



## **Presentation includes selected issues from the report on activity of Supervisory Board of Apator SA in 2015**

Complete contents of the report has been available since 10 May 2016  
on the website of Apator SA: [www.apator.com](http://www.apator.com)

## Makeup of Supervisory Board and its sittings

### Makeup of Supervisory Board since 1 January 2015 till 22 June 2015

- » Janusz Niedźwiecki – Chairman of Supervisory Board
- » Mariusz Lewicki – Deputy Chairman of Supervisory Board
- » Janusz Marzygliński – Member of Supervisory Board
- » Danuta Guzowska – Member of Supervisory Board
- » Krzysztof Kwiatkowski – Independent Member of Supervisory Board
- » Marcin Murawski – Independent Member of Supervisory Board

*22 June 2015 - General Shareholders Meeting – nomination of Supervisory Board for the following five year tenure*

### Makeup of Supervisory Board since 23 June 2015 till 31 December 2015

- » Janusz Niedźwiecki – Chairman of Supervisory Board
- » Mariusz Lewicki – Deputy Chairman of Supervisory Board
- » Janusz Marzygliński – Member of Supervisory Board
- » Danuta Guzowska – Member of Supervisory Board
- » Kazimierz Piotrowski – Member of Supervisory Board
- » Marcin Murawski – Independent Member of Supervisory Board

**Sittings of Supervisory Board - 12 meetings, 22 resolutions**

## Makeup of Audit Committee and its sittings

### Makeup of Audit Committee since 1 January 2015 till 22 June 2015

- » Mariusz Lewicki – Chairman of Committee
- » Marcin Murawski – Independent Member of Committee
- » Krzysztof Kwiatkowski – Independent Member of Committee

### Makeup of Audit Committee since 28 July 2015 (date of nomination of Audit Committee by new Supervisory Board) till 17 December 2015

- » Mariusz Lewicki – Chairman of Committee
- » Marcin Murawski – Independent Member of Committee
- » Kazimierz Piotrowski – Member of Committee

*17 December 2015 Mariusz Lewicki resigned from the Chairman of Audit Committee due to new contents of the Best Practice for WSE Listed Companies. The Chairman of Audit Committee should comply with independence criterion.*

### Makeup of Audit Committee since 18 December 2015 till 31 December 2015

- » Marcin Murawski – Independent Chairman of Committee
- » Mariusz Lewicki – Member of Committee
- » Kazimierz Piotrowski – Member of Committee

**Sittings - 8 meetings, 4 resolutions**

## Changes in Management Board of Apator SA in 2015

### **Makeup of Management Board since 1 January 2015 till 31 March 2015**

- » Andrzej Szostak – President of Management Board
- » Tomasz Habryka – Member of Management Board
- » Jerzy Kuś – Member of Management Board
- » Piotr Nowak – Member of Management Board

*31 March 2015 - resignation of Tomasz Habryka, Supervisory Board reduces number of the members of Management Board to 3 persons*

### **Makeup of Management Board since 1 April till 23 June 2015**

- » Andrzej Szostak – President of Management Board
- » Jerzy Kuś – Member of Management Board
- » Piotr Nowak – Member of Management Board

*23 June 2015 – resignation of Jerzy Kuś, Supervisory Board reduces number of the members of Management Board to 2 persons*

### **Makeup of Management Board since 24 June 2015 till 31 December 2015**

- » Andrzej Szostak – President of Management Board
- » Piotr Nowak – Member of Management Board

## Remuneration policy

Remuneration system of Management Board:

- » fixed part of remuneration,
- » variable part of remuneration – motivated one :
  - quarterly bonuses depend on quarterly financial results achieved
  - annual award depends on performance of the annual budget and specified initiatives resulting out of development strategy for 2014-2019.

### Remuneration of Management Board in 2015

Total remuneration of Management Board in 2015 was PLN 2.480 000 and it covered:

- » remuneration paid by Apator SA – PLN 2.254 000, including bonuses and awards – PLN 907 000,
- » remuneration paid by subsidiaries – PLN 226 000

### Standpoint of Supervisory Board regarding the level of remuneration of Management Board

Remuneration of particular members of Management Board resulted out of their scope of responsibility and they remained in reasonable relation to:

- » level of remuneration of Management Board in similar public companies,
- » market value of the Company

## Financial statements and the reports of Management Board for 2015

### Evaluation of financial statements and reports by Supervisory Board:

On 10 May 2016 based on recommendation of the Audit Committee, the Supervisory Board issued the positive opinion about:

- » separate and consolidated financial statements for 2015,
- » Management Board's reports on activity of the Company and reports on activity of Apator Group .

The Supervisory Board confirms that financial data presented in annual financial statements for 2015 are;

- » reliable,
- » correct,
- » real,
- » prepared pursuant to obligatory accounting principles, applied continuously, based on correctly kept accounting books

**The financial statements and reports have been audited by**





## Exercising the supervision over activity of Apator SA and Apator Group

(1)

**Pursuant to art. 382 of the Polish Commercial Companies Code, the Supervisory Board has exercised permanent supervision over activity of the Company and Apator Group by:**

- » analysis of materials being received from Management Board on the request of Supervisory Board,
- » obtaining the information and detail clarifications from the members of Management Board and other employees of the Company during the sittings of Supervisory Board,
- » activity of Audit Committee,
- » activity of the statutory auditor who on behalf of Supervisory Board carried out the audit of financial-accounting documentation and prepared financial statements based on it.



## Exercising the supervision over activity of Apator SA and Apator Group

(2)

### Supervisory Board has exercised the supervision particularly over:

- » perspectives of development and performance of the strategy of activity of the Company and Apator Group, including particularly the strategy of development of gas meter line and conditions of important contracts concluded for the supply of gas meters to Dutch market of total value of EUR 28 m,
- » changes in economic and political environment and its influence on activity of Apator Group, particularly in the scope of sales capabilities (Russian market, energy sector – changes in personnel of the Polish Power Holdings, threat of limitation of investment programme),
- » current position and financial results of Apator SA and entities of Apator Group,
- » current review of the decisions of Management Board of Apator SA in adopted resolutions,
- » performance of financial budgets and strategic initiatives for 2015,
- » financial position of Apator Rector sp. z o.o., level of losses caused by the problems regarding the performance of delayed long-term contracts,
- » performance of consolidated financial results forecast for 2015 announced to the public,
- » dividend policy,

## Exercising the supervision over activity of Apator SA and Apator Group

(3)

### Supervisory Board exercised the supervision particularly over:

- » performance of acquisition projects including three ones successfully completed (Miitors, Fellows, GWi),
- » advancement of developments in metering and switchgear lines,
- » performance of activity aiming at limitation of negative influence of appreciation of USD on the level of costs (changes in design of products, re-negotiations of the conditions of the supplies and assurance of USD currency),
- » development strategy of IT in Apator Group,
- » personnel policy of Apator Group and remuneration system,
- » improvement of the rules of management of Apator Group (implementation of new corporate governance covering the amendments to the statutes and regulations of activity of supervisory boards and management boards),
- » implementation of the requirements of the Best Practice for WSE Listed Companies 2016,
- » CSR policy and sponsoring.

## Audit Committee

(1)

### The scope of works of Audit Committee in 2015 covered:

- » cooperation with statutory auditor that includes analysis of the scope and schedule of works being performed under financial auditing and analysis of declaration of the independence of KPMG and its statutory auditors,
- » discussion with statutory auditor about the course of financial auditing in APATOR S.A. and in entities of Apator Group,
- » auditing of financial statements and reports of Management Board for 2014 and making the recommendation for the Supervisory Board,
- » supervision over policy of hedging of currency risk and carry out regular analysis of forwards,
- » analysis of the proposals of Management Board aimed at introduction of consolidation of loans in Apator Group (umbrella financing),
- » supervision over internal control system,
- » supervision over market management system,

## Audit Committee

(2)

### Scope of works of Audit Committee covered:

- » analysis of the scope of tasks being performed by controlling department both in respect of Apator S.A. and Apator Group,
- » analysis of the level of capital expenditures and use of investment relief due to activity in Pomeranian Special Economic Zone,
- » pursuant to the rule III.Z.6 of the Best Practice for WSE Listed Companies 2016, analysis of organizational separation of the internal audit function in Apator SA and Audit Committee decided not to do it.

Moreover, Audit Committee issued recommendation to Supervisory Board regarding the level of payment of advance payment towards dividend from the profit for 2015 in gross amount of PLN 0,30 per share.

## Best Practice for WSE Listed Companies and the evaluation of its application

The Company has accepted the rules included in the Best Practice for WSE Listed Companies except:

- » Attendance of the General Shareholders Meeting by use of electronic communication means,
- » meeting the criterion of independence by two members of Supervisory Board ( since 23 June 2015).

### **Evaluation of Supervisory Board in respect of the Best Practice for WSE Listed Companies**

Members of Supervisory Board have accepted all the rules of the best Practice for WSE Listed companies regarding the activity of Supervisory Board.

Moreover, pursuant to the Best Practice for WSE 2016, Supervisory Board issues the positive opinion to:

- » fulfillment of information obligations of the Company in respect of corporate governance,
- » operation of sponsoring activity,
- » functioning of internal control system and risk management,
- » supervision over activity pursuant to the legal regulations.

There is no separate internal audit organization unit in the structure of the company but these functions are performed within ISO internal audits and the results of the audits are submitted to the Audit Committee.

## Evaluation of Supervisory Board

### Evaluation of activity of Apator SA and Apator Group

Supervisory Board in spite of negative events that took place in 2015 such like as:

- » problems of Apator Rector,
- » decrease of margins in the area of electricity meters and gas meters,
- » appreciation of USD exchange rate,

it issues positive opinion about consolidated results achieved:

- » revenues on sales PLN 769 m
- » EBITDA PLN 111 m
- » net profit PLN 63 m
- » net profitability 8%

Supervisory Board emphasises that the situation in Apator Group is good and steady and financial results achieved give Apator Group high position in standing among the Polish commercial companies with WSE Listed Companies included.

### Evaluation of the activity of Supervisory Board

Supervisory Board considers that guiding in its proceedings by interest of the Company and its capital group, it fulfilled its duties properly and pursuant to legal and formal terms, providing appropriate supervision over all the aspects of the activity.

## Applications of Supervisory Board to General Shareholders Meeting adopted at the sitting on 10 May 2016

### Applications for the approval:

- » financial statements and reports of Management Board for 2015,
- » report of Supervisory Board,
- » payment of dividend in gross amount of PLN 1 per share (with interim payment of gross amount PLN 0,3 per share included),
- » amendments to the Statutes of the Company,
- » amendments to the Regulations of General Shareholders Meeting,
- » amendments to the Regulations of Supervisory Board,
- » liquidation of reserve fund for the payment of dividend

### Applications for the vote of approval:

- » for all members of Management Board,
- » for all members of Supervisory Board.





**APATOR**

