Apator Miitors ApS
Bautavej 1 A
8210 Aarhus V

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www.miitors.com

Apator Miitors ApS

Annual report for the period 1 January – 31 December 2016

The annual report was presented and adopted at the Company's annual general meeting

on May 15 20 17

chairman Julie Nielsen

CVR no. 32 76 32 86

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Apator Miitors ApS for the financial year 1 January – 31 December 2016.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's activities for the financial year 1 January – 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report should be approved at the annual general meeting.

Aarhus, 8 May 2017
Executive Board:

Jens Drachmann

Board of Directors:

Krzysztof Zbigniew Prucnal
Chairman

Bartosz Sebastian Kazmierczak

Barbara Smigaj

Tom Ruhan

Independent auditor's report

Opinion

We have audited the financial statements of Apator Miitors ApS for the financial year 1 January – 31 December 2016, comprising income statement, balance sheet and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of financial statement wusers made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit 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 Company's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view

Independent auditor's report

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Aarhus, 8 May 2017
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Mikkel Trabjerg Knudsen
State Authorised
Public Accountant

Management's review

Company details

Apator Miitors ApS
Bautavej 1 A
DK-8210 Aarhus V

Telephone:	+45 51 41 82 42
Website:	www.miitors.com
E-mail:	info@miitors.com
CVR no.:	32 76 32 86
Established:	27 January 2010
Registered office:	Aarhus
Financial year:	1 January – 31 December

Board of Directors

Krzysztof Zbigniew Prucnal, Chairman
Bartosz Sebastian Kazmierczak
Barbara Smigaj
Tom Ruhan

Executive Board

Jens Drachmann

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Bredskifte Allé 13
DK-8210 Aarhus V

Management's review

Operating review

Principal activities

The principal activities of the Company are to develop and sell various meters and remote meter reading systems as well as to engage in any related business.

Development in activities and financial position

The results of the Company's operations during the year under review and its financial position at the end of the financial year are shown in the income statement and balance sheet.

Results and financial position at 31 December 2016 are in line with expectations.

Major events after the balance sheet date

No events have occurred after the balance sheet date to this date that would influence the assessment and evaluation of this annual report in any substantial way.

Financial statements 1 January – 31 December 2016

Income statement

	Note	2016	1 July 2014 – 31 December 2015
Gross profit		8,088,222	4,389,146
Staff costs	2	-1,396,019	-1,510,743
Amortisation of intangible assets	6	-2,191,458	-1,483,912
Ordinary operating profit		4,500,745	1,394,491
Financial income	3	8,958	15,635
Financial expenses	4	-38,042	-296,991
Profit before tax		4,471,661	1,113,135
Tax on profit for the year	5	-869,914	-213,293
Profit for the year		3,601,747	899,842

Proposed profit appropriation			
Retained earnings		-2,293,100	899,842
Reserve development projects		5,894,847	0
		3,601,747	899,842

Financial statements 1 January – 31 December 2016

Balance sheet

	Note	2016	2015
ASSETS			
Non-current assets			
Intangible assets	6		
Finished development projects		13,506,278	15,697,736
Development projects in progress		5,894,847	0
Total non-current assets		19,401,125	15,697,736
Current assets			
Inventories			
Finished goods		123,397	0
Total inventories		123,397	0
Receivables			
Receivables from group entities		928,075	871,662
Other receivables		583,765	396,349
Corporation tax receivable		0	522,251
Prepayments		80,383	71,258
		1,592,226	1,861,520
Cash at bank and in hand		1,816,532	1,226,202
Total current assets		3,532,152	3,087,722
TOTAL ASSETS		22,933,277	18,785,458

Financial statements 1 January – 31 December 2016

Balance sheet

	Note	2016	2015
EQUITY AND LIABILITIES			
Equity	7		
Share capital		588,908	588,908
Retained earnings		5,375,875	7,668,975
Reserve developments projects		5,894,847	0
Total equity		11,859,630	8,257,883
Provisions			
Provisions for deferred tax		2,258,459	1,116,254
Other provisions	8	1,234,000	2,049,000
Total provisions		3,492,459	3,165,254
Liabilities other than provisions			
Non-current liabilities other than provisions	9		
Amounts owed to parent company		6,478,022	6,407,869
		6,478,022	6,407,869
Current liabilities other than provisions			
Trade payables		513,584	389,466
Other payables		589,582	564,986
		1,103,166	954,452
Total liabilities other than provisions		7,581,188	7,362,321
TOTAL EQUITY AND LIABILITIES		22,933,277	18,785,458

Financial statements 1 January – 31 December 2016

Notes

1 **Accounting policies**

The annual report of Apator Miitors ApS for 2016 has been presented in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act with a few opt-ins from a higher reporting.

As from 1 January 2016, the Company has implemented Act. No. 738 of 1 June 2015.

This has entailed the following changes to recognition and measurement:

— Going forward, an amount corresponding to the capitalised development costs will be tied to the restricted reserve "Reserve for development costs" under equity. The reserve cannot be used for dividend, distribution or to cover losses. If the recognised development costs are sold or in other ways excluded from the Company's operations, the reserve will be dissolved and transferred directly to the distributable reserves under equity. If the recognised development costs are written down, the part of the reserve corresponding to the write-down of the developments costs will be reversed. If a write-down of development costs is subsequently reversed, the reserve will be re-established. The reserve is reduced by amortisation of capitalised development costs on an ongoing basis.

Apart from the above, the accounting policies used in the preparation of the financial statements are consistent with those of last year.

Accounting estimates and uncertainties

The preparation of the financial statements relies on the condition that Management makes a number of estimates and assessments of future aspects which will strongly impact the carrying amount of certain assets and liabilities. Development projects in progress is an item subject to critical estimates and assessments with a major impact on the financial statements. The measurement thereof relies predominantly on future earnings. It is likely that future earnings will deviate from forecast earnings as expected events do not always occur.

Income statement

Gross profit/loss

In accordance with section 32 of the Danish Financial Statements Act, revenue, operating costs and other external costs are aggregated in the financial statement caption gross profit.

Revenue

Income contains fee and royalty under the Patent License Agreement with Apator Miitors S.A. and is recognised in the income statement when delivery and transfer of risk to the buyer have taken place, and the income may be reliably measured and is expected to be received. Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties.

Financial statements 1 January – 31 December 2016

Accounting policies

Other external costs

Other external costs comprise items relating to distribution, sales, advertising, administration, premises, bad debts and consultants and other costs.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities and payroll costs capitalised as development costs.

Financial income and expenses

Financial income and expenses comprise interest income and expense as well as other income and expenses.

Tax on profit/loss for the year

Tax for the year comprises current tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement at the amount attributable to the profit/loss for the year and directly in equity at the amount attributable to entries directly in equity.

Financial statements 1 January – 31 December 2016

Accounting policies

Balance sheet

Development projects

Development costs comprise costs, wages, salaries and amortisation directly and indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are evidenced, and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be reliably measured and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses as well development costs. Other development costs are recognised in the income statement as incurred.

Development costs recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses. Capitalised development projects are amortised over seven years from the date on which the development project is ready for commissioning.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 7 years. For development projects, protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 7 years.

Receivables

Receivables are measured at the lower of amortised cost and net realisable value, corresponding to nominal value less write-down for bad debts.

Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Cash at bank and in hand

Cash at bank and in hand comprise bank deposits.

Financial statements 1 January – 31 December 2016

Accounting policies

Equity

Reserve development projects

Reserve development projects comprises capitalised development costs. The reserve cannot be used for dividend, distribution or to cover losses. If the recognised development costs are sold or in other ways excluded from the Company's operations, the reserve will be dissolved and transferred directly to the distributable reserves under equity. If the recognised development costs are written down, the part of the reserve corresponding to the write-down of the developments costs will be reversed. If a write-down of development costs is subsequently reversed, the reserve will be re-established. The reserve is reduced by amortisation of capitalised development costs on an ongoing basis.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities measured on the planned use of the asset or settlement of the liability, respectively. However, deferred tax is not recognised on temporary differences relating to office buildings non-deductible for tax purposes and other items where temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Provisions

Provisions comprise anticipated legal cases. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at net realisable value or fair value if the obligation is expected to be settled in the distant future.

Financial statements 1 January – 31 December 2016

Accounting policies

Liabilities other than provisions

Current liabilities are measures at cost, which usually correspond to nominal value.

Other liabilities are measured at net realisable value.

Financial statements 1 January – 31 December 2016

Notes

		2016	1 July 2014 – 31 December 2015
2	**Staff costs**		
	Wages and salaries	4,940,570	5,084,323
	Pensions	22,784	25,020
	Other social security costs	41,859	64,936
	Capitalised development work	-3,609,195	-3,663,536
		1,396,018	1,510,743
	Average number of full-time employees	10	8
3	**Financial income**		
	Other interest income	8,958	15,635
		8,958	15,635
4	**Financial expenses**		
	Interest expense to group entities	127,625	128,001
	Interest expense to banks	69	16,081
	Other financial expenses	9,494	832,356
	Capitalised development work	-99,146	-679,447
		38,042	296,991

Financial statements 1 January – 31 December 2016

Notes

5 Tax on profit/loss for the year

	2016	1 July 2014 to 31 December 2015
Tax credit for research and development activities	-272,291	-522,251
Adjustment of deferred tax	1,142,205	735,544
	869,914	213,293

6 Intangible assets

	Development projects in progress	Finished development projects
Opening cost at 1 January 2016	0	17,181,648
Additions for the year	5,894,847	0
Closing cost at 31 December 2016	5,894,847	17,181,648
Opening amortisation and impairment losses at 1 January 2016	0	1,483,912
Amortisation for the year	0	2,191,458
Closing amortisation and impairment losses for the year at 31 December 2016	0	3,675,370
Closing carrying amount at 31 December 2016	5,894,847	13,506,278

Financial statements 1 January – 31 December 2016

Notes

7 **Equity**

Movements in equity are specified as follows:

	Share capital	Retained earnings	Reserve developments projects	Total
Opening balance	588,908	7,668,975	0	8,257,883
Profit for the year	0	-2,293,100	5,894,847	3,601,747
Closing equity	588,908	5,375,875	5,894,847	11,859,630

Changes in share capital in recent years are specified as follows:

	2016	2014/15	2013/14	2012/13	2011/12
Opening balance	588,908	511,745	510,245	293,328	178,000
Cash capital increase	0	77,163	1,500	216,917	115,328
Closing balance	588,908	588,908	511,745	510,245	293,328

All shares rank equally.

8 **Other provisions**

Other provisions comprise commitments regarding pending patent participation.

Financial statements 1 January – 31 December 2016

Notes

9 Non-current liabilities other than provisions

Movements in equity are specified as follows:

	Total liabilities at 31 December 2015	Total liabilities at 31 December 2016	Repay-ment next year	Non-current portion	Out-standing debt after 5 years
Amounts owed to parent company	6,407,869	6,478,022	0	6,478,022	0
	6,407,869	6,478,022	0	6,478,022	0

10 Unrecognised rental and lease commitments

Liabilities under rental or lease agreements until maturity in total 36 TDKK

11 Related parties

The following shareholders are registered in the Company's register of shareholders as holding a minimum of 5% of the votes or a minimum of 5% of the share capital:

Apator Powogaz S.A.
Klemensa Janickiego no. 23/25
60-542 Poznan
Poland

The consolidated financial statements of Apator Powogaz S.A. are available at the above address.