

OPINION OF THE STATUTORY AUDITOR

OPINION OF THE INDEPENDENT STATUTORY AUDITOR

For the General Meeting of Apator S.A.

Opinion on consolidated financial statement

We have audited the consolidated financial statement of the Capital Group, where the parent entity is Apator S.A. with the registered office in Toruń, ul. Gdańska 4A, room C4 (“the Capital Group”), composed of the consolidated statement of financial position prepared as at December 31, 2015, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year ended on this day and additional notes to the financial statement concerning the applied accounting principles and other explanatory notes.

Responsibility of the Management and the Supervisory Board

The Management Board of the Parent Entity is responsible the preparation and fair presentation of this consolidated financial statement pursuant to the International Financial Reporting Standards as adopted by the European Union and other applicable regulations and for preparation the Management Report. The Management Board of the Parent Entity is also responsible for internal control as management deems it necessary to enable the preparation of the financial statements that are free of material misstatements, whether due to fraud or error.

Pursuant to the Accounting Act of September 29, 1994 (Dz. U. of 2009 No. 152, item 1223 as amended) (“Accounting Act”) the Management Board of the Parent Entity and the members of the Supervisory Board are required to ensure that the consolidated financial statement and the management report are in compliance with the requirements set forth in the Accounting Act.

Responsibility of the Statutory Auditor

Our task was to express the opinion about this financial statement on the basis of this audit. The audit of the consolidated financial statement was conducted pursuant to provisions of the chapter 7 of the Accounting Act, national financial reporting standards issued by the National Board of Statutory Auditors in Poland and International Financial Reporting Standards. Those regulations require that we comply with ethical requirements and to plan and perform the audit to obtain the reasonable assurance about whether that the financial statements are free of material misstatements.

The audit involves performing procedures to obtain audit evidence about amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risk of material misstatement of the consolidated financial statement whether due to fraud or error. In making those risk assessment, we consider the internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the attached consolidated financial statements of the Capital Group of Apator S.A. have been prepared and present fairly, in all material respects, the financial position of the Company as of December 31,

2015, the results of its operations and its cash flows for the fiscal year ending this day in conformity with the International Financial Reporting Standards as adopted by the European Union, are compliant with all regulations that apply to the consolidated financial statement.

Special explanations on other law requirements and regulations

Management Report of the Capital Group

As required under the Accounting Act, we also report that the Management Report of the Capital Group includes the information required by Art. 49 of the Accounting Act and of the Ordinance of the Minister of Finances dated 19 February 2009 on the current and periodic information provided by the issuers of securities and conditions of considering as equal the information required by the legal provisions of the non-member country (Dz. U. 2009 No. 33, item 259 as amended) and information is consistent with the consolidated financial statement.

On behalf of KPMG
Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Registration No. 3546
Chłodna 51
00-867 Warszawa

Rafał Wiza
Key Statutory Auditor
Registration No. 11995
Limited Partner, Proxy

Poznań, April 22, 2016

REPORT SUPPLEMENTING THE OPINION OF THE STATUTORY AUDITOR

Capital Group Apator S.A.

Report supplementing the opinion on the audit of the consolidated financial statement for the year ending
December 31, 2015

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Report supplementing contains 13 pages
Report supplementing the opinion on the audit of the consolidated financial statement for the year ending
December 31, 2015

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1. General

1.1. Information about the Capital Group

1.1.1. Name of the Capital Group

Capital Group Apator SA.

1.1.2. Registered office of the Parent Entity

ul. Gdańska 4A, room C4
87-100 Toruń

1.1.3. Registration of the parent entity in the National Court Register

Registering Court: District Court in Toruń, 7th Commercial Division of the National Court Register

Date: October 24, 2001

Registration No.: KRS 0000056456

Share capital

as of the end of the period: PLN 3 310 702.80

1.1.4. Management of the Parent Entity

The position of the manager of the Parent Entity is held by the Management Board.

The Management Board of the Parent Entity as of December 31, 2012 consisted of:

- Mr Andrzej Szostak - President of the Management Board
- Mr Piotr Nowak - Member of the Management Board

As of 31 March 2015 Mr Tomasz Habryka resigned from its position in the Management Board.

As of 23 June 2015 Mr Jerzy Kuś resigned from its position in the Management Board.

Under the resolution adopted 18 February 2016 Mr Piotr Dobrowolski is a Member of the Management Board on 22 February 2016.

1.2. Information on entities belonged to the Capital Group

1.2.1. Entities included in the consolidated financial statement

As of December 31, 2013 the following entities belonging to the Capital Group were included in the scope of consolidation:

Parent entity:

- Apator S.A.

Subsidiaries included to the full method of consolidation:

- Apator Control Sp. z o.o.,
- Apator Mining Sp. z o.o.,
- FAP Pafal S.A.,
- Apator Metrix S.A.,
- Apator GmbH (Germany),
- Apator Rector Sp. z o.o.,
- Apator Powogaz S.A.,

- Apator Elkomtech S.A.,
- Apator Telemetry Sp. z o.o.,
- Apator Metra s. r. o. (Czech),
- Apator Metroteks TOV (Ukraine),

Joint-controlled entities measured by equity method:

- Apator Elektro (Russia),
- ZAO Teplovodomer (Russia)
- Inda d.o.o. (Slovenia).

The following subsidiaries have been included in the scope of consolidation for the first time in the fiscal year ending on December 31, 2015 due to taking up the control by the Parent Entity:

- Apator Miitors ApS (Denmark)- entity consolidated for the period from 1 April 2015 to 31 December 2015,
- iMeters Sp. z o.o. - entity consolidated for the period from 11 to 31 December 2015.

1.2.2. Entities not included in the consolidated financial statement

As at December 31, 2015 all entities belonging to the Capital Group were consolidated.

1.3. Information about the statutory auditor and entity authorized to audit financial statements

1.3.1. Information about the statutory auditor

Name and surname: Rafał Wiza
Register No.: 11995

1.3.2. Information about the authorized entity

Company: KPMG Spółka z ograniczoną odpowiedzialnością
Sp.k.
Registered office: ul. Chłodna 51, 00-867 Warszawa
Registration No.: KRS 0000339379
Registry Court: District Court for the capital city of Warsaw in Warsaw
12th Commercial Division of the National Court Register, NIP [Tax
Identification Number]: 527-26-15-362

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. is entered into the list of the entities authorized to audit the financial statements kept by the National Chamber of Statutory Auditors with the number 3546.

1.4. Information about the consolidated financial statement for the previous fiscal year

The consolidated financial statement of the parent entity for the fiscal year ending December 31, 2014 was audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. the entity authorized to audit financial statements and obtained the opinion without any reservations.

The consolidated financial statement has been approved by the General Meeting on 22 June 2015.

The consolidated financial statement has been submitted to the Registering Court on 8 July 2015.

1.5. Scope of activities and responsibilities

This report was prepared for the General Meeting of Apator S.A., seated in Toruń, ul. Gdańska 4A, room C4 and refers to consolidated financial statements composed of the consolidated statement of financial position prepared as at December 31, 2015, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year ended on this day and additional notes to the financial statement concerning the applied accounting principles and other explanatory notes.

The parent entity prepares the consolidated financial statement pursuant to the International Financial Reporting Standards, which were approved by the European Union based on resolution of the Extraordinary General Meeting of Shareholders of 20 December 2004.

The audit of the consolidated financial statement was conducted pursuant to the agreement of 7 January 2014 concluded under Resolution of the Supervisory Board of 12 December 2013 referring to the selection of the entity authorized to audit the financial statement.

The audit of the consolidated financial statement was carried out pursuant to the provisions of the chapter 7 of the Accounting Act of September 29, 1994 (Dz. U. of 2009 No. 152, item 1223 as amended) ("Accounting Act"), National Financial Reporting Standards issued by the National Chamber of Statutory Auditors and International Financial Reporting Standards.

The audit of the consolidated financial statement was carried out in the entities belonging to the Capital Group in the period from 15 February to 4 March 2016.

The Management Board of the Parent Entity is responsible for accuracy of the accounting books, for preparing and reliable presentation of the consolidated financial statement pursuant to the International Financial Reporting Standards, which were adopted by the European Union and other applicable regulations and for preparation the Management Report.

Our task was to express the opinion and to prepare the supplementing report referred to this consolidated financial statement on the basis of the audit.

On date of this report the Management Board of the Parent Entity submitted the statement on fairness and clearness of the attached financial statement and that there are not any events not disclosed in the consolidated financial statement which could have an influence on information presented in the consolidated financial statement for the year.

During the audit of the consolidated financial statement the Management Board of the Parent Entity submitted all the required statements, explanations and information and provided us with all documents and information necessary to issue the opinion and to prepare the report. The scope of planned and executed works has not been limited in any manner. The scope and manner of the audit result from the prepared working documents, which are held in the registered office of the authorized entity.

The Key Statutory Auditor and the entity authorized meet the requirement of being independent of the entities belonging to the audited the Capital Group in the meaning of Art. 56 sec. 3 and 4 of the Act of May 7, 2009 on the on Statutory Auditors, Their Self-Governing Organisation, and Entities Authorised to Audit Financial Statements and on Public Oversight (Dz. U. of 2009, No. 77 item 649 as amended).

1.6. Information on audited entities included to the scope of consolidation

1.6.1. Parent entity

The separate financial statement of the parent entity for the fiscal year ending December 31, 2015 was audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. the entity authorized to audit financial statements and obtained the opinion without any reservations.

1.6.2. Other entities included in the scope of consolidation

Entity's name	The entity authorized to audit	Reporting date	Status of the opinion of the statutory auditor
Apator Control Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	December, 31, 2015	No reservations.
Apator Mining Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	December, 31, 2015	No reservations.
FAP Pafal S.A.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	December, 31, 2015	No reservations.
Apator Metrix S.A,	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	December, 31, 2015	No reservations.
Apator GmbH	It does not require audit.	December, 31, 2015	Not applicable.
Apator Rector Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	December, 31, 2015	Not modified
Apator Powogaz S.A.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	December, 31, 2015	Not modified
Apator Elkomtech S.A.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	December, 31, 2015	Not modified
Apator Telemetria Sp. z o.o.	Gdańska Grupa Audytorów Sp. z o.o.	December, 31, 2015	Not modified
Apator Metra s.r.o.	KPMG Česká republika, s.r.o.	December, 31, 2015	Not modified
OOO Apator Elektro	It does not require audit.	December, 31, 2015	Not applicable.
Apator Metroteks TOV	It does not require audit.	December, 31, 2015	Not applicable.
ZAO Teplovodamer	"Biznes-Audyt" OOO	December, 31, 2015	Not modified.
Inda d.o.o.	It does not require audit.	December, 31, 2015	Not applicable.
Miitors ApS	KPMG P/S	December, 31, 2015	Not modified.
George Wilson Industries Ltd.	KPMG UK	December, 31, 2015	Not modified.
iMeters Sp. z o.o.	It does not require audit.	December, 31, 2015	Not applicable.

2. Financial analysis of the Capital Group

2.1. General analysis of the consolidated financial statement

2.1.1. Consolidated statement of financial condition

ASSETS	31.12.2015	%	31.12.2014*	%
	PLN'000	assets	PLN '000	assets
Non-current assets				
Intangible assets	76 085	9,6	36 610	5,2
Goodwill of subsidiaries	122 685	15,4	98 142	14,0
Property, plant and equipment	184 187	23,2	169 601	24,2
Investment property	1 633	0,2	1 643	0,2
Investments in affiliates and joint subsidiaries measured by equity method	2 569 2	0,3	17 719	2,5
Other long-term financial assets	2	0,0	-	-
Granted long-term loans	-	-	9 016	1,3
Long-term receivables	7 387	0,9	7 507	1,1
Long-term accrued and deferred assets	62	0,0	2	0,0
Deferred tax assets	35 719	4,6	21 866	3,2
Total non-current assets	430 329	54,2	362 106	51,7
Current assets				
Inventories	995 359	18,2	94 053	18,6
Trade receivables	116 106	22,2	102 711	20,4
Receivables due to corporate income tax	1 314	0,3	63	0,0
Receivables due to other taxes, subsidies, customs and social insurances	126 684	15,9	101 303	14,5
Other current receivables	150 023	18,9	136 866	19,5
Other short-term financial assets	1 883	0,2	145	0,0
Cash and cash equivalents	8 363	1,1	8 947	1,3
Short-term accrued and deferred assets	30 487	3,8	24 212	3,5
Non-current assets held for re-sale	1 124	0,1	2 455	0,4
Total current assets	42 384	5,3	62 102	8,9
TOTAL ASSETS	794 267	100,0	700 183	100,0

* The statement transformed pursuant to the Note 7.36 to the consolidated financial statement

LIABILITIES	31.12.2015	%	31.12.2014	%
	PLN'000	liabilities	PLN '000	liabilities
Equity				
Share capital	3311	0,4	3 311	0,5
Other capitals	318 398	40,1	272 199	38,9
Revaluation capital from defined benefit plans	(58)	0,0	85	0,0
Capital from measurement of hedging transactions and exchange differences from consolidation				
Undivided financial result	(2 986)	(0)	(2 824)	0,4
Equity of the shareholders of the parent entity	416 282	52,4	385 518	55,1
NCI	4 676	0,6	2 033	0,3
Total equity	420 958	53,0	387 551	55,4
Liabilities				
Long-term borrowings	82 581	10,4	71 608	10,2
Long-term liabilities	34 539	4,3	22118	3,2
Provision for deferred income tax	7 996	1,0	6107	0,9
Provisions and liabilities due to employee benefits	8 343	1,1	8 016	1,0
Other long-term provisions	391	0,1	391	0,1
Total long-term liabilities	133 850	16,9	108 240	15,4
Short-term borrowings	112 007	14,1	94 008	13,4
Trade liabilities	66 148	8,3	52 843	7,5
Liabilities due to corporate income tax	2 799	0,4	7 864	1,1
Liabilities due taxes, customs and social insurances	14 492	1,8	14 651	2,1

Other short-term liabilities	28 943	3.6	15 633	2.2
Short-term provisions for liabilities due to employee benefits	10 733	1.4	11 955	1.7
Other short-term provisions	4 337	0.5	7 438	1.2
Total short-term liabilities	239 459	30.1	204 392	29.2
Total liabilities	373 309	47.0	312 632	44.6
TOTAL LIABILITIES AND EQUITY	794 267	100.0	700 183	100.0

* The statement transformed pursuant to the Note 7.36 to the consolidated financial statement

2.1.2. Consolidated statement of comprehensive income

	1.01.2015	%	1.01.2014 -	%
	31.12.2015	Revenues from sale	31.12.2014 *	Revenues from sale
	5		*	
	PLN'000		PLN'000	
Revenues	768 510	100.0	724 994	100.0
Cost of sales	(560 458)	72.9	(507 805)	70.0
Gross profit from sales	208 052	27.1	217 189	30.0
Distribution expenses	(36 396)	4.7	(34 124)	4.7
Administration expenses	(96 003)	12.5	(81 202)	11.2
Other operating revenues	429	0.1	354	0.0
Share in profits of entities included in the scope of consolidation by equity method	1 925	0.3	4 043	0.6
Revenues from restructuring	1 460	0.2	140	0.0
Profit from operating activities	79 467	10.4	106 400	14.7
Finance income	7 173	0.9	5 675	0.8
Finance cost	(8 367)	1.1	(6 725)	0.9
Profit before tax	78 723	10.2	105 350	14.5
Current income tax	(15 762)	2.1	(18 930)	2.6
Deferred income tax	330	0.0	(1 732)	0.2
Net profit for the fiscal year	62 841	8.2	84 688	11.7
OTHER COMPREHENSIVE INCOME				
Exchange differences from translation the foreign units	1 333	0,2	(1 323)	0,2
Profit on hedge accounting	(1 517)	0.2	(2 153)	0.3
Items to be reclassified to the profit of the year				
Revaluation of provisions due to defined benefit plan with tax effect	(143)	0.0	(270)	0.0
Net other comprehensive income for the fiscal year	(327)	0.0	(3 746)	0.5
Total comprehensive income for the fiscal year	62 514	8.1	80 942	11.2
Net profit (loss), attributable to:				
Shareholders of the company	60 102		83 802	
Shareholders of NCI	2 739		886	
Net profit for the year	62 841		84 688	
Total comprehensive income, attributable to:				
Shareholders of the company	59 797		80 805	
Shareholders of NCI	2 717		857	
Total comprehensive income for the fiscal year	62 514		80 942	
Net profit per one ordinary share:				
- basic	2.04		2.84	
- diluted	2.04		2.84	

2.2. Selected financial ratios

	2015	2014	2013
1. Return on sales			
<u>Net profit x 100%</u> net revenues	8.2%	11.7%	10.0%
2. Return on equity			
<u>Profit for the year x100%</u> equity-profit for the year	17.5%	28.0%	26.4%
3. Debtor's days			
<u>Average trade receivables x 365 days</u> net revenues	70 days	66 days	60 days
4. Debt ratio			
<u>Liabilities x 100%</u> equity and liabilities	47.0%	44.7%	37.7%
5. Current ratio			
<u>current assets</u> current liabilities	1.5	1.7	1.5

- Revenues from sales are comprised of revenues from sale of products, goods and materials.
- Average trade receivables are the arithmetic average of trade receivables from the beginning to the end of the reporting period, excluding the revaluation allowances.

3. Detailed report

3.1. Accounting principles

The Parent Entity maintains current documentation describing the applied accounting principles adopted by the Capital Group and approved by the Management Board of the Parent Entity.

The adopted accounting principles were presented in the notes to the consolidated financial statements to the extent required by the International Financial Reporting Standards as approved by the European Union.

The entities belonging to the Capital Group apply the same accounting principles compliant with the principles applied by the Parent Entity.

The financial statements of the entities included in the scope of consolidation were prepared at the end of the same reporting period as the financial statement of the Parent Entity.

3.2. The basis of preparation of the consolidated financial statement

The Capital Group Apator S.A. prepared the consolidated financial statements pursuant to the International Standards of Financial Reporting as recommended by the European Union, and other applicable regulations.

The consolidation documents prepared under the requirements of the Minister of Finances of 25 September 2009 on the special requirements for preparation of the consolidated financial statement by the entities other than banks and insurance companies (Dz. U. 2009 No. 169, item 1327).

3.3. Method of consolidation

The applied consolidation method was presented in the Note 4.2 of the notes to the consolidated financial statement.

3.4. Goodwill from consolidation

The method of determination of the goodwill from consolidation was presented in the Note 4.2. of the notes to the consolidated financial statement.

3.5. Consolidation of capitals and determining of NCI

The share capital of the Capital Group is the share capital of the Parent Entity.

The calculation of the other items of the equity of the Capital Group was made by adding the relevant items of the equity of the subsidiaries included in this financial statement to the relevant items of the equity of the Parent Entity, corresponding to the proportionate share of the Parent Entity in the equity of the subsidiaries as at the end of the reporting period.

The equity of the Capital Group includes only these items of the relevant components of the subsidiaries' equity, which are created from the control take up date.

The calculation of the non-controlling interest in the subsidiaries included in the consolidated financial statement was made under the proportionate share of NCI in the equity of the subsidiaries as at the end of the reporting period.

3.6. Consolidation exclusions

The consolidation exclusions referred to the intra-group settlements were made.

During the consolidation the exclusions of the sales between the entities of the Group, other intra-group revenues and operating expenses and the financial costs and revenues were made.

The data, the basis for these exclusions, were derived from the accounting records of Apator S.A. and were reconciled with the information received from the subsidiaries.

3.7. Additional notes to the consolidated financial statement

Information included in the explanatory notes to the separate financial statement including the description of the material accounting principles and other explanatory notes was presented completely and accurately in all material respects. This information should be read in conjunction with the consolidated financial statements.

3.8. Management Report of the Capital Group

The Management Board of the Capital Group includes, in all material respects, information required by Art. 49 of the Accounting Act and of the Ordinance of the Minister of Finances dated 19 February 2009 on the current and periodic information provided by the issuers of securities and conditions of considering as equal the information required by the legal provisions of the non-member country (Dz. U. 2009 No. 33, item 259 as amended) and information is consistent with the consolidated financial statement.

On behalf of KPMG Audyt Spółka z ograniczoną
odpowiedzialnością sp.k. , Reg. No. 3546,
ul. Chłodna 51, 00, 867- Warszawa

Rafał Wiza
Key Statutory Auditor
Registration No. 11995
Limited Partner, Proxy

Poznań, 22 April 2016