital Group and their respective statements in the form of a single document. Other required elements of the report on the Company's activities not included in the chapter 6 are the same as this report of the Management Board on the activities of the Apator Group.

6.1. Activity of Apator SA

Under the business model, Apator SA's operations are included in the Electricity segment and are divided into three business lines: electricity metering, switchgear and automation*.

Business segment			
electricity			
Business line	electricity metering	switchgear	automation
Solutions	Electricity meter: <ul style="list-style-type: none"> smart meters, including meters for RES municipal prepaid industrial Reading systems Smart meter Otus 3 Metering smartESOX pro for RES	Power distribution systems: <ul style="list-style-type: none"> disconnectors, including for RES solutions fuse bases connectors Switchgear monitoring systems ARS strip disconnecter for PV farms Isolating switch disconnecter Compass	Smart devices and safety automation: <ul style="list-style-type: none"> smart WN/SN/nn controllers SN network protections WN protections station automatics indicators of short-circuit current flow Telemechanics Automation in industry Software SCADA Digital RES surveillance system Security BELplus OZE MST 2
Main customers	Electricity utilities (DSOs)	Electricity wholesalers, electrical assembly and installations companies	Power utilities, construction, industry, photovoltaic and wind farms, energy clusters and cooperatives, other participants in the RES sector
The main markets	Poland, Germany, Lithuania	Poland, Brazil, Romania, Germany, Lithuania, Israel	Poland
Scale of sales in H1 2022	PLN 90.1 million	PLN 62.6 million	PLN 22.0 million
Line share in total sales	51.6%	35.8%	12.6%
Share of exports in the revenue of the line	24.9%	37.3%	0.0%

*) As a result of the acquisition of an organized part of Atrem SA at the end of 2020, Apator SA (then still Apator Elkomtech SA) expanded its software offer to include solutions in the area of advanced IT systems for the gas industry. In view of with the above, the portion of revenues related to operations for the gas sector is classified in the Gas segment. Due to the insignificant share of these revenues in the total sales of Apator SA, they were not separated as a separate category in the above table.

Entity name:	Apator Group		
Period covered by the financial statements:	01.01.2022 – 30.06.2022	Reporting currency:	Polish zloty (PLN)
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6.2. Financial performance

In H1 2022 Apator SA achieved the following financial results:

Specification*	H1 2022 (PLN thousand)	H1 2021 (PLN thousand)	Change y/y (PLN thousand)	Dynamics (%)
Sales revenues, including:	174 631	145 152	29 479	120.3%
country	128 843	107 586	21 257	119.8%
export	45 788	37 566	8 222	121.9%
Cost of goods sold	146 283	123 109	23 174	118.8%
Gross sales profit	28 348	22 043	6 305	128.6%
Sales costs	6 286	3 295	2 991	190.8%
General administrative costs	26 726	19 816	6 910	134.9%
Sales profit	- 4 664	- 1 068	- 3 596	436.7%
Result on other operating activities	649	1 534	- 885	42.3%
Operating income	- 4 015	466	- 4 481	-
EBITDA	8 937	9 598	- 661	93.1%
Result on financial activity	26 423	30 057	- 3 634	87.9%
Profit before tax	22 408	30 523	- 8 115	73.4%
Current income tax	- 1 167	- 1 392	225	83.8%
Deferred income tax	1 197	- 901	2 098	-
Net profit	22 438	28 230	- 5 792	79.5%
Profitability ratio:				
Gross profit margin on sales	16.2%	15.2%		
Profit margin on sales	- 2.7%	- 0.7%		
Margin EBITDA	5.1%	6.6%		
Net profit margin	12.8%	19.4%		

*) Due to the merger of Apator SA and Apator Elkomtech SA at the beginning of 2022, the comparability of the data presented in the table is limited. Data for H1 2021 refers to Apator SA as it operated then, data for H1 2022 refers to Apator SA after merger with subsidiary Apator Elkomtech SA. Fully comparable data are presented in the Summary of Financial Results of the Apator Group in Item 2 of the Report and in the table below.

Specification*	H1 2022 (PLN thousand)	H1 2021 (PLN thousand)	Change y/y (PLN thousand)	Dynamics (%)
Sales revenues, including:	174 631	171 792	2 839	101.7%
country	128 843	133 924	-5 081	96.2%
export	45 788	37 868	7 920	120.9%
Cost of goods sold	146 283	141 621	4 662	103.3%
Gross sales profit	28 348	30 171	-1 823	94.0%
Sales costs	6 286	5 722	564	109.8%
General administrative costs	26 726	24 025	2 701	111.2%
Sales profit	- 4 664	424	-5 088	-
Result on other operating activities	649	1 390	-741	46.7%
Operating income	- 4 015	1 814	-5 829	-
EBITDA	8 937	13 114	-4 177	68.1%
Result on financial activity	26 423	27 018	- 595	97.8%
Profit before tax	22 408	28 832	-6 424	77.7%
Current income tax	- 1 167	-1 717	550	68.0%
Deferred income tax	1 197	-921	2 118	-
Net profit	22 438	26 194	-3 756	85.7%
Profitability ratio:				
Gross profit margin on sales	16.2%	17.6%		

Entity name:	Apator Group		
Period covered by the financial statements:	01.01.2022 – 30.06.2022	Reporting currency:	Polish zloty (PLN)
Level of rounding:	all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise)		

Specification*	H1 2022 (PLN thousand)	H1 2021 (PLN thousand)	Change y/y (PLN thousand)	Dynamics (%)
Profit margin on sales	- 2.7%	0.2%		
Margin EBITDA	5.1%	7.6%		
Net profit margin	12.8%	15.2%		

*) Apator SA and Elkomtech data for H1 2021 included jointly

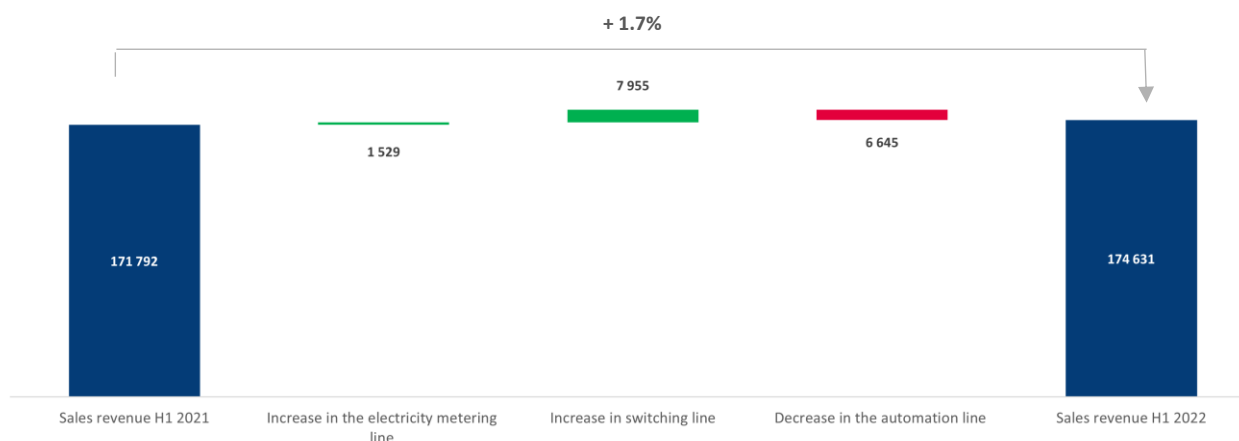
The key factors influencing the results of Apator SA are the same as for the Apator Group, particularly for the Electricity segment, and are presented in section 2 of the report.

Sales revenue

The descriptive analysis of revenues and results has been carried out for the data brought to comparability (after adjusting the results of Apator SA for the first half of 2021 by the volumes generated by the subsidiary Apator Elkomtech SA operating as a separate entity at that time and excluding mutual turnover between the companies).

Sales of Apator SA after the first half of 2022 reached over 174.6 million PLN, 20.3% higher compared to H1 2021. However, after taking into account the pro forma in the data of the comparative period (H1 2021) of the results of Apator Elkomtech, which was then operating independently of Apator SA (after elimination of inter-company turnover), the generated revenue growth amounted to PLN 2.8 million (i.e. 1.7% y/y)*. This growth was determined by:

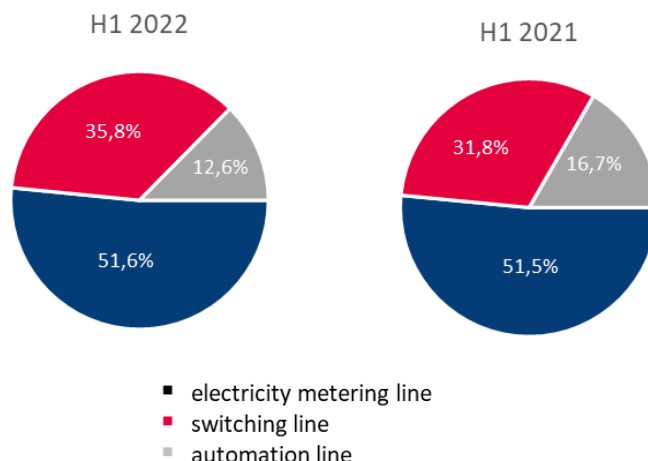
- better export performance in the electricity metering line fully offsetting lower meter sales at home;
- improved sales performance of switchgear, both domestically and abroad, resulting from the continued recovery in demand this year after the pandemic and price increases;
- lower sales in the automation line (in 2021 carried out by Apator Elkomtech).



* Apator SA and Elkomtech data for H1 2021 included jointly.

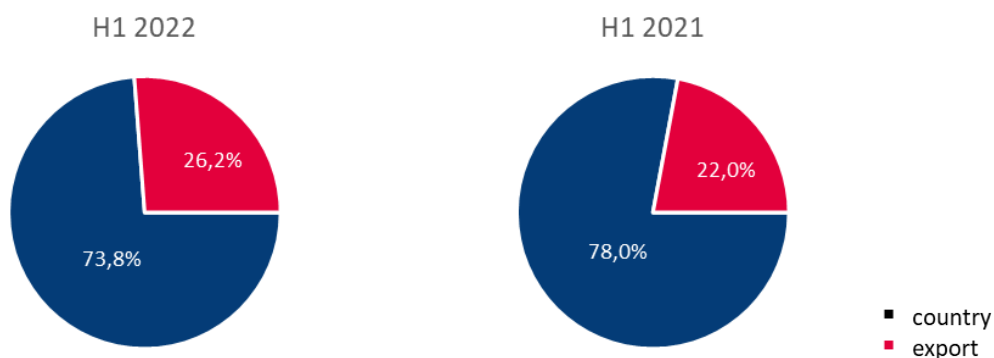
Due to the above changes, the share of the switching line in total revenues of Apator SA increased in the first half of 2022 by 4 p.p. y/y at the expense of automation, while the importance of the electricity metering line remained at comparable y/y levels.

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Period covered by the financial statements:	01.01.2022 – 30.06.2022	Reporting currency:	Polish zloty (PLN)
Level of rounding:	all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise)		



* Apator SA and Elkomtech data for H1 2021 included jointly.

As a result of strong export growth (+20.9% y/y) generated by both main lines (e.e. metering and switchgear) and weaker domestic performance, the share of exports in Apator SA's total sales increased by more than 4 p.p. to 26.2% of total revenues in the first half of 2022. The company is gradually expanding sales of new product lines of ee meters dedicated to the German market. As a result, revenue from meter sales increased in Germany by PLN 5.6 million year-on-year, and in the group of "new" meters alone (whose sales in the first half of 2021 were not there at all or were realized to a very limited extent) the increase was nearly PLN 11 million (consistently, the share of these meters exceeded in the first half of this year. 64% of total meter sales to Germany). At the same time, increased export orders were realized in the switchgear line from such markets as Brazil, Romania, Germany and Israel, among others, as well as from markets of lesser importance to the line's total exports in earlier periods (i.e., the Finnish, Slovak and British markets). As a result, total turnover in the aforementioned three markets after H1 2022 exceeded PLN 1.6 million, and was thus nearly 1.5 million higher compared to H1 2021.



* Apator SA and Elkomtech data for H1 2021 included jointly.

Operating expenses by function and type

With respect to the structure of costs by type, the largest items are material costs, third-party services and salaries (the percentages in H1 2022 were at the levels of 53%, 13% and 21% of total costs, respectively). Costs of materials and energy consumption were significantly higher in the first half of 2022 than a year ago, which was partly related to the increase in the scale of turnover, but was primarily the result of significant increases in the prices of production materials, mainly plastics, non-ferrous metals (copper) and electronic components, as well as energy costs.

Entity name:	Apator Group		
Period covered by the financial statements:	01.01.2022 – 30.06.2022	Reporting currency:	Polish zloty (PLN)
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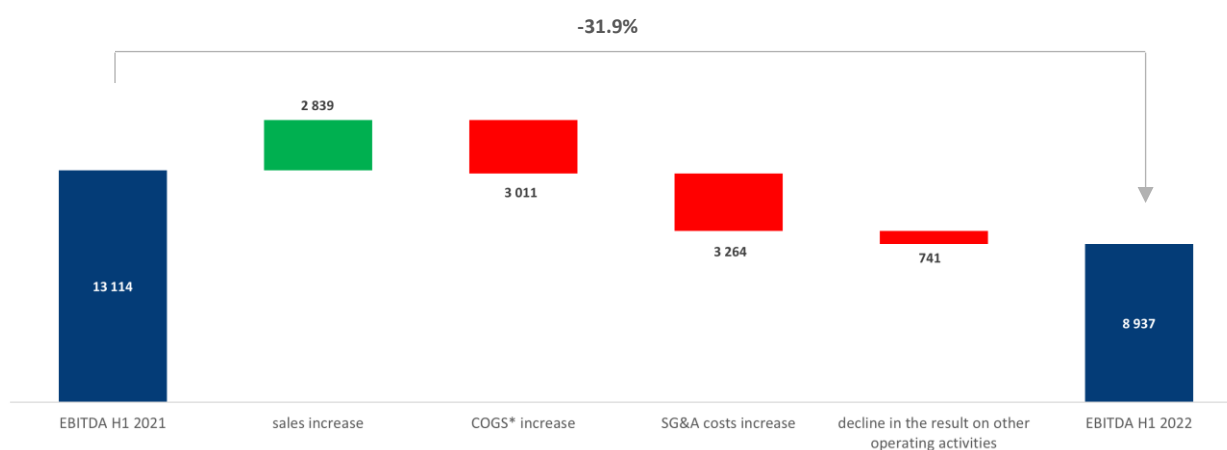
At the same time, the perceived pressure for salary increases has translated into growth in the employee benefits category. On the other hand, third-party service costs were lower than a year ago, with the biggest savings generated in the items of foreign processing, consulting services and the hiring of temporary workers (as determined by the reduction in the scale of temporary employment).

EBITDA

The factors described above, i.e., a slight increase in sales with simultaneous more than proportional increases in manufacturing costs and SG&A costs, resulted in declines in margins and, consequently, in results already from the level of gross profit on sales and the appearance of a loss at the levels of profit on sales and operating profit.

In addition, the result on other operating activities, although positive, was nevertheless considerably weaker than in H1 2021, which was primarily due to more than twice the y/y amount of compensation received (in H1 2021, compensation of PLN 1.5 million related to covering part of the cost of replacing electricity meters supplied in 2014-2017 under a claim).

Taking these factors into account, EBITDA margin decreased by 2.5 p.p. y-o-y to 5.1%.



* Apator SA and Elkomtech data for H1 2021 included jointly.

* Cost of goods sold - COGS (cost of goods sold) less depreciation.

The deterioration in the Company's performance, which we have already experienced in 2021, has prompted action in the area of contract renegotiations and price list changes for partners and distributors. Also, bids submitted in current tenders have begun to take inflationary mechanisms into account. At the same time, work continued on improving operational efficiency in the Company and restrictions and strict cost control were introduced in areas where this was possible. The first positive effects of these measures are visible in the Company's results for the second quarter of 2022.

Net result

As a result of the lower result on sales and operations, with a concomitantly lower by PLN 0.6 million in profit on financing activities, net profit after H1 2022 amounted to PLN 22.4 million.

Entity name:	Apator Group		
Period covered by the financial statements:	01.01.2022 – 30.06.2022	Reporting currency:	Polish zloty (PLN)
Level of rounding:	all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise)		

6.3. Composition of the management and supervisory bodies of the parent company

The Supervisory Board

At the 30th June 2022 the composition of the Supervisory Board of Apator SA was as follows:

1. Janusz Niedźwiecki - Chairman of the Supervisory Board (independent as defined by the DPSN 2021),
2. Mariusz Lewicki - Deputy Chairman of the Supervisory Board,
3. Janusz Marzygliński - Supervisory Board member,
4. Danuta Guzowska - Supervisory Board member,
5. Kazimierz Piotrowski - Supervisory Board member,
6. Marcin Murawski - SB member (independent as defined by the DPSN 2021),
7. Tadeusz Sosgórnik - Supervisory Board member.

The current 5-year term of the Supervisory Board began on the date of the Annual General Meeting, i.e. July 2, 2020, and will last until the date of the Annual General Meeting in 2025.

The Management Board

At the 30th June 2022 the composition of the Management Board of Apator SA was as follows:

1. Arkadiusz Chmielewski - President of Management Board, Business Development Director of the Apator Group,
2. Tomasz Łątka - Member of the Management Board, General Director of Apator SA.

The current joint 3-year term of office of the Board of Directors ends on the date of the Annual General Meeting in 2025.

6.4. Shares, Shareholders

6.4.1. Share capital

At 30.06.2022, as well as at the date of publication of this report, the share capital of Apator SA is 3,277,722.80 PLN and is divided into 7,332,491 registered shares of A series and 25,444,737 bearer shares of A, B series and C with a nominal value of PLN 0.10 each. The total number of votes at the General Meeting resulting from all issued shares is 54,774,701.

As of 30th June 2022				
	Number of shares	Share structure %	Number of votes	Vote structure %
Registered shares	7 332 491	22.4%	29 329 964	53.5%
Bearer shares	25 444 737	77.6%	25 444 737	46.5%
Total shares	32 777 228	100.00%	54 774 701	100.00%

On 28th June 2022. General Shareholders Meeting adopted the resolution on reduction of share capital as a result of redemption of 130.155 shares of Apator SA acquired under the buyback program (see par. 6.4.2). As at the date of signing this report, the capital reduction has not been registered in the National Court Register [KRS]. After the capital decrease is registered in the KRS, the Company's share capital will amount to PLN 3,264,707.30.

Entity name:	Apator Group		
Period covered by the financial statements:	01.01.2022 – 30.06.2022	Reporting currency:	Polish zloty (PLN)
Level of rounding:	all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise)		

6.4.2. Implementation of the share buy-back programs

Share repurchase programme in 2021/2022

On June 29, 2021, the General Meeting of Shareholders of Apator SA adopted Resolution No. 23/VI/2021 on the implementation of the next Own Share Repurchase Program for redemption and reduction of share capital. An amount not exceeding PLN 10 million has been earmarked for the implementation of the Programme. Implementation of the Program ran from August 10, 2021 through May 31, 2022. The repurchase of shares was executed through the agency of Erste Securities Polska SA with its registered office in Warsaw. On June 28, 2022, the General Meeting of Shareholders of Apator SA adopted the Resolution No. 26/VI/2022 on closing the above-mentioned Program.

Within the share buy-back program, 130,155 bearer shares were bought back (for the total amount of 2,399.8 thousand), carrying 130,155 votes at the GM, representing a total of 0.3971% of the share capital and 0.2376% of the total number of votes. Currently, the procedure for reduction of share capital and cancellation of purchased shares is underway.

Share repurchase programme in 2022/2023

On June 28, 2022, the General Meeting of Shareholders of Apator SA adopted Resolution No. 32/VI/2022 on the implementation of the next Own Share Repurchase Program for redemption and reduction of share capital, in the amount not exceeding 10 million PLN, in the period from July 7, 2022 to May 31, 2023.

The company did not acquire any shares under the above program.

6.4.3. Ownership and changes in the structure of significant shareholders

Shareholders holding at least 5% of the total number of votes:

Specification	As of May 19, 2022.				As of 30 August 2022				Balance change	
	shares	votes	shares (%)	votes (%)	shares	votes	shares (%)	votes (%)	purchase	sales
Apator Mining	3 224 000*	3 600 000	10.98%	6.57%	3 600 000	3 600 000	10.98%	6.57%	-	-
Aviva OFE Aviva Santander SA	3 338 888**	3 338 888	10.19%	6.10%	3 338 888**	3 338 888	10.19%	6.10%	-	-
Mariusz Lewicki	2 314 000	5 876 128	7.06%	10.73%	2 314 000	5 876 128	7.06%	10.73%	-	-
Tadeusz Sosgórnik and his close associate***	1 905 798	5 816 604	5.81%	10.62%	1 918 598	6 129 404	5.85%	11.19%	12 800	-
Danuta Guzowska	1 520 279	4 382 921	4.64%	8.00%	1 520 279	4 382 921	4.64%	8.00%	-	-
Zbigniew Jaworski	1 455 000	3 754 044	4.44%	6.85%	1 455 000	3 754 044	4.44%	6.85%	-	-
Kazimierz Piotrowski and his wife	823 955	2 818 277	2.51%	5.15%	823 955	2 818 277	2.51%	5.15%	-	-
Summary	14 957 920	29 586 862	45.63%	54.02%	14 970 720	29 899 662	45.67%	54.59%	12 800	-

* on shares belonging to Apator Mining sp. z o. o. registered pledge was established in favour of PKO Bank Polski SA in order to secure bank's claims due to investment contract of Apator Powogaz SA. In accordance with the content of the contract of registered pledge the performance of the rights from the shares covered by the pledge was left to Apator Mining Sp. z o.o.

** holdings based on OFE's published asset structure as of December 31, 2021.

*** the shareholding of Tadeusz Sosgórnik is presented jointly with the shareholding of a person closely related to him. The total presentation of the possession of Tadeusz Sosgórnik is valid since the 2nd July 2020 that is since the day of the entry to the Supervisory Board of Apator SA.

Entity name:	Apator Group		
Period covered by the financial statements:	01.01.2022 – 30.06.2022	Reporting currency:	Polish zloty (PLN)
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6.4.4. Ownership and changes in the ownership structure of shares of managing and supervising persons

Specification	As of May 19, 2022*				As of 30 August, 2022*				Balance change	
	shares	votes	shares (%)	votes (%)	shares	votes	shares (%)	votes (%)	purchase	sale, donation
SB Mariusz Lewicki	2 314 000	5 876 128	7.06%	10.73%	2 314 000	5 876 128	7.06%	10.73%	-	-
SB Tadeusz Sosgórnik	1 466 738	5 377 544	4.47%	9.82%	1 566 738	5 777 544	4.78%	10.55%	100 000	-
SB Danuta Guzowska	1 520 279	4 382 921	4.64%	8.00%	1 520 279	4 382 921	4.64%	8.00%	-	-
SB Janusz Marzygliński	571 247	2 019 023	1.74%	3.69%	471 247	1 619 023	1.44%	2.96%	-	100 000
SB Kazimierz Piotrowski	587 147	2 107 853	1.79%	3.85%	587 147	2 107 853	1.79%	3.85%	-	-
SB Janusz Niedźwiecki	255 810	945 117	0.78%	1.73%	255 810	945 117	0.78%	1.73%	-	-
Summary	6 715 221	20 708 586	20.48%	37.82%	6 715 221	20 708 586	20.49%	37.82%	100 000	100 000

* Data includes only shares held by management and supervisory personnel, not including shares held by closely related persons.

6.4.5. Dividend from the profit for 2021

On 28th June 2022 Ordinary General Shareholders Meeting of Apator SA decided to pay the dividend from the profit for 2021 in amount of 0.50 PLN gross per share. The total amount allocated to dividends, as decided by the General Meeting, is PLN 16,352,623.00 from the 2021 profit.

Shareholders holding shares on January 17, 2022 were paid on January 24, 2022 an advance on the expected dividend from profit for 2021 in the total amount of PLN 9,823,208.40, or PLN 0.30 gross per share. 32,744,028 registered shares of series A and bearer shares of series A, B and C were entitled to receive advance payments towards the expected dividend.

The remaining dividend in the total amount of PLN 6,529,414.60, or PLN 0.20 gross per share, will be paid on August 31, 2022 (on the date of publication of this report). The right to this part of the dividend was obtained by shareholders holding shares of Apator SA on July 6, 2022.

32,647,073 registered shares of A series and bearer shares of A, B and C series are entitled to the payment of the remaining part of the dividend.

Advance payment of dividend from profit for 2021	Number of shares	Advance payment on account of dividend per share	Advance dividend paid on January 24, 2022.
Registered shares	7 337 001	PLN 0.30	PLN 2 201 100.30
Bearer shares	25 407 027	PLN 0.30	PLN 7 622 108.10
Repurchased shares	33 200*	PLN 0.00	PLN 0.00
Total shares	32 777 228		PLN 9 823 208.40

* in the payment of the dividend advance, the shares bought back under the buyback did not participate.

Remaining dividend from 2021 earnings	Number of shares	Remaining dividend per share	Remaining part of dividend
Registered shares	7 332 491	PLN 0.20	PLN 1 466 498.20
Bearer shares	25 314 582	PLN 0.20	PLN 5 062 916.40
Repurchased shares	130 155*	PLN 0.00	PLN 0.00
Total shares	32 777 228		PLN 6 529 414.60

* shares repurchased as part of the ongoing buyback do not participate in the payment of the remaining dividend.

Apator SA since its stock exchange debut in 1997 paid to its Shareholders about PLN 510 million in form of dividend and own shares buy-back programmes.

Entity name:	Apator Group		
Period covered by the financial statements:	01.01.2022 – 30.06.2022	Reporting currency:	Polish zloty (PLN)
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7. Rules for the preparation of condensed standalone items and consolidated half-yearly financial statements and statement of the Management Board

7.1. Rules for preparing condensed separate and consolidated semi-annual financial statements

The principles for the preparation of the condensed semi-annual separate financial statements are described in item 2 of the condensed semi-annual separate financial statements of the Apator Group for the period from January 1 to June 30, 2022.

The principles of preparation of condensed consolidated half-yearly financial statement have been described in item 2 of the condensed consolidated half-yearly financial statement of Apator Group for the period since 1st January till 30th June 2022.

7.2. Statement of the Management Board of Apator SA on the preparation of the financial statement and the report of the Management Board

The Management Board of Apator SA declares that according to the best knowledge of the Management Board the condensed semi-annual separate and condensed semi-annual consolidated financial statements for the first half of 2022. Apator Group have been prepared in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting". Both Apator SA and Apator Group apply the provisions of the Act. on accounting and the implementing regulations issued on its basis, to the extent not regulated by IAS/IFRS.

Individual financial statements of the abridged half-yearly and consolidated financial statements reflect in real, reliable and clear manner the property and financial situation of Apator SA, Apator Group and their financial result. Detailed principles of preparation of these statements were included in notes to the condensed semi-annual separate and condensed semi-annual consolidated financial statements.

The report of the Management Board on activity of Apator SA and Apator Group contains true image of development, achievements and situation of the Company and Apator Group including description of the essential risks and threats.

8. Indication of the statutory auditor and the statement of the Management Board of Apator SA on the selection of the statutory auditor

Both the audit of the condensed semi-annual unconsolidated financial statements and the review of the condensed semi-annual consolidated financial statements were conducted by an entity authorized to audit financial statements - PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp. k. based in Warsaw.

The Management Board of Apator SA declares that the entity authorized to audit the financial statements, PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp. k., that audited the condensed semi-annual individual financial statement and the review of condensed semi-annual consolidated financial statement was selected in accordance with legal regulations. The appointment of the entity for audit and review of statements was made by Supervisory Board of Apator SA on 26th March 2021 according to § 15 of the Statute of Apator SA that is in the manner ensuring its independence at performance of entrusted tasks. The selection of the entity authorized to audit financial statements was carried out in accordance with the applicable regulations and professional standards. The Supervisory Board of Apator SA made the choice

Entity name:	Apator Group		
Period covered by the financial statements:	01.01.2022 – 30.06.2022	Reporting currency:	Polish zloty (PLN)
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of PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp. k. to review and audit individual and consolidated financial statements for the years 2021-2023.

In 2022, PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp. k. performed an attestation service to verify the completeness and compliance with applicable requirements of the information contained in the remuneration report for the year ended December 31, 2021, and performed work on assessing the correctness of tagging the consolidated financial statements of the Apator Group for 2020 in XBRL format, in accordance with the ESMA derived single European reporting format ESEF. European Single Electronic Format).

PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp. k. - entered in the register of entities authorized to audit financial statements under number 44, as well as members of its Management Board and statutory auditors performing financial audit activities for Apator SA and related entities, meet the conditions of impartiality and independence specified in Article 69 of the Act of 11 May 2017 on statutory auditors, audit firms and public oversight.

9. Summary

The Management Board of Apator SA states that the factors and events indicated in the consolidated periodical report exhaust all important information on significant achievements and failures, as well as information significant for the assessment of the situation of Apator Group, including human resources, property, financial situation, financial result and their changes and the assessment of the possibility to perform the obligations by the Company and the Group.

Entity name:	Apator Group		
Period covered by the financial statements:	01.01.2022 – 30.06.2022	Reporting currency:	Polish zloty (PLN)
Level of rounding:	all amounts are expressed in thousands of Polish zlotys (unless indicated otherwise)		

Signatures

30 August 2022

Arkadiusz Chmielewski

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

30 August 2022

Tomasz Łątka

Member of the Board, General Director of Apator SA

Apator SA

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Entity name:	Apator Group		
Period covered by the financial statements:	01.01.2022 – 30.06.2022	Reporting currency:	Polish zloty (PLN)
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