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Apator Group increases revenues and profits in 1H 2020

Apator Group successfully resists the effects of the crisis caused by the pandemic and it records very good financial results in the 1st half of 2020. The Group consistently performs development plans and additionally it strengthens the composition of the Executive Board.

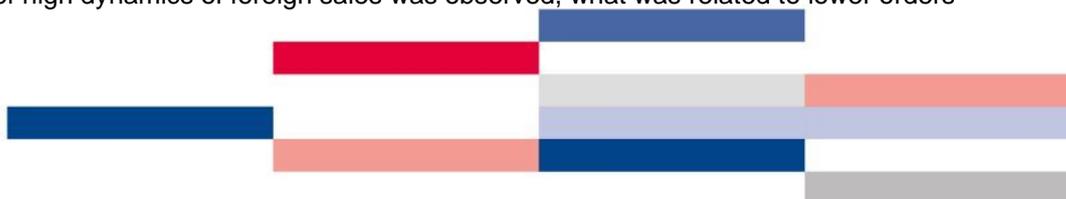
- **Very good financial results in H1 2020: sales revenue increased by over 9% y/y to PLN 461.9 million, with EBITDA at a similar level of PLN 66.2 million y/y and higher net profit: PLN 32.4 million (+5.2% y/y).**
- **High turnover dynamics in the Gas and Electricity segments.**
- **Strong domestic position and maintaining a high share of exports in total sales (45%).**
- **Stable financial position of the Group; consistent level of generated operating cash flows and high conversion of EBITDA to cash close to 1.0 (for the last 4 quarters).**
- **Maintaining a secure financing structure that allows for the payment of an attractive dividend once again, despite the general economic turmoil.**
- **Appointment of Tomasz Łątka to the position of the Member of the Executive Board, Director for Network Automation of Apator Group.**

The Apator Group in the first half of 2020 effectively resisted the negative impact of the pandemic - since the beginning of the year, the operating activity of the companies of Apator Group has been running without significant disturbances in the chain of supply and manufacturing. The decisive and comprehensive actions taken at the time of the outbreak of the pandemic (e.g. prevention and safety of employees, reorganisation of logistic and operational processes, flexible management of human resources, especially production teams, and control of expenses) brought positive effects in the form of ensuring continuity and safety of business activity, as well as generating good financial results and maintaining positive sales dynamics.

Sales in the first half of 2020 were much higher compared to the same period in 2019. (+9%). The good results are the effect of, among other things, the high order book developed back in 2019, especially in the EE and Gaza segments. A consistently high turnover dynamic was recorded by the Gas segment, which revenues increased by as much as 33% on a year-to-year basis. At the same time, thanks to very good results of the second quarter (mainly in Poland), the Electricity segment recorded an increase in sales revenues (+10% y/y). Despite additional costs related to the pandemic and a less favourable product mix, the Group's gross profit on sales amounted to PLN 124.5m (i.e. similar to H1 2019), while profit on sales increased by ca. 4%, i.e. by PLN 1.5m y/y (mainly due to fixed cost optimisation). EBITDA remained at a level comparable to H1 2019 (PLN 66.2 million). At the same time, in the period under discussion, the Group recorded a positive impact of foreign exchange differences and a favourable result on foreign exchange transactions in the total amount of PLN 4.8m (vs. PLN 2.2m in H1 2019). As a result, net profit of the Apator Group in the first half of 2020 was at the level of 32.4 m PLN that is over 5% higher in relation to the analogous period of the previous year and the net margin was 7.0% (comparable y/y).

In the second quarter of this year alone, Apator Group noted by 12.6% higher revenues from sales (237.4 m PLN), mainly due to very high sales of ee meters in Poland (the highest quarterly sales in this business line in the history of the Group). EBITDA in Q2 2020 remained at last year's level (PLN 33.0m), as did net profit (PLN 15.1m).

In spite of perturbations on European markets where traditionally Apator Group provides its solutions, high level of export (45% share in total sales) was noted, although in the second quarter of this year temporary slowdown of high dynamics of foreign sales was observed, what was related to lower orders



from significant markets of Gas segment (Great Britain, Netherlands) and Water and Heat (France, Spain, Italy). In view of the risk of the negative impact of pandemic on economy and business environment of the Apator Group in the following periods, Apator takes a number of initiatives, among others, it is looking for sales opportunities on other markets and it develops its offer in the areas that can translate into additional orders in the future (offer for "green energy" or industry).

The results of individual business segments were as follows in the first half of this year:

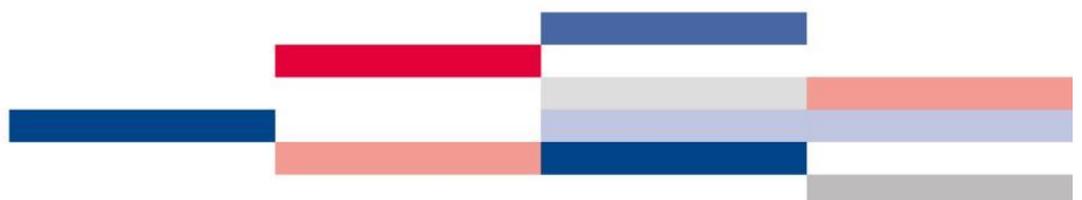
- **Electricity segment** (comprising electricity metering lines, switchgear, control and supervision systems and ICT) - increase in sales revenue by 10% y/y, significant increase in turnover in the country (by 17%) thanks to the sale of electricity meters on the "Power Market". Lower turnover was realised in the line of control and supervision systems due to reduced orders and investments from customers in the field of applications and drives due to a reduction in investments in the whole industrial sector.
- **Gas segment** - increase of sales revenue by 33% y/y. Definitely higher domestic sales (up by 55% y/y) - deliveries of residential gas meters with mechanical counter under the contract for 2020-2022 with the Polish Gas Company. Increase in exports (by 27% y/y) due to large supplies of smart gas meters to the UK, the Netherlands and Belgium (under ongoing long-term contracts with the Danish Flonidan and British Aclara), as well as meters with mechanical counter for the German market.
- **Water and Heat segment** - lower turnover in the country (by 7% y/y) due to the pandemic resulting in the reduction of water meter exchanges in cooperatives and housing communities. Reduction (by 17% y/y) of exports resulting, among other things, from the slowdown of European economies as a result of the pandemic in the main export markets (France, Germany, Spain, Italy), partly compensated by increased sales to new or less important export countries (e.g. Austria, Belarus). This segment is relatively most vulnerable to the negative impact of the pandemic due to the specificity of the place where the meters (flats) are installed.

- *I would like to emphasize clearly that financial situation of Apator Group, despite not the easiest economic reality, remains stable and safe - assures Miroslaw Klepacki, President of the Executive Board of Apator SA. - We perform deliveries to our customers, we make investment decisions responsibly, we repay our obligations on time. We were one of the few to share the profit generated in 2019 with our shareholders, providing them with an attractive dividend rate of nearly 6%. However, we continue to closely monitor the market and analyse areas that may pose a potential risk to our business in the coming months,*" concludes the President.

- *At the same time, we are seeing a number of positive market phenomena and technological trends which the pandemic has not prevented, such as the dynamic development of 'green energy'. Apator already today participates in the market of solutions for RES and autonomous industrial and municipal power grids, but we want to increase our contribution in this area gradually - adds Miroslaw Klepacki.*

Apator plans to take advantage of the trend related to the development of photovoltaics in Poland but also to the improvement of energy efficiency that obliges the recipients of energy to better management of consumption of utility services, which should translate into the increase of investments in automation and energy management systems both on the side of energy suppliers but also on the side of large recipients - that is mainly in industry. It is significant and very prospective market for Apator, the development of which will be the responsibility of appointed on 1st September 2020 member of the Executive Board of Apator SA - Tomasz Łątka.

The newly appointed Member of the Executive Board of Apator will also take the position of the Director for Network Automation and ultimately he will manage the business lines generating the significant part of revenues of the Group - over 20% according to the data for 2019. Since many years Tomasz Łątka has been managing the line of switchgear, since 2018 he has been the President of the Executive Board of Apator Elkomech, and since 2019 he has been the Supervisory Board member of Apator Rector in Zielona Góra. The enlargement of the Executive Board is another step towards increasing the Group's efficiency within the Electricity segment and developing the widest possible range of products and



services for the power industry and industry, responding to new market requirements and changing business environment.

Basic financial data

PLN million	1H 2020	1H 2019	<i>dynamics.</i>
sales	461.9	423.3	+ 9.1%
EBITDA	66.2	66.2	- 0.1%
net result	32.4	30.8	+ 5.2%

Main segments revenues

PLN million	1H 2020	1H 2019	<i>dynamics.</i>
domestic sales	254.1	221.0	+ 15.0%
foreign sales	207.8	202.3	2.7%
Electricity segment	203.6	185.1	+ 10.0%
Water and Heating segment	110.8	126.9	- 12.7%
Gas segment	147.5	111.2	+ 32.7%

Additional information may be obtained from:

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Apator Group acts as the international capital group of experienced manufacturers of metering equipment and systems as well as suppliers of solutions for automation of operation of power network. Within three specialised business segments (Electricity, Water and Heat and Gas), the Group implements technologically advanced products and services, including smart meters and systems for active management of energy distribution networks.

Apator is one of the three largest entities of this type on the Polish market and the leading, recognized supplier on selected prospective foreign markets. The Company has been listed on the Warsaw Stock Exchange since 1997.