



**RESULTS OF APATOR GROUP 3Q 2017**  
**PRESENTATION FOR INVESTORS AND ANALYSTS**

Warsaw, November 2017



# the major trends of 1-3Q 2017

- ❖ increase of revenues y/y, profits and profitability on all levels of the income statement
- ❖ Two-digit sales growth due to good results in the segment of metering line of gas, water and heat, high base in the metering line of electricity
- ❖ progressing geographical diversification - high export share
- ❖ high conversion of EBITDA to operating cash flow maintained, as a consequence further reduction of debt and maintaining the safe structure of financing

SALES 671 MLN ZL, +10% Y/Y		
GROSS PROFIT ON SALES	EBITDA	NET
+21%/+2,5 pp	+21%/+1,2 pp	+31%/+1,1 pp

METERING 560 MLN ZL, +14% Y/Y		
ELECTRICITY	GAS	WATER AND HEAT
-6%	+25%	+22%

SHARE OF EXPORT	EXPORT DYNAMICS
57%	+20%

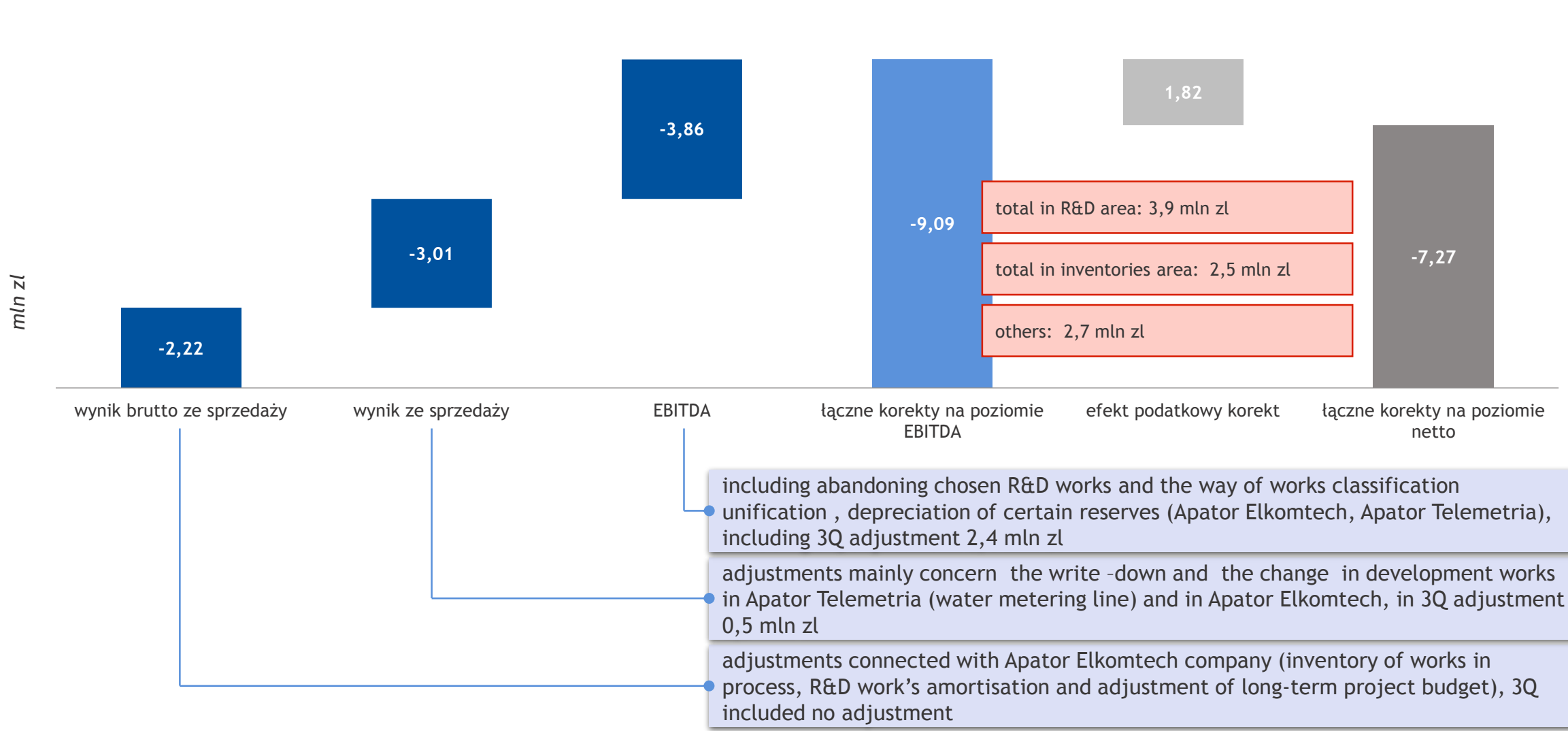
OCF/EBITDA	OCF	DN/EBITDA LTM
117%	106 mln zl	1,1x

# summary of results 1-3Q 2017

reporting data, mln zł	1-3Q 2017	1-3Q 2016	dynamic
sales	671,0	607,5	+10%
gross profit on sales	183,9	151,4	+21%
<i>% sale</i>	27,4%	24,9%	+2,5 pp
costs SG&A	119,3	102,8	+16%
profit on sales	64,6	48,6	+33%
<i>% sale</i>	9,6%	8,0%	+1,6 pp
EBITDA	91,0	75,2	+21%
<i>% sale</i>	13,6%	12,4%	+1,2 pp
net profit	45,3	34,6	+31%
<i>% sale</i>	6,7%	5,7%	+1,1 pp
<i>net profit from continued and discontinued operations</i>	46,5	36,2	+28%
revised data, mln zł	1-3Q 2017	1-3Q 2016	dynamic
sales	671,9	617,2	+9%
gross profit on sales	186,1	161,1	+16%
<i>% sale</i>	27,7%	26,1%	+1,6 pp
profit on sales	69,9	58,3	+20%
<i>% sale</i>	10,4%	9,4%	+1,0 pp
EBITDA	100,0	84,8	+18%
<i>% sale</i>	14,9%	13,7%	+1,1 pp
net profit	52,5	42,4	+24%
<i>% sale</i>	7,8%	6,9%	+0,9 pp
<i>net profit from continued and discontinued operations</i>	53,8	44,1	+22%

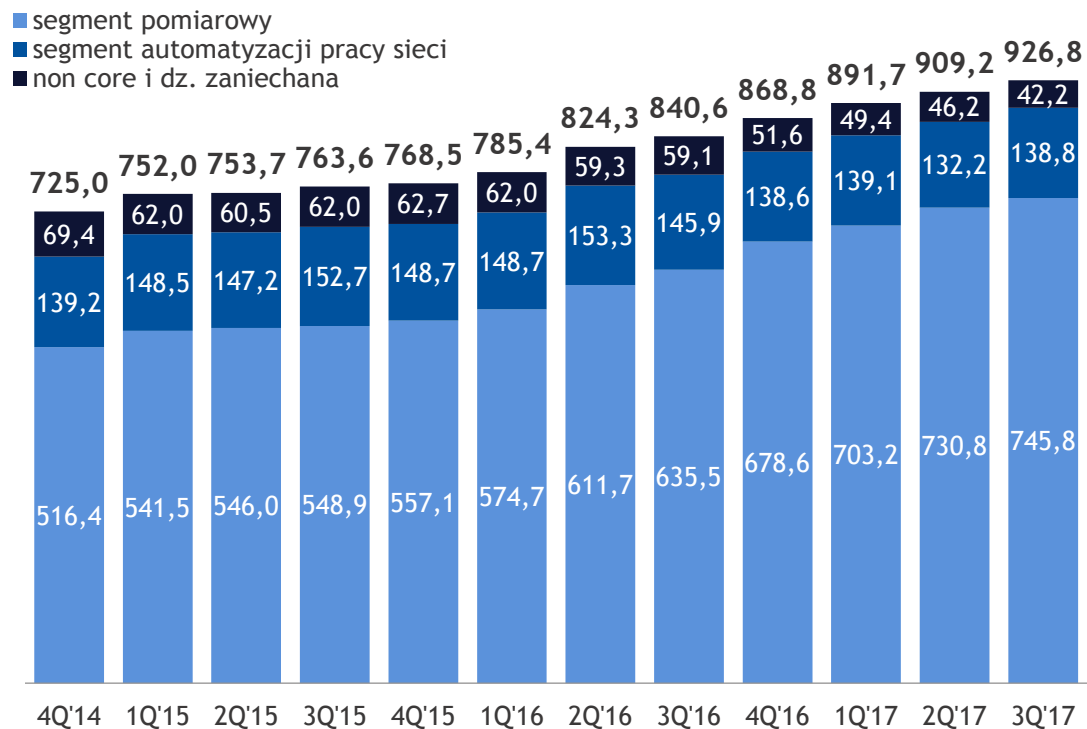
	3Q 2017	3Q 2016	dynamic
	219,6	200,7	+9%
	59,1	45,1	+31%
<i>% sale</i>	26,9%	22,4%	+4,5 pp
	36,2	35,5	+2%
	22,9	9,6	+139%
<i>% sale</i>	10,4%	4,8%	+5,6 pp
	31,5	19,7	+60%
<i>% sale</i>	14,3%	9,8%	+4,5 pp
	16,9	7,2	+134%
<i>% sale</i>	7,7%	3,6%	+4,1 pp
	17,2	7,8	+119%
	3Q 2017	3Q 2016	dynamic
	219,6	210,4	+4%
	59,1	54,8	+8%
<i>% sale</i>	26,9%	26,0%	+0,9 pp
	23,4	19,3	+21%
<i>% sale</i>	10,6%	9,2%	+1,5 pp
	33,9	29,4	+15%
<i>% sale</i>	15,4%	14,0%	+1,5 pp
	18,8	15,1	+25%
<i>% sale</i>	8,6%	7,2%	+1,4 pp
	19,1	15,7	+22%

# one time factors affecting the results of 1-3Q 2017

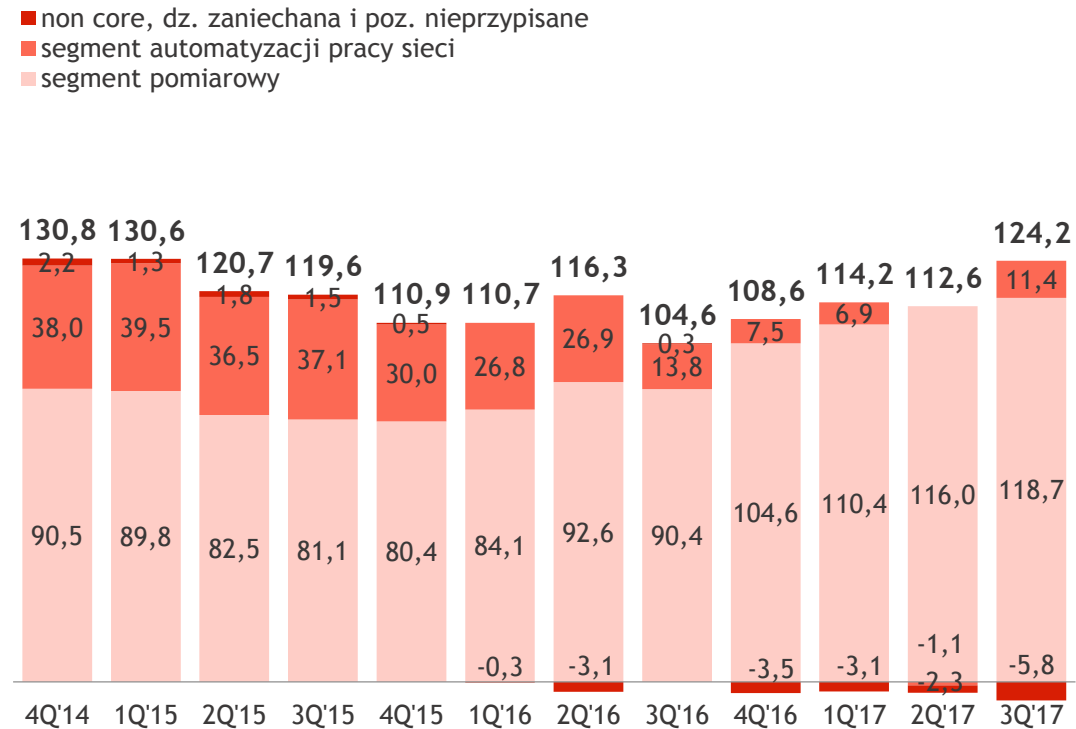


# Group's operating segments

revenues mln PLN (progressive TTM)



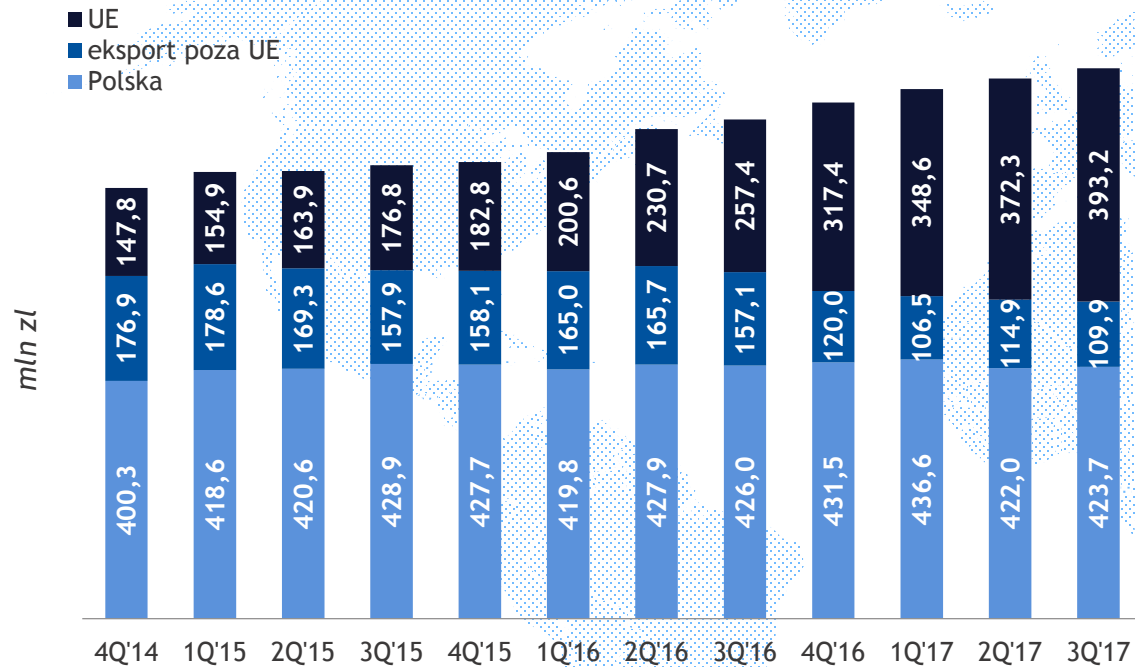
EBITDA mln PLN (progressive TTM)



♦ increasing share in Group's revenues LTM (80%) and EBITDA LTM (96%) due to the segment's dynamic growth and temporary deterioration of the situation in grid automation segment

# export as the engine for growth in sales

geographical structure of sales (progressive TTM)



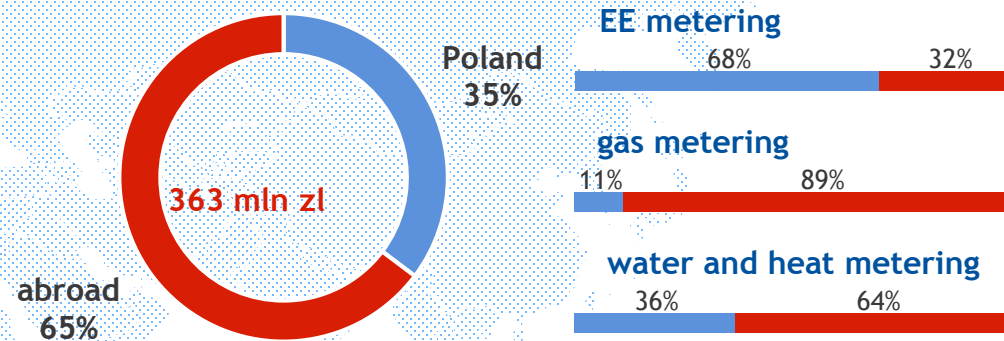
share of export in 3Q'17  
(progressive TTM)

**54%**

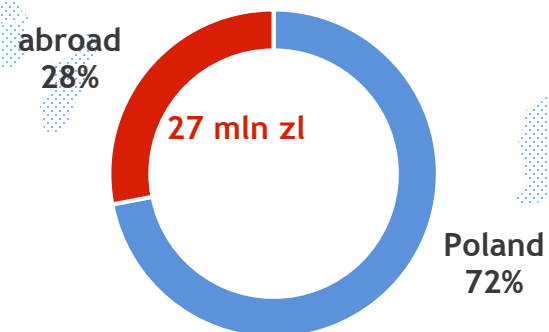
dynamics y/y of export 3Q'17-  
3Q'16 (progressive TTM)

**+21%**

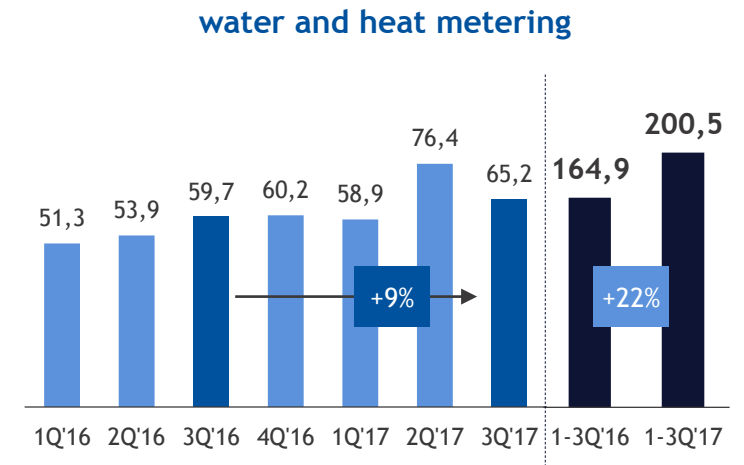
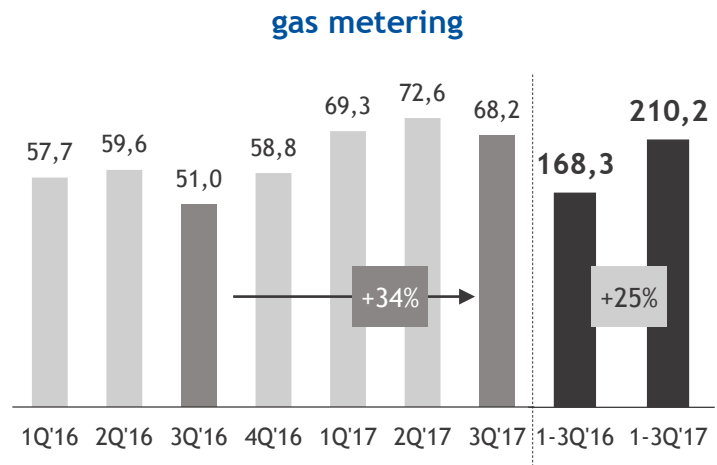
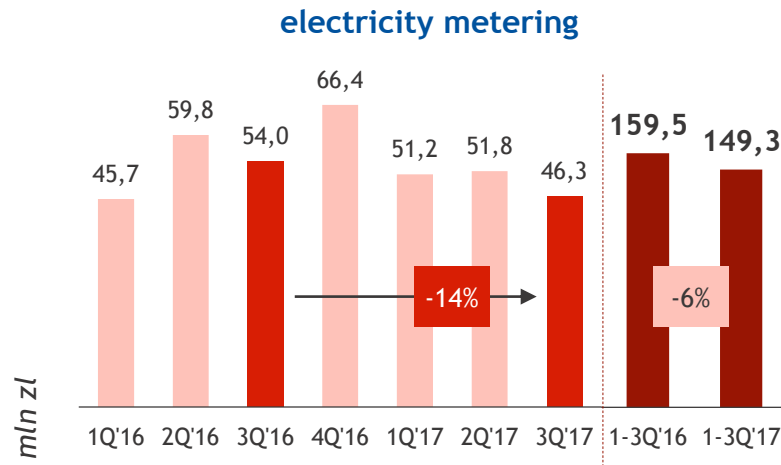
geographical structure of metering segment , mln zł (1-3Q 2017)



geographical structure of APS, mln zł (1-3Q 2017)



# metering segment - revenues

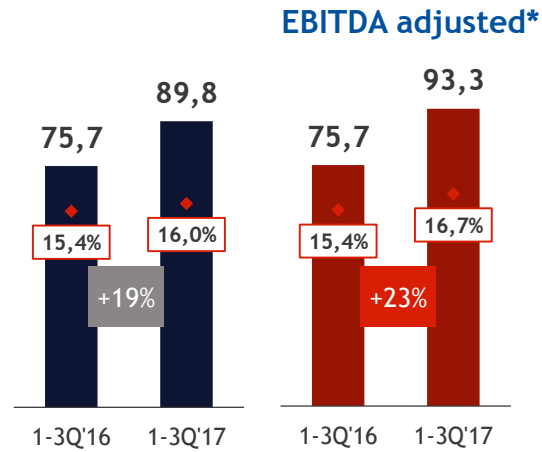
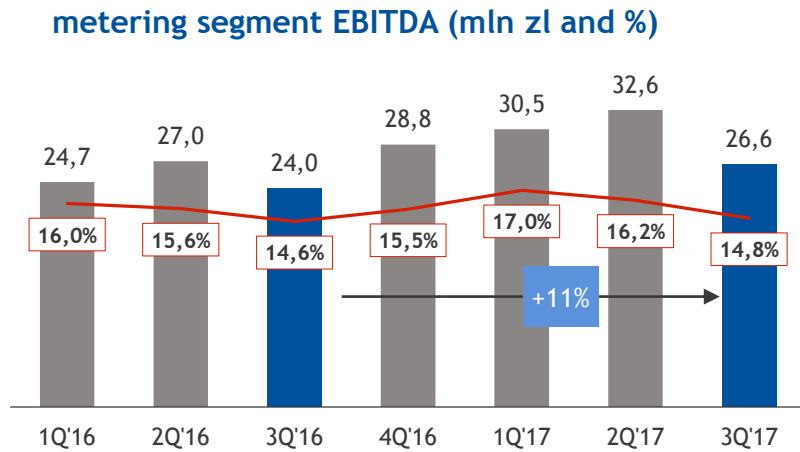


- ❖ sales plan exceeded for the period of 9m
- ❖ supplies to Poland OSD ( 101,2 mln zl in 1-3Q'17)
- ❖ supplies of low margin induction meters - 15,7 mln zl in 1- 3Q'17)

- ❖ supplies to Netherlands market(30,1 mln zl in 1-3Q'17)
- ❖ supplies to Great Britain (121,8 mln zl)

- ❖ supplies to Ethiopia (14,8 mln zl)
- ❖ supplies to Western Europe- 17,7 mln zl in 1-3Q'17)
- ❖ supplies to Russia- 17,4 mln zł in 1-3Q'17

# metering segment- results and profitability



PICK VALUE EBITDA\* METERING SEGMENT  
FOR THE PERIOD OF 9M

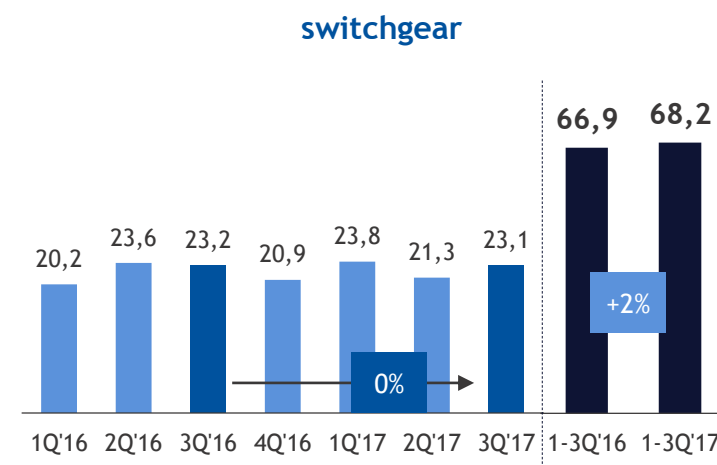
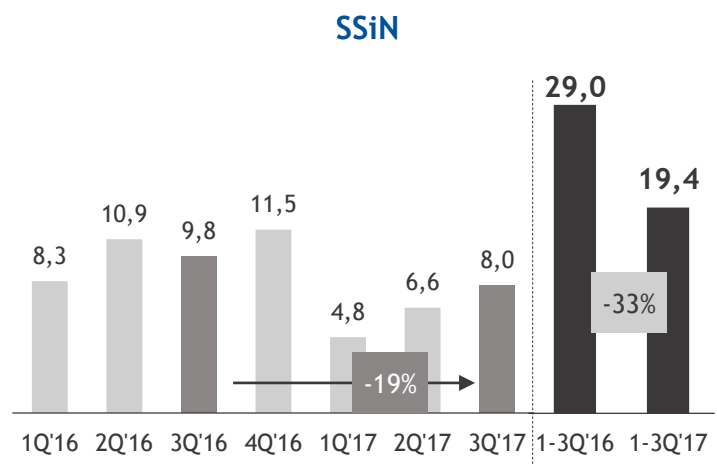
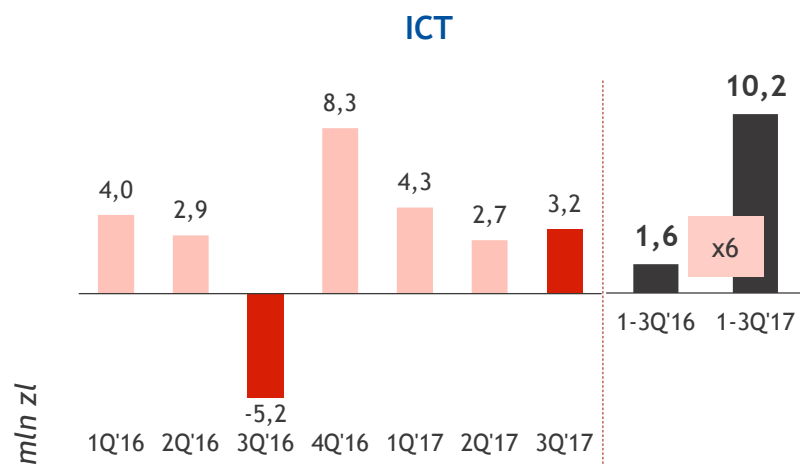
**93,3 mln zl (+23% y/y)**

\* adjusted for extraordinary items

- ❖ the biggest share of water and heat line in the segments EBITDA
- ❖ the increase of scale leading to better coverage of general costs - effect of operating leverage
- ❖ improvement in profitability of static electricity meters - launching of NORAX meter
- ❖ concluding contract to Ethiopia - 14,8 mln zl, above average margin
- ❖ extraordinary items in total amount of 3,5 mln zl influencing negatively EBITDA 1-3Q 2017, mainly related to changes in classification of research and development works in Apator Telemetry



# grid automatic segment (APS) - revenues



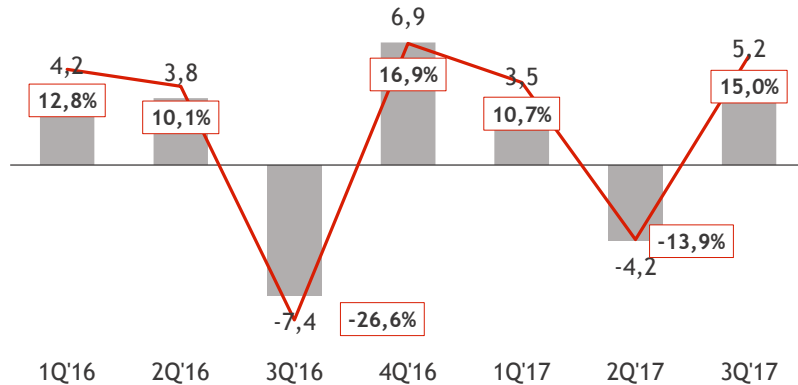
- ❖ concluding contrasts for EOP (agreement reached) and TD (negotiations initiated)
- ❖ conducting service works and trainings for projects SID
- ❖ in 1-3Q'16 and 3Q'16 one-time sale adjustment 9,7 mln zl (withdrawal of revenues from LT contracts performance)

- ❖ low level of orders in the sector due to OSD delaying of the decision of investment in supervisory control system (SCADA)
- ❖ intensification on competition leading to decrease of prices
- ❖ in 1-3Q'17 and 3Q'17 one-time budget contract LT adjustment in Elkomtech 1,0 mln zl

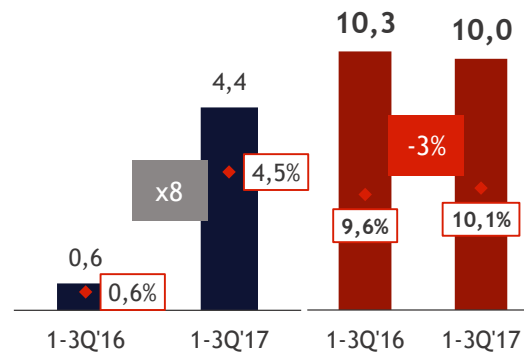
- ❖ supplies for Polish integrators (41,6 mln zl in 1-3Q'17)
- ❖ almost 40 % sales on foreign markets (26,5 mln zl)
- ❖ sale increase y/y on export market mainly Brasil, Lithuania and Germany

# APS segment - results and profitability

APS EBITDA segment (mln zl and %)



EBITDA adjusted\*



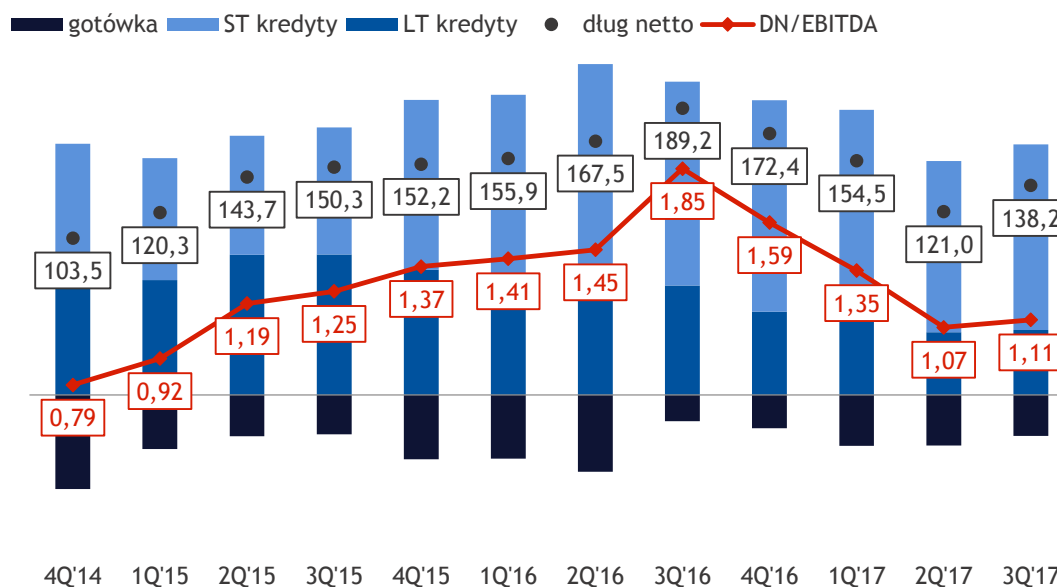
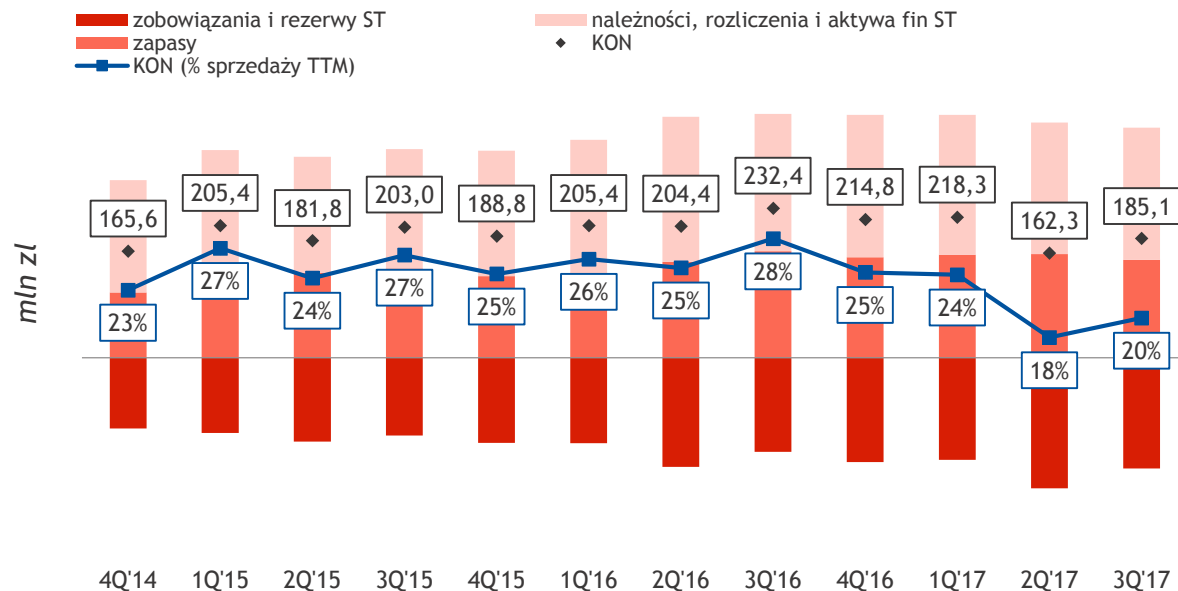
MAINTAINING EBITDA\* Y/Y DESPITE  
DETERIORATION OF BUSINESS  
ENVIRONMENT

10,0 mln zl (-3% y/y)

\* adjusted by one-off factors

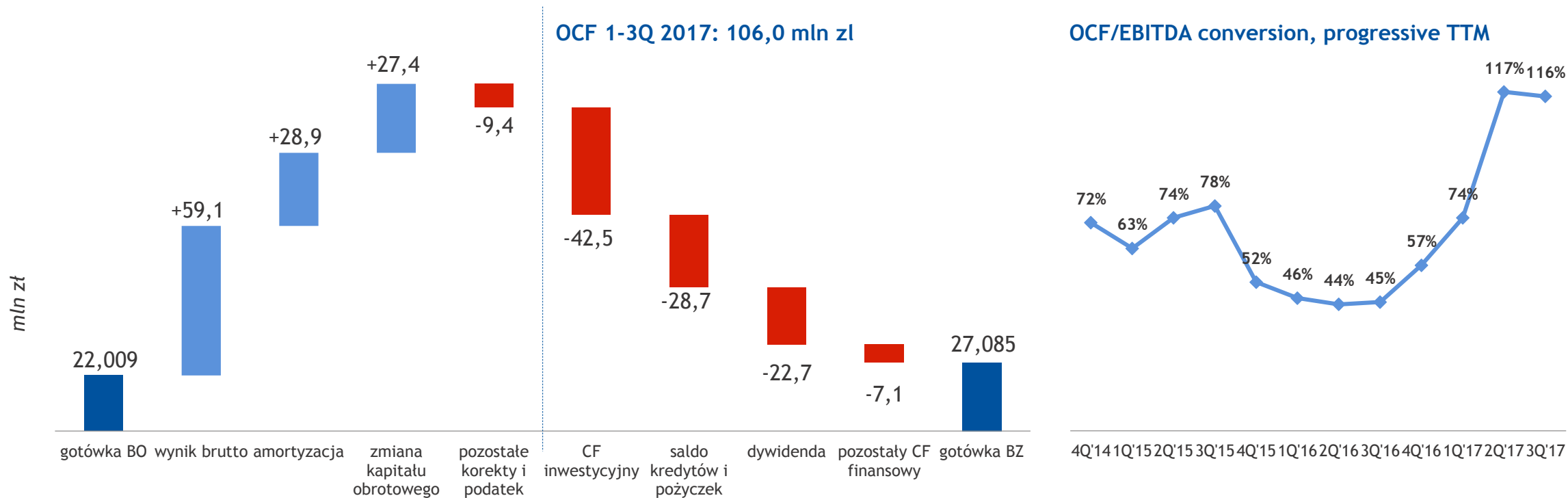
- ❖ conclusion of contracts in Apator Rector within updated cost budget
- ❖ optimilisation and increase of elasticity of the level and structure of employment in Apator Rector
- ❖ in EBITDA 1-3Q 2017 extraordinary items 5,6 mln zl (mainly connected with updating the value of inventories in Apator Elkomtech and R&D) works, no extraordinary items in 3Q
- ❖ EBITDA 1-3Q 2016 and 3Q 2016 charged by the withdrawal of margin amounting to 9,7 mln zl in Apator Rector conneted with the adjustment of long-term budget contracts

# working capital and financial debts



- ❖ gradual decrease of the level of working capital and share of KON in sale due to the lowered level of receivables (mainly supplies to Ethiopia) and implemented general optimization initiatives
- ❖ increase in net debt is connected with the increase in Apator Rector debt (refinanced within the Group in November 2017) and dividend payment in 3Q'17 (22,7 mln zł)
- ❖ safe financial structure - index DN/EBITDA LTM 1,1x (DN/adjusted EBITDA LTM 1,0x)

# cash flow 1-3Q 2017



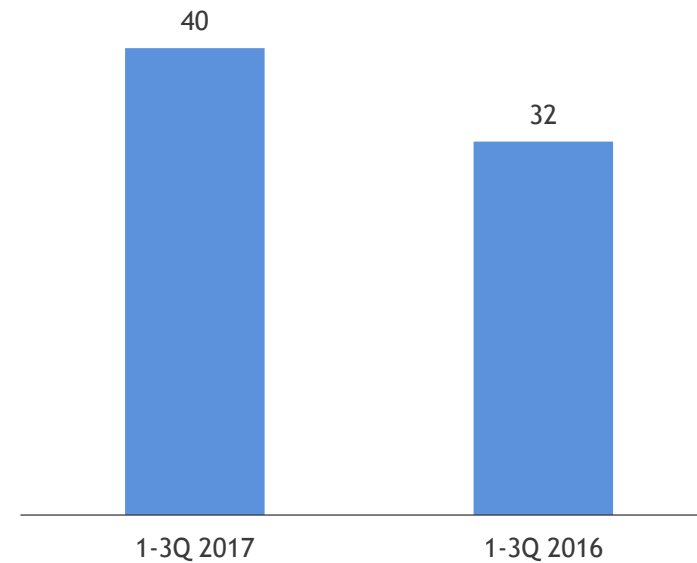
- ❖ high operating CF in 1-3Q 2017 106,0 mln zł vs 24,4 mln zł in 1-3Q 2016 - the effect of initiatives directed towards the lowering of share of resources in the working capital and good financial results
- ❖ significant improvement of EBITDA conversion into OCF in last quarters
- ❖ pre-payment of dividend due to profit for 2017 0,35 gross/share (11,6 mln zł), dywidend day 15 December ,dywidend payment day 22 December

# investments

❖ investment expenses were mainly connected with:

- industrialisation - implementation of new products - 10,1 mln zł, including: automatisisation and increase of production capacity in Ostaszewo (electricity network metering and switchgear) and Tczew (Metrix - gas)
- R&D development project 11,4 mln zł
- restauration 8,9 mln zł
- others 9,4 mln zł

CAPEX, mln zł



# factors determining Group's activities

metering			APS	
electricity	gas	water and heat	switchgear	ICT , SSiN
periodical replacement demand, technological changes due to the need to increase the effectiveness of management of the media and communication amortisation			PKB, construction	innovations, strategic investment decisions OSD due to energy safety and the requirement of increasing effectiveness of electricity network management, regulation requirements
legalisation and market regulations				
process of smart metering implementation				
costs of components and materials (metal prices - including cooper and zinc)				
electronic components costs (including silicon)				
currency exchange rate : short current position for USD - total amount about 10-12 mln USD in 2017, long currency position on export (mainly EUR, USD); hedging				
labour costs				
high corelation with the public sector			exposition to industry and industrial power	hihg corelation with the public sector

# prospects 4Q'17 and 2018

- ❖ gradual simplification and standardisation of metering structure - lowering the average weighted price of meters (lowering the unit margin accompanied by the simultaneous fast increase of volumes)
- ❖ moderate increase of labour costs and increase of prices of selected natural resources reduced by the possibility of partly transfer on customers and increasing volumes and capacity

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## revenues 2018 vs 2017

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electricity metering		termination of the induction metering line
Gas metering		! increasing volumes and profitability (stable margin mass)
water and heat metering		
switchgear		

- ❖ priority of quick conclusion of contract with TD by Apator Rector
- ❖ continuation of optimisation of cost structure in lines ICT and SSiN
- ❖ continuation of project of production activities effectiveness improvement in the key operation hubs
- ❖ attractive export perspectives: Holland - contract conclusion Liander, UK - SMETS 2, Niemcy - electricity meters, Western European markets - water meters and heat cost allocators
- ❖ **consolidated forecast 2017 - revenues: 900-950 mln PLN, net profit: 60-65 mln PLN**

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