

*Dear Stockholders, Clients and Co-workers:*

I present to you a report that summarises the activities of the capital group Apator in 2015. I do so being conscious of the fact that the results obtained by us in 2015 did not meet all the expectations of our Stockholders. Despite the weaker-than-expected financial results, Apator has proven that it can face challenges arising from unfavourable changes in market conditions.

The Apator Group closed 2015 with an increase of 6% in revenues from consolidated sales from year to year, which is the result of successful acquisitions made in the years 2014-2015 (mainly the inclusion of Elkomtech S.A. into the group in April 2014, offering power network management systems) and organic growth. In the Board's opinion, the EBITDA and net margins achieved, amounting to 14.4% and 8.2% respectively, should be considered as good results in unstable market conditions, reflecting a stable level of the Apator group's profitability. The group's financial results and balance sheet allow for a return value to the Stockholders in the form of a declared dividend payout from the 2015 revenue, in the amount of 1 PLN per share, and the further growth of the Apator group.

From a consolidated point of view, the group's margins have been, despite the good level of revenue from sales, under pressure from a series of adverse factors. Delays in the implementation of key long-term contracts were direct causes of net losses incurred by Apator Rector Sp. z o. o. (LLC). Deviations of real exchange rates from those budgeted (in particular the PLN/USD), resulted in a significant increase in production costs (mainly electricity meters and select types of water meters), which could not be compensated for with higher product prices due to the high level of competition and the steady level of margin erosion in this industry. The rise in overhead costs, including those of the acquisition processes being led, also contributed to the lower-than-expected margins.

The potential for significant improvement to the performance of Apator in 2016 stems from reparatory actions undertaken in 2015, such as: restoring operational control over the implementation of Apator Rector's contracts, and deepening the integration of the IT companies into the capital group. Cost-reducing initiatives were launched (among others, changing the structure of low-margin electricity meters). A policy for securing purchase transaction in USD was also implemented.

These and the many other initiatives that have been implemented in the Apator group allow for an optimistic outlook for the coming 2016 year. Good prospects for the development of the companies are reflected in the forecast for 2016, which establishes a goal for consolidated sales results amounting to 850 million PLN, and a net profit of 80 million PLN. New solutions under the Apator brand will debut in 2016, among others ultrasonic water meters and new communications technologies. Our goal is to significantly improve our financial results and to strengthen Apator's position in all major product groups.

On behalf of the Apator group Board, I would like to thank Our Stockholders, Supervisory Board, Contractors and all other Stakeholders for their trust and involvement in the shaping of the market success of the Apator group.

Yours faithfully,

*Andrzej Szostak*

*President of the Board of Apator SA*