

Torun, 28.02.2020

## In 2019, the Grupa Apator has strengthened its position on export markets

Grupa Apator closes the year 2019 with revenues at the level of PLN 878 million, which is PLN 50.5 million\* more in comparison to the previous year, selling almost half of its solutions for export markets.

- Record turnover of the Gas segment (+33% y/y). Sales of the Water and Heat and Electricity segments maintained at the levels of 2018.
- Financial results below Management's expectations and in line with the estimates published in January 2020: consolidated net profit for Q1-4 2019 amounted to PLN 56 million (-21% y/y), while EBITDA was PLN 127 million (-4% y/y)\* - mainly as a result of pressure on prices and margins and the situation on the labor market. Additionally, the result was adversely affected by one-off events.
- Diversifying markets and increasing the share of exports in sales to 47%.
- A high level of cash flows from operating activities with a favourable transition into the Grupa's stable financial situation, which ensures timely repayment of liabilities, funds for the implementation of strategic projects and investment activities.
- Recommendation to pay dividend from net profit for 2019 in the amount of PLN 1.30 gross per share (an advance payment of PLN 0.45 per share was made in December 2019).

\* including only continued operations. In 2018, sales in discontinued operations included mining equipment. Since 2019, the operation has been discontinued.

In 2019, the market situation in Poland was not favorable to Grupa Apator, nevertheless Grupa Apator generated revenues on sales higher than in 2018. The domestic energy and fuel sector has reduced the scale of its investments in power grids, which has direct bearing on the results of companies providing solutions for the power industry. At the same time, the Executive Board of the Group has taken a number of measures to minimize the negative impact on the financial results of other factors, such as high pressure on prices and margins or the situation on the labour market. Apator adjusted its operating activity to the current situation, diversifying the markets and actively looking for customers outside Poland, which resulted in 9% increase of export y/y, mainly to the European Union countries (with dominant importance of UK, Dutch, German, Belgian and Czech markets). Russia and Ukraine were also important export destinations. In 2019, the solutions of Grupa Apator made it to more distant regions of the world such as South Korea, Israel or Brazil.

The biggest success was achieved by **the Gas segment**, which recorded a 33% y/y increase in sales as a result:

- higher exports (increase by 28% y/y), due to large supplies of smart gas meters to the UK, the Netherlands and Belgium, as well as mechanical counters to the German market,
- significantly higher domestic sales (increase by 57% y/y) - due to the sale of residential gas meters with mechanical counter for the Polska Spółka Gazownictwa.

**The Water and Heat segment** maintained the level of sales in 2018, mainly due to:

- increase in turnover in the country (by 15% y/y) thanks to, among others, large supplies of water meters with radio overlays to housing cooperatives and home water meters for municipal enterprises and water supply companies,
- a drop in export sales of 11% y/y (in 2018, a significant contract for a client in Ethiopia was executed).

**The Electricity segment**, operating in a market subject to exceptionally strong competition and strongly correlated with the level of investments by domestic power companies, recorded a slight decrease in sales by 2% y/y, as a result of:

- lower turnover in the line of control and supervision systems (lower sales of drives and applications and software - in 2018, a large one-time contract for a metallurgical plant in Poland was executed) and slightly weaker results in the line of switchgear.

At the same time, higher sales of electricity meters were recorded, mainly for export, due to, among others, deliveries of electronic meters to the German market (increase of meters export by as much as 25% y/y).

Despite intensive sales activities, cost discipline and progressing automation of processes, Grupa Apator recorded in 2019 weaker financial results y/y and it was significantly influenced by one-off events, that is settlement of projects in Water and Heat segment (influence on the level of gross result on sales) and creation of provision for warranty repairs in Electricity segment (influence on the level of operating result). As a result, there was a decrease in margins at individual levels of the income statement. According to the Company's predictions, lower gross profit on sales was also directly affected by price drops as a result of competitive pressure, less favourable sales structure and increase in TPC (technical production cost), including an increase in salary costs.

The level of profit was positively influenced by the reduction of costs of sales by 6% y/y in the scale of the whole Grupa Apator. Apart from the above mentioned factors, the level of EBITDA profit was influenced by the increase in depreciation (by 19% y/y) resulting from systematically implemented investments and application of IFRS16. Other operations ended up with a loss of PLN 9.2 million (PLN 2.1 million more than a year ago). The result was affected by revaluation of current assets (mainly inventories) and provisions (including provisions for warranty repairs, which total impact on the operating result was PLN 9.6 million).

*We carry out intensive research and development work in the existing areas, but we also closely follow trends, look for opportunities in new niches and diversify markets - emphasises Miroslaw Klepacki, President of the Executive Board. - At the same time, we continue our efforts to improve our effectiveness and efficiency. We are implementing new solutions and technologies to even better manage delivery logistics, costs and product quality (e.g. we have improved the process of testing aging energy meters). We optimize our organization by the process of merger of successive companies within EE segment (Apator Elkomtech and Apator Rector), we reorganize Apator Powogaz, and we organize fixed assets within the Grupa. In January, we informed about signing a letter of intent to sell the plot on which Powogaz factory is currently located. We should sign a preliminary agreement in the near future. We are at the end of the process of selection of the location of new Apator Powogaz within the boundaries of Poznań agglomeration. The whole process of relocation is planned for about 2 years.*

Grupa Apator strives to develop new attractive areas related to popularization of RES technologies and increased interest in local energy management (dispersed green energy sources require application of advanced solutions for local measurement, monitoring and automatic energy management in clusters). On the other hand, smart cities will use modern communication technologies and remote reading and control systems that Apator provides already today. Also promising is the trend related to improving energy efficiency (which can translate into investments in automation and energy management systems) and energy consumption flexibility and grid flexibility (requiring DSOs to invest in upgrading and expanding their grid infrastructure and using smart metering solutions).

Apator is also successively implementing smart metering solutions in the country and abroad - Apator Metrix will perform the first order of Polska Spółka Gazownictwa for bellows gas meters with the function of remote data reading and built-in valve for suspension/resumption of gaseous fuel supplies by means of data transmission through GSM mobile network for the amount over PLN 7 million. Apator actively participates also in the Power Market (legislative solution where not only generated electricity but also net available power, that is readiness to deliver electricity to the grid is subject to buy-sell transactions).

# INFORMACJA PRASOWA



Under the settled tender announced jointly by Tauron Dystrybucja, PGE Dystrybucja and Enea Operator, Apator will provide specialist ee meters designed for metering of customers of C1 tariff groups for the needs of power fee settlements of total value PLN 77.4 million.

Apator consequently shares the profit with its Shareholders. In December 2019, an advance dividend of PLN 0.45 per share was paid. At the same time, the Management Board recommends the payment of a total dividend from net profit of PLN 1.30 per share. The final decision on the distribution of the profit and the payment of the second part of the dividend will be taken at the General Meeting of Shareholders in May 2020.

## Key financial data\*

Million PLN	1-4Q 2019	1-4Q 2018	dynamics	4Q 2019	4Q 2018	dynamics
Sales	878.3	844.0	+4.1%	234.6	243.4	-+3.6%
EBITDA	127.0	134.3	-5.4%	29.4	33.8	-13,0%
Net result	55.9	70.4	-20.6%	10.5	16.1	- 34.8%

## Main segment revenue\*

Million PLN	1-4Q 2019	1-4Q 2018	dynamics	4Q 2019	4Q 2018	dynamics
Domestic sales	465.8	465.3	+0.1%	128.2	139.0	-+7.8%
Foreign sales	412.5	378.7	+8.9%	106.4	104,4	+1.9%
Electricity segment	378.1	385.9	-2.0%	98.5	115.3	-14.6%
Water and Heat segment	256.8	258.3	-0.6%	67.2	77.2	-13,0%
GAS segment	243.5	183.5	+32.7%	68.9	48.6	+41.8%

\*Data for continued and discontinued operations

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

Apator is one of three biggest 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.