



Financial results of Apator Capital Group in IQ 2016

| PLN ('000) | IQ 2016 | IQ 2015 | Change |
|------------------------------|----------------|----------------|---------------|
| Sales | 197 778 | 180 909 | 9,3% |
| Gross profit on sales | 51 549 | 51 424 | 0,2% |
| Margin | 26,1% | 28,4% | |
| Profit on sales | 18 545 | 19 666 | -5,7% |
| Margin | 9,4% | 10,9% | |
| EBITDA | 27 506 | 27 821 | -1,1% |
| Margin | 13,9% | 15,4% | |
| Net profit | 13 749 | 16 681 | -17,6% |
| Margin | 7,0% | 9,2% | |

Factors that have positive impact on the results:

- increase of revenues (9,3%): organic increase at the level of 4,6% and the effect of consolidation of GWI (PLN 8,6 m);
- increase of sales of the products of good profitability
 - switchgear (both at home and in export);
- significant increase of sales of gas meters (to Secure with destination to British market) and electricity meters with the simultaneous stabilization of margins in these areas;
- exchange rate of PLN/EUR (partly compensated by the results of forwards);

Factors that have negative impact on the results:

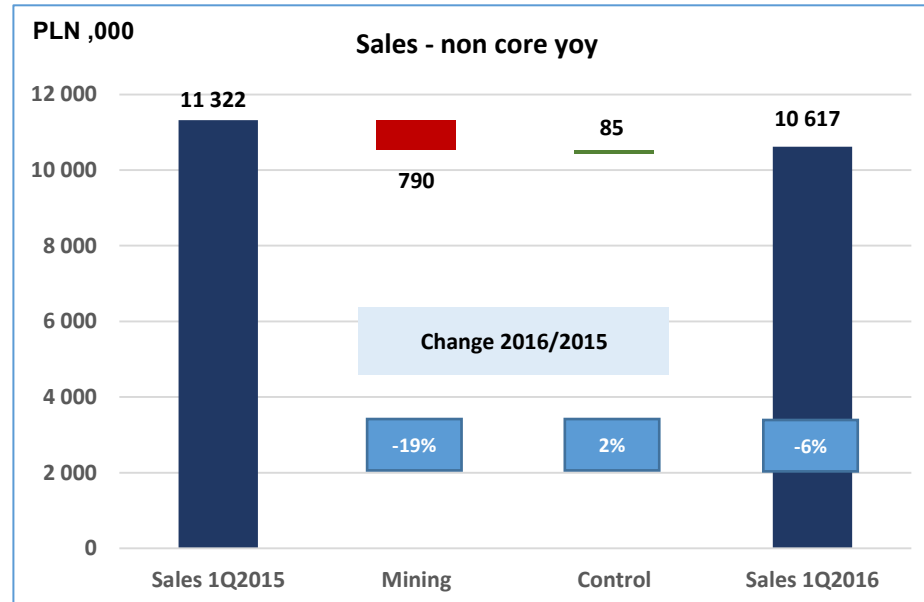
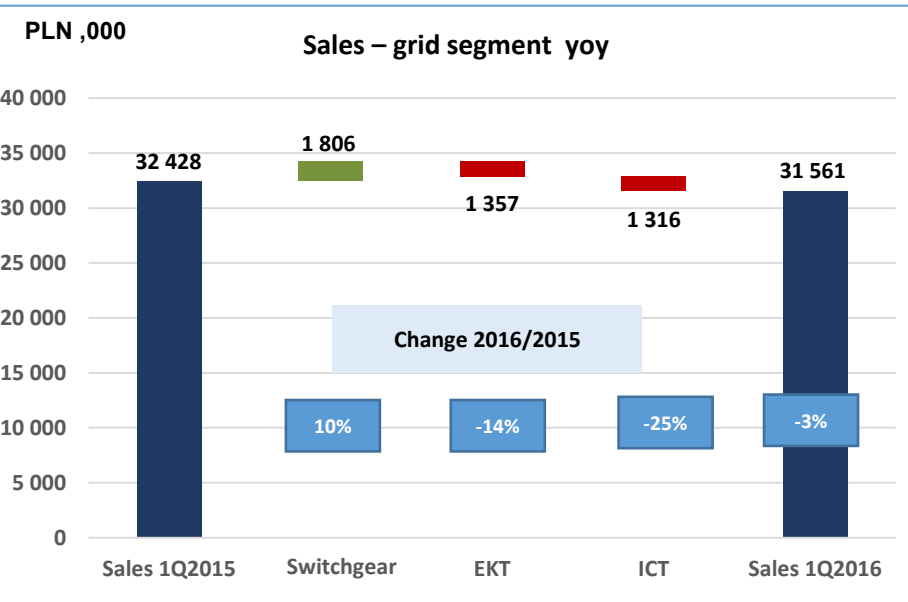
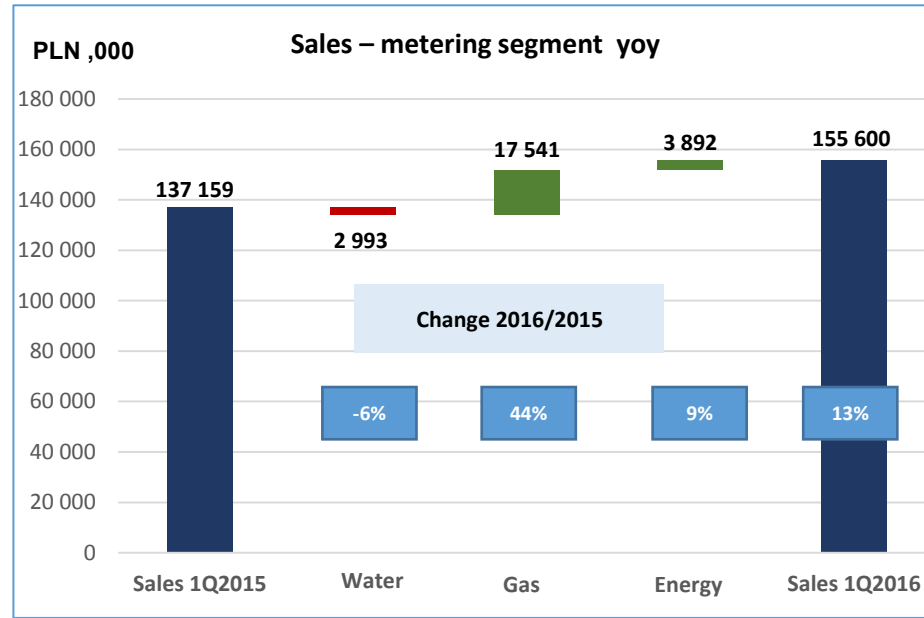
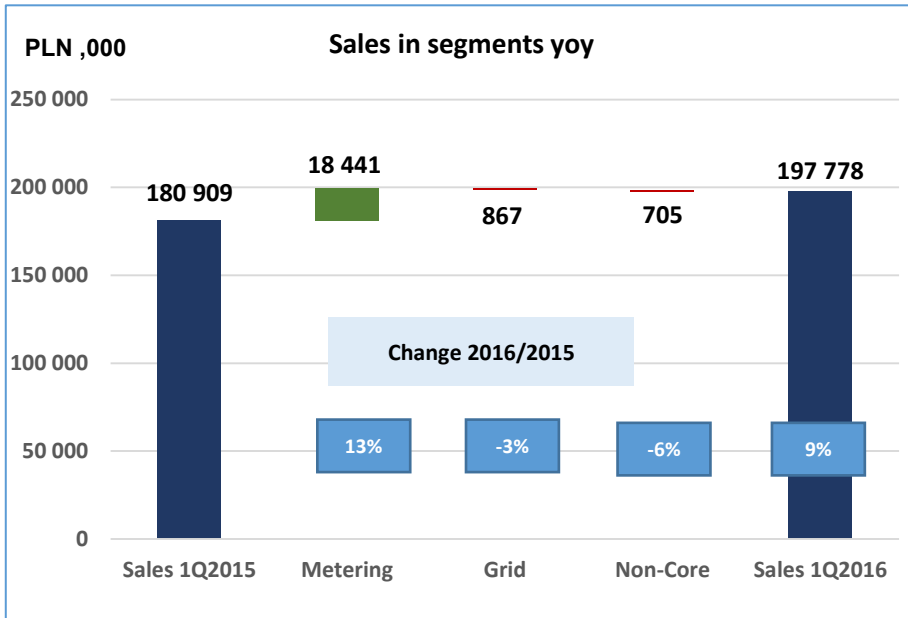
- results of Apator Rector (net loss in IQ2016 at the level of PLN 3,1 m) higher than planned in the budget (by PLN 1 m), caused by the exchange of the staff in power holdings;
- worse results of sales in water metering business line particularly in Russia;
- results of non-core segment are below expectations;

The results reported entirely pursuant to internal financial plan;

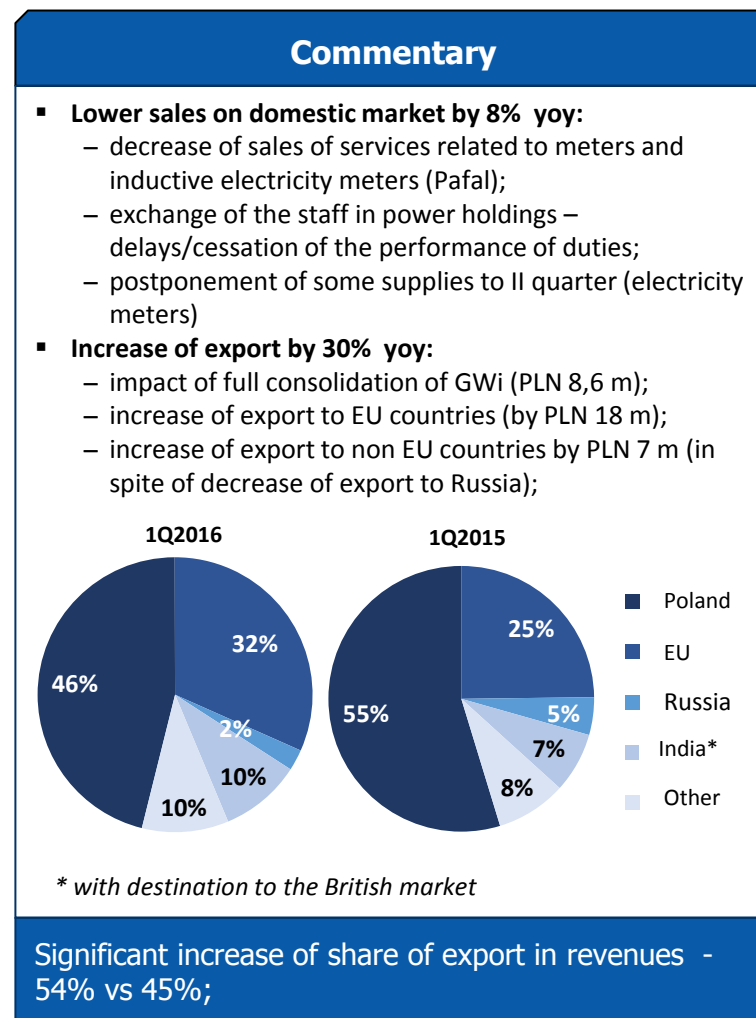
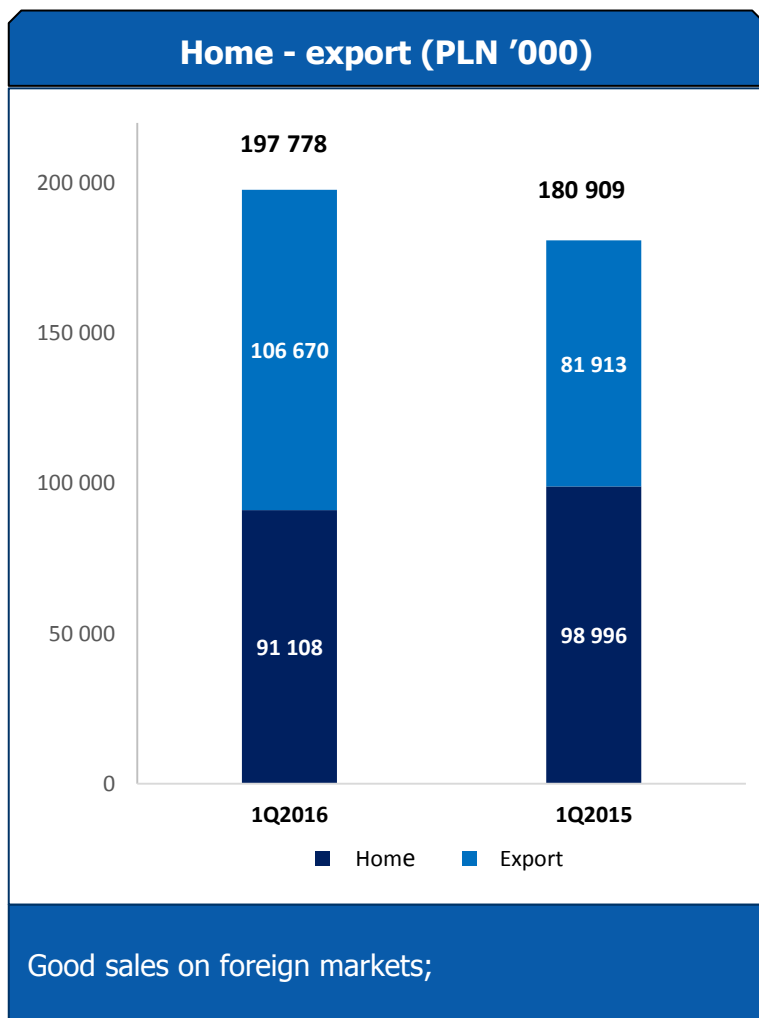
Financial results of Apator Capital Group with Apator Rector excluded

| PLN ('000) | Data IQ 2016 AR excl. | Data IQ 2015 AR excl. | Change yoy (adj) |
|------------------------------|-----------------------------|-----------------------------|------------------------|
| Sales | 193 606 | 175 532 | 10,3% |
| Gross profit on sales | 53 772 | 51 002 | 5,4% |
| <i>Margin</i> | 27,8% | 29,1% | |
| Profit on sales | 22 249 | 20 404 | 9,0% |
| <i>Margin</i> | 11,5% | 11,6% | |
| EBITDA | 30 852 | 28 213 | 9,4% |
| <i>Margin</i> | 15,9% | 16,1% | |
| Net profit | 16 881 | 17 459 | -3,3% |
| <i>Margin</i> | 8,7% | 9,9% | |

- Main assumptions of the forecast for 2016: (i) cease of generating of the losses by Apator Rector; (ii) increase of sales at the level of 10,6%; (iii) maintenance of the profitability of net result in other business area at the level about 9% ;
- Exclusion of the results of AR confirms the improvement of the results at every level (excluding the result of financial activity that has the impact on net result) and their comparability with the results in 1Q2015;
- Results of Apator Rector are still under pressure – due to exchange of the staff in power industry, verification of the status of the projects, decision regarding new investment policy;
- Original plan of Apator Rector – the necessity of verification depending on decision of customers (May – June);
- Completion of big-value contracts in 2016 is still possible but not in dates assumed in original plan ;
- In IQ2016 compensation of the negative events by better results in selected areas

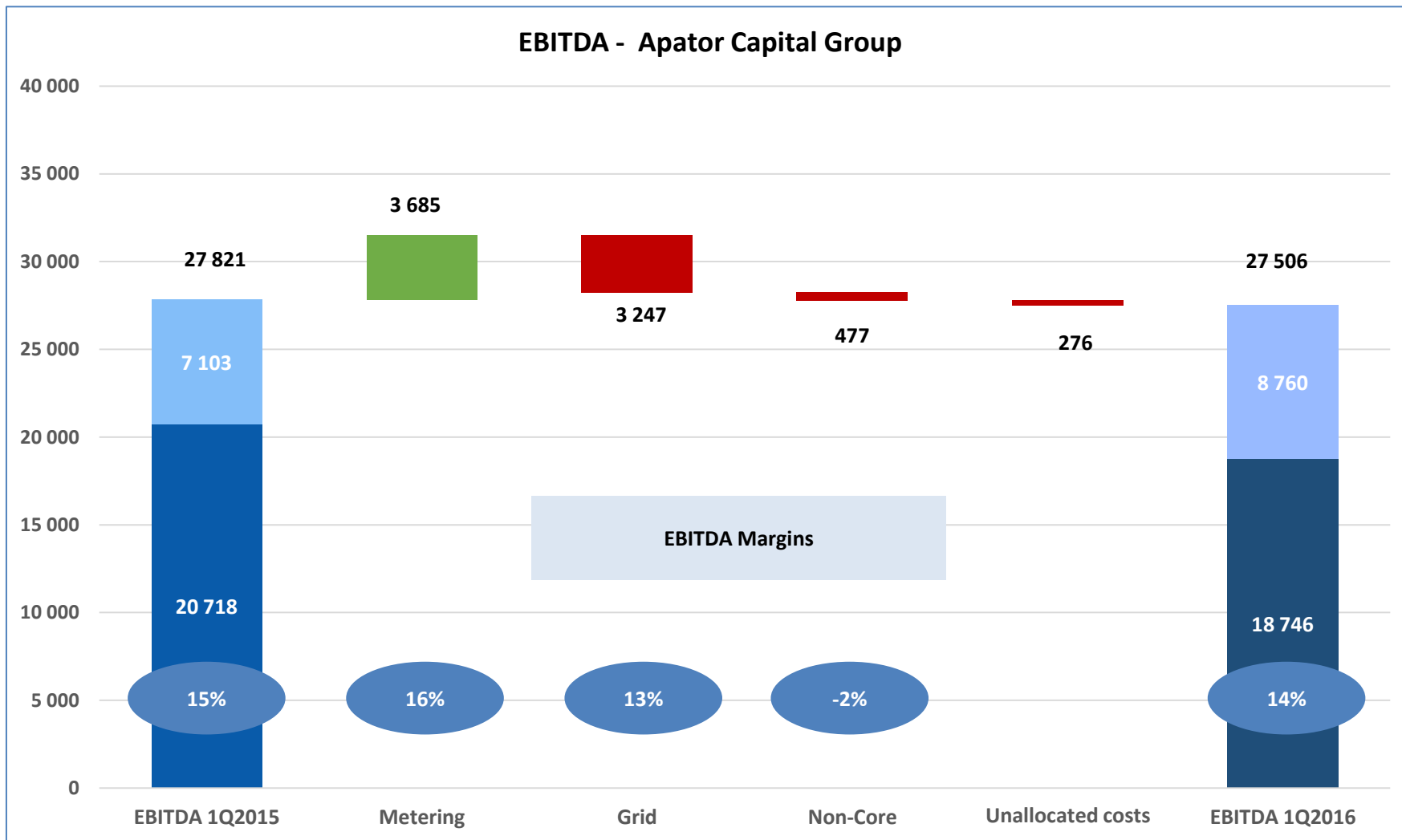


Geographical structure of sales

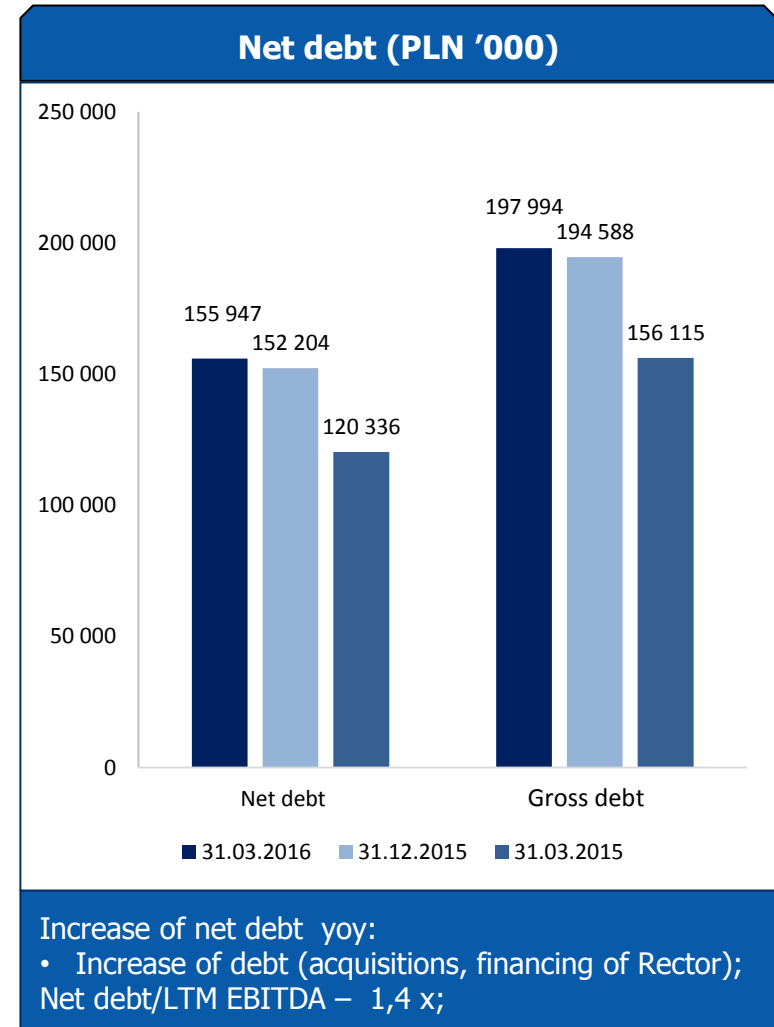
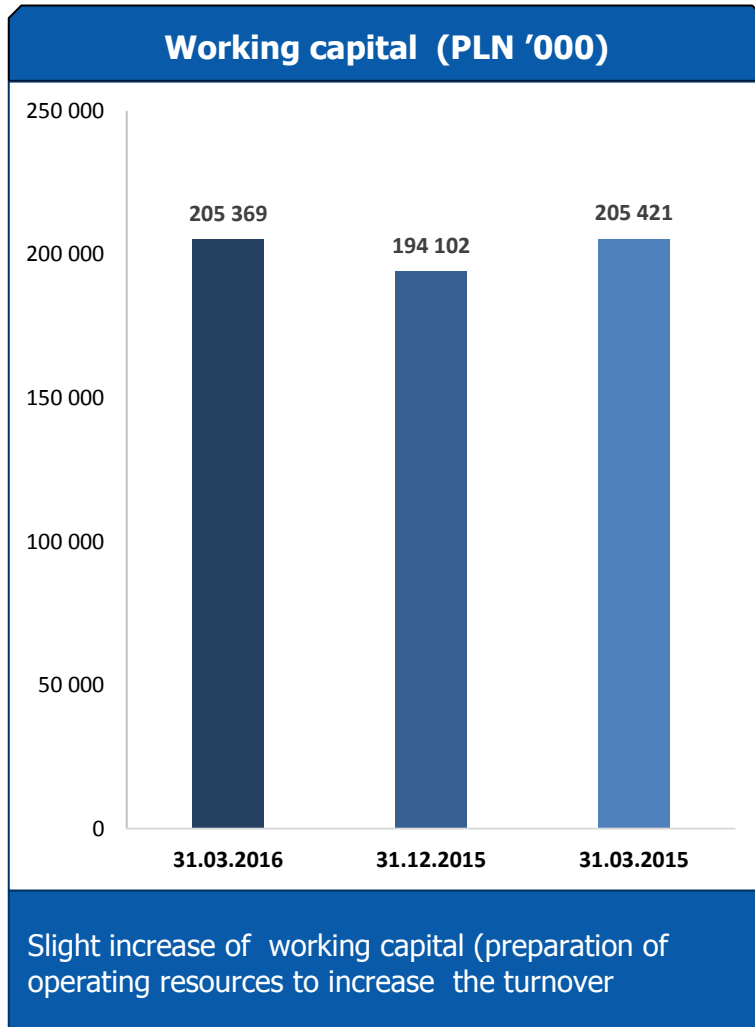


PLN ,000

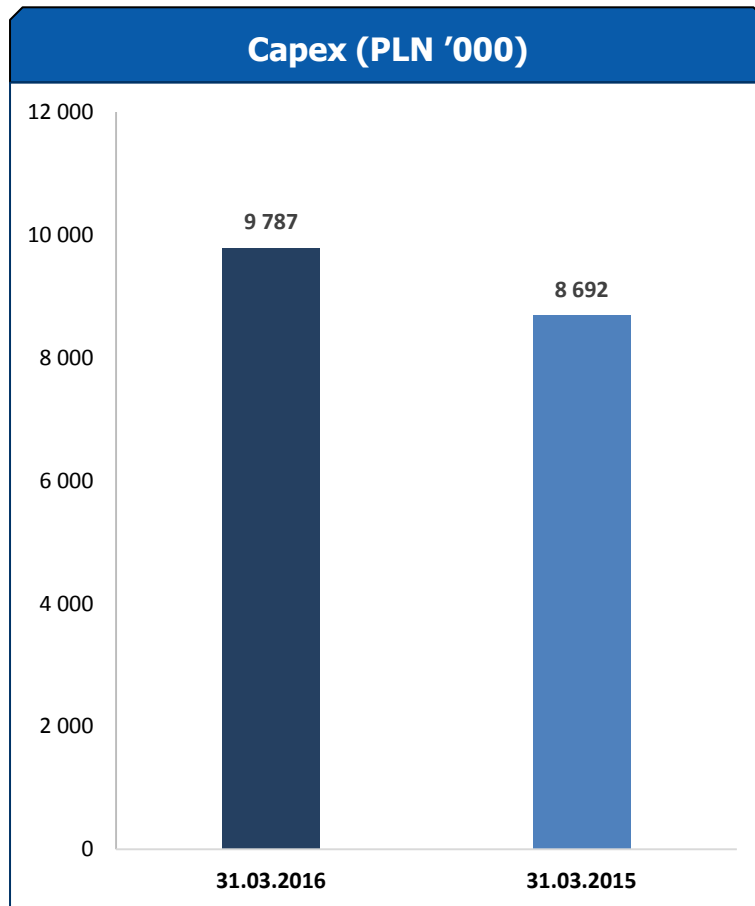
EBITDA - Apator Capital Group



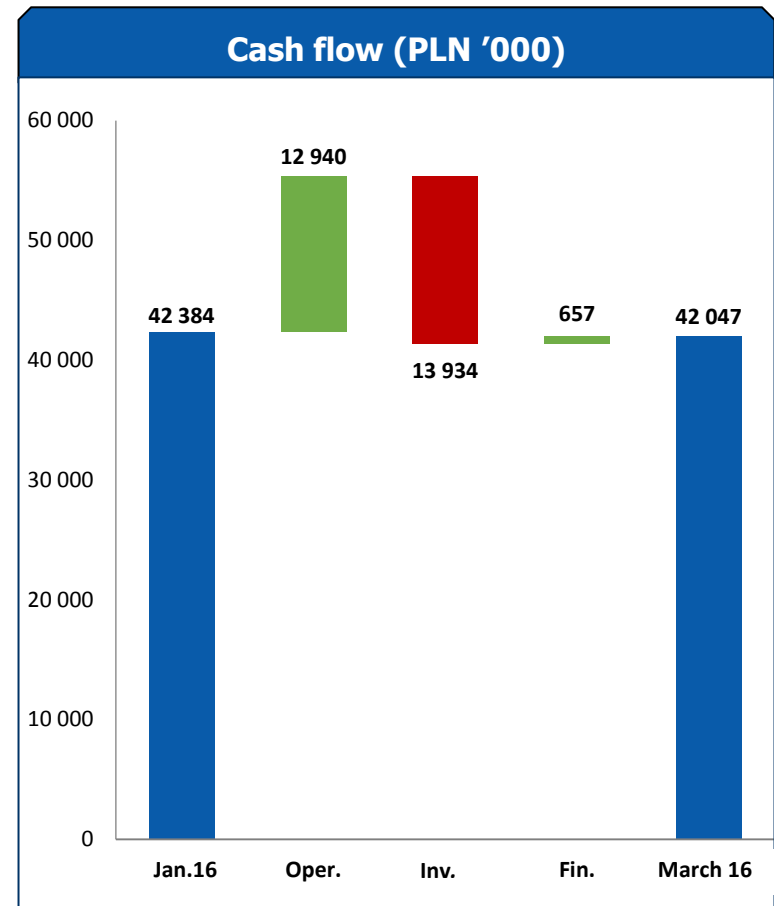
Working capital and debt



Capex, cash flow



Capital expenditures mainly incurred for the development and automation of the manufacturing processes, roll out of new products (Metrix, Apator and Powogaz);



- Conversion of EBITDA to cash in 47%;
- Investment expenses – payment of instalment for the purchase of GWI (PLN 6,7 m);

Summary of 1Q2016 and the prospects

- **Important events in IQ 2016:**
- Results of Apator Capital Group in IQ are pursuant to internal plan assumptions and earlier declarations of Management Board;
- Performance of results is possible owing to dynamic growth of sales and maintenance/improvement of the profitability in business lines of switchgear, metering of gas and electricity;
- Results of power grid automation segment (excluding switchgear) below expectations – interruptions caused by exchange of the staff in power industry;
- Positive impact of exchange rate with simultaneous tightening of exchange rate risk management policy
- Completion/exchange of staff: Apator S.A. and Apator Control;
- **Prospects:**
- Metering segment :
 - commencement of manufacturing and sales of ultrasonic water meters since 4Q 2016 ;
 - strong backlog and further development of sales in gas metering business line – with the Dutch market and the British market (smart remote controllers) included;
 - high backlog and further development of domestic sales of electricity meters;
 - Increase of export of electricity meters (mainly Germany);
 - possible the next smart remote controllers (electricity meters in Poland) and continuation of supplies for SCW project;
 - possible upside, not taken into account in the budget, related to implementation of optimal in cost electricity meters (not earlier than in 4Q 2016)
 - positive impact of exchange rates (EUR and USD) – reduction of declines from the values in the budget owing to making the assumptions real for the plan 2016 and better hedging policy;
- Power grid automation segment:
 - actions are continued aiming to minimize the loss of Apator Rector, including the reduction of employment;
 - performance of integration process of the entities between Apator Elkomtech and Apator Rector and the performance of common development and implementation projects (DMS class systems);



APATOR

