

RESULTS OF THE APATOR GROUP 1Q 2018

presentation for investors and analysts
Warsaw, May 22, 2018



New segments in the Apator Group

Apator Group segments

Water and heat	Gas	Smart Grid
<p>Business line</p> <ul style="list-style-type: none">Water and heat metering	<p>Business line</p> <ul style="list-style-type: none">gas metering	<p>Business lines</p> <ul style="list-style-type: none">electrical power meteringconnectionscontrol and monitoring systemsswitchgear and drivesICT
<p>Companies in the Powogaz Group</p> <ul style="list-style-type: none">TelemetryMiitorsMetraMetroteksTeplovodomer	<p>Companies in the Metrix Group</p> <ul style="list-style-type: none">GwiInda	<p>Companies:</p> <ul style="list-style-type: none">ApatorPafalElkomtechRectorControl
<p>Leader Jacek Kryszkiewicz</p>	<p>Leader Arkadiusz Chmielewski</p>	<p>Leader Mirosław Klepacki</p>

The most important tendencies in 1Q 2018

- A decrease in the year-to-year revenues and profits is mainly associated with lower export sales and the effect of an operating leverage.
- An improvement in the % profitability in the gross margin on sales, EBITDA and the net result
- A drop in the income on sales, especially in the Smart Grid sector, related to withdrawal from the induction technology and the well developed base in the gas metering segment.
- A decrease in the share of export, year-to-year, due to completion of performance of the contract in the United Kingdom (Gas segment)
- A high conversion of EBITDA to operating cash flow maintained, and in consequence, further reduction in debt and maintaining of the safe financing structure
- A dividend in the amount of PLN 1.20 per share is proposed (the dividend yield exceeding 5%). In December 2017, a prepayment to dividend in the amount of PLN 0.35/per share was made. The remaining amount of the declared dividend, in the amount of PLN 0.85 per share, will be paid following its approval by the General Shareholders Meeting

SALES OF PLN 188 MILLION, -14.5% YEAR-TO-YEAR

GROSS REVENUES ON SALES	EBITDA	NET
-7.6%/+2.3 pp	-9.3%/+0.9 pp	-12.2%/+0.2 pp

SMART GRID SEGMENT PLN 77 MILLION, -12% YEAR-TO-YEAR

GAS PLN 49 MILLION, -29% YEAR-TO-YEAR

WATER AND HEAT PLN 57 MILLION, -3% YEAR-TO-YEAR

EXPORT SHARE	EXPORT DYNAMICS	
48%	-28%	
OCF/EBITDA	OCF	ND/ EBITDA LTM
104%	PLN 31 million	1.11x

Group results for Q1 2018 vs Q1 2017

as PLN million	Gross profit on sales	58,4	63,2	-7,6%
		31,0%	28,7%	
	Profit on sales	21,0	23,3	-9,9%
		11,2%	10,6%	
	EBITDA	30,2	33,3	-9,3%
		16,0%	15,1%	
	Net profit	15,1	17,2	-12,2%
		8,0%	7,8%	

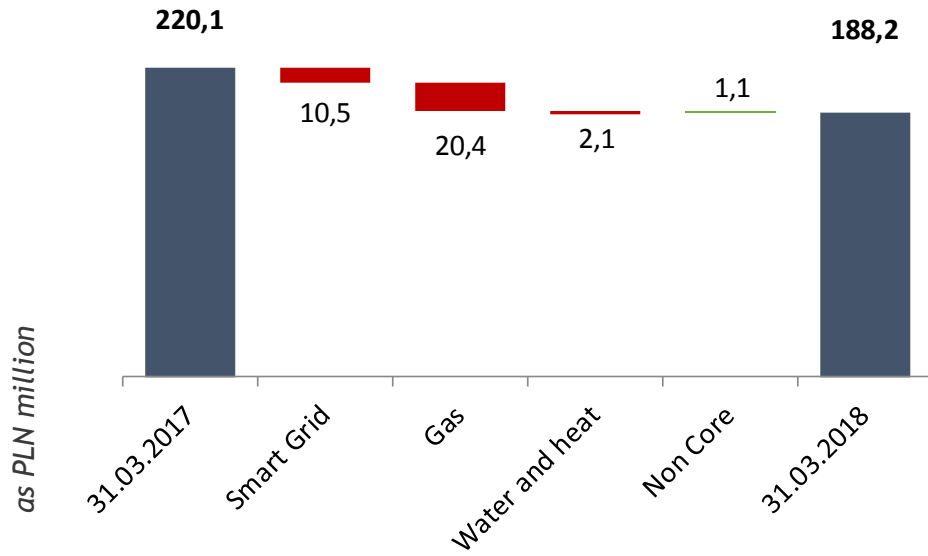
without One-off

	Q1 2018	Q1 2017	Δ r/r
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- A drop in income on sales by PLN 31.9 million year to year, including in the Smart Grid segment by PLN 10.5 million, mainly due to withdrawal from the inductive technology, and in the Gas segment by PLN 20.4 million due to completion of the contract in the United Kingdom (PLN 23 million Q1 2017 vs PLN 5 million in Q1 2018) of a relatively high turnover value and a low margin
- Improvement in profitability in Q1 2018 vs Q1 2017 at each level of the profit and loss account.
- A drop in the gross margin on sales by PLN 4.8 million year-to-year, due to a drop in income on sales. A negative influence of lower income on the margin of PLN -9.2 million compensated by the higher profitability, the income of PLN +4.4 million
- A lower level of EBITDA Q1 2018 vs Q2 2017 by PLN 3.1 million mainly due to lower income on sales in the Smart Grid segment
- A drop in net profit by PLN 2.1 million year-to-year

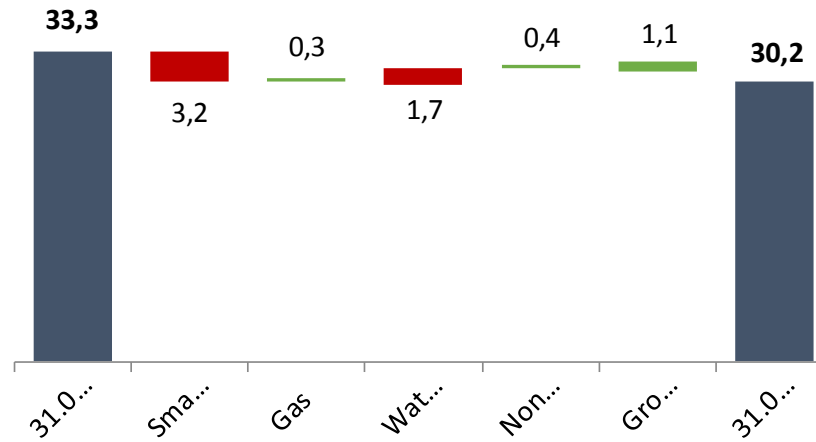
Summary of the Apator Group results - Q1 2018 vs Q1 2017

Revenues ▼



- A drop in revenues by PLN 31.9 million (14.5%) year-to-year mainly caused by the Smart Grid (EE metering line) and Gas segments

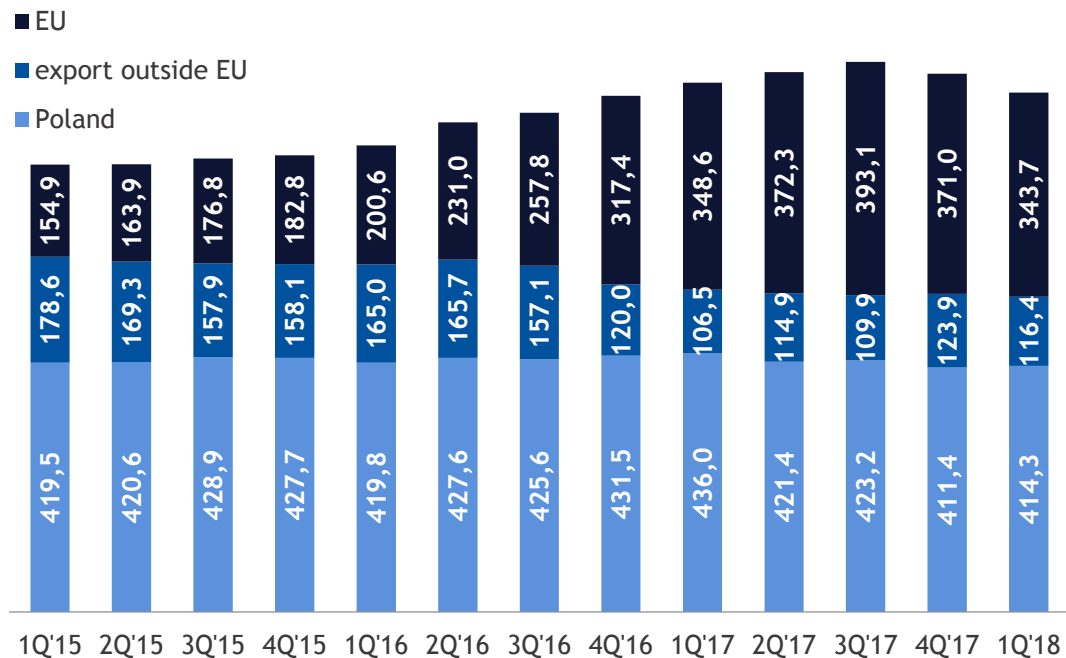
EBITDA ▼



- A drop in the EBITDA level by PLN 3.1 million (9.3%) mainly in the Smart Grid and Water and heat segments, partly compensated by higher profitability in the Gas segment and optimization of the Group costs

A significant share of export in the Apator Group sales

Geographic structure of sales (rolling TTM)



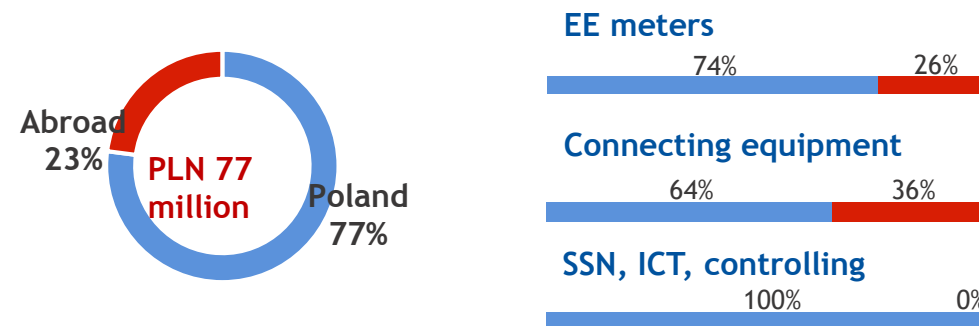
export share 1Q'18 (TTM)

53%

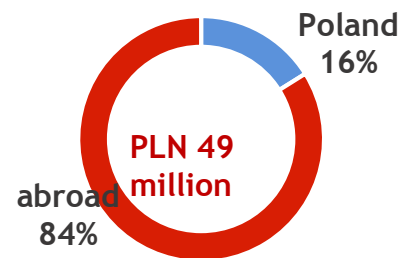
export dynamics, year-to-year,
1Q'18-1Q'17 (TTM)

+1%

Geographic structure of the Smart Grid segment, as PLN million (1Q 2018)



Geographic structure of the Gas segment, as PLN million (1Q 2018)

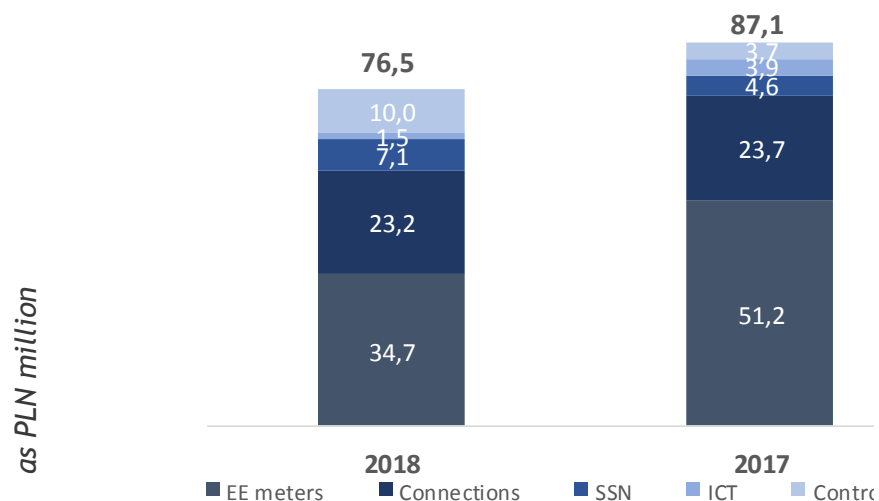


Geographic structure of the Water and heat segment, as PLN million (1Q 2018)



Sales Q1 2018 vs Q1 2017

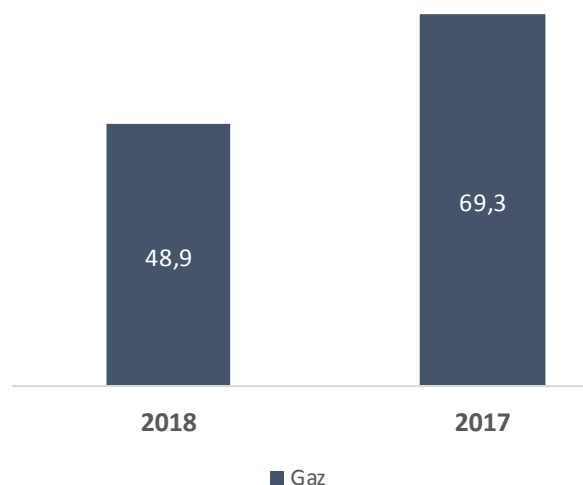
Smart Grid



➤ **Drop by 12.2%, year-to-year**

- lower income in the EE metering line, by PLN 16.5 million, due to withdrawal from the induction technology (PLN 16 million in Q1 2017 vs PLN 6 million in Q1 2018) and changed dates for performance of contracts
- improvement in income for the controlling equipment line by PLN 6.3 million, resulting from an important contract concluded in 2018 (Huta Bankowa)

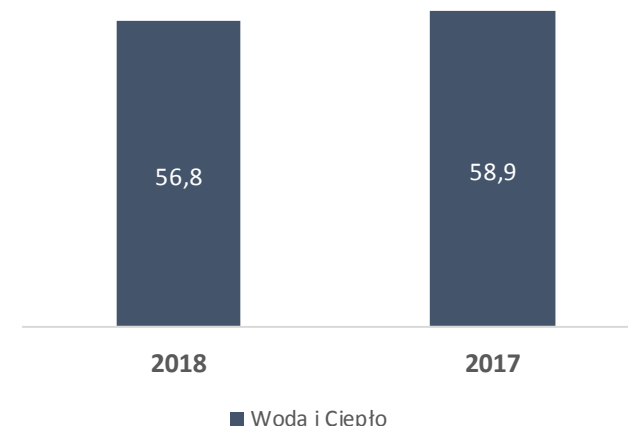
Gas



➤ **Drop by 29.4%, year-to-year**

- lower income on sales of digital gas meters due to the completion of the contract in the United Kingdom (PLN 23 million in Q1 2017 vs PLN 5 million in Q1 2018)

Water and heat



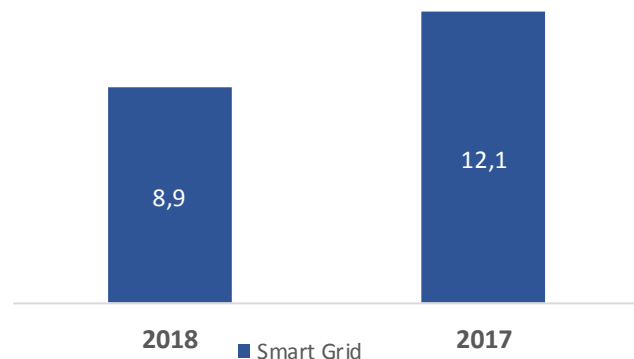
➤ **Drop by 3.6%, year-to-year**

- a drop in sales due to lower export sales year-to-year, mainly to France and Spain

EBITDA Q1 2018 vs Q1 2017

Smart Grid

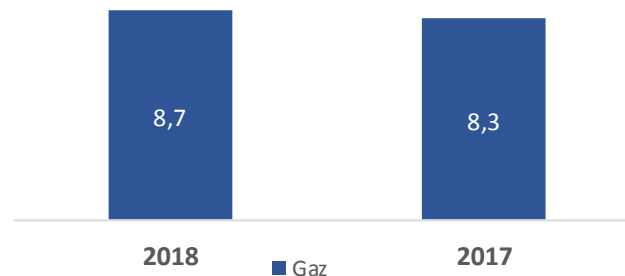
as PLN million



➤ Drop by 26.4%, year-to-year

- lower income on sales in the EE metering line influenced a drop in EBITDA, partly compensated by an improvement in profitability at a level of gross margin on sales
- the most important contribution of the EE metering line in the EBITDA of the segment
- significant improvement in EBITDA in the SSN line, PLN 1.2 million in Q1 2018 vs PLN -1.1 million in Q1 2017

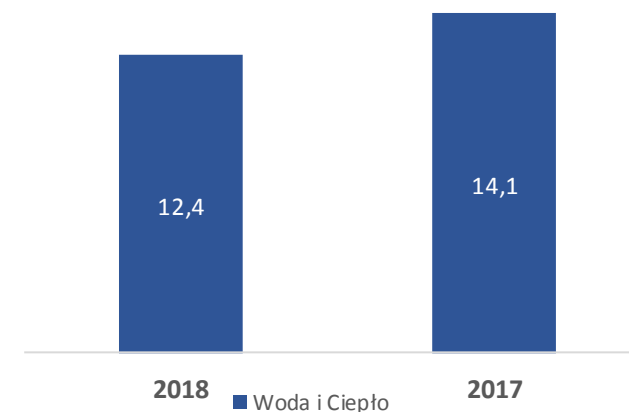
Gas



➤ an increase by 4.8%, year-to-year:

- an improvement in the EBITDA level, despite a significant drop in sales, by 29.4 % year-to-year
- a significant increase in profitability due to completed performance of the contract in the United Kingdom of a relatively high value of turnover and low margin
- a reduction in costs of sales, year-to-year

Water and heat

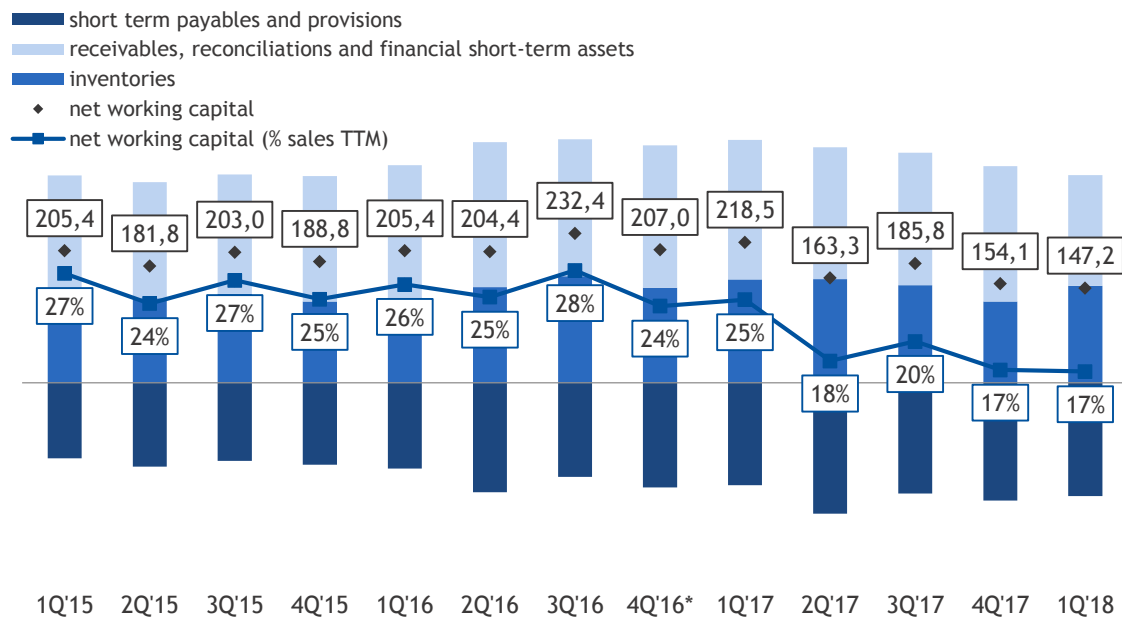
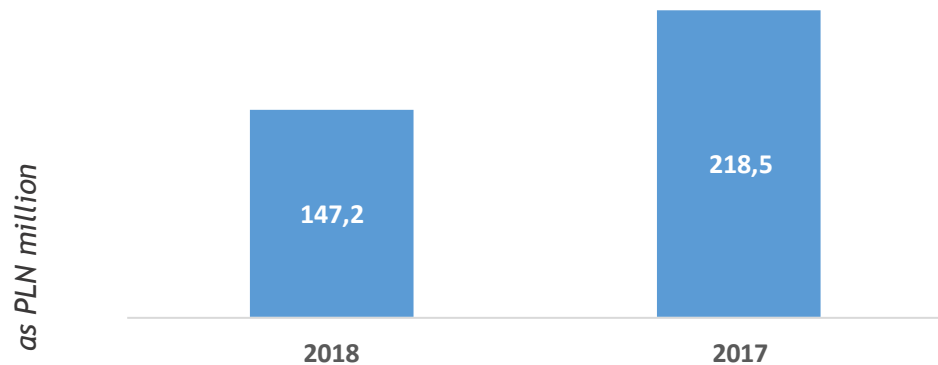


➤ Drop by 12.1%, year-to-year

- the influence of the lower income on sales
- a drop in profitability at a level of the gross margin on sales by PLN 2.2 pp year-to-year, due to a change in the sales structure/product mix

Working capital

Net working capital



➤ **A reduction in the net working capital by 32.6% year-to-year**

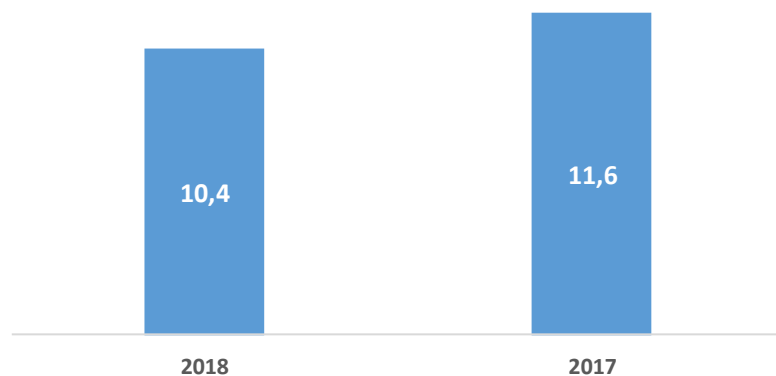
➤ optimising of payables and receivables turnover ratios

➤ reduction in the value of inventories by 6.3% year-to-year, mainly due to lower income on sales

Investments and debt

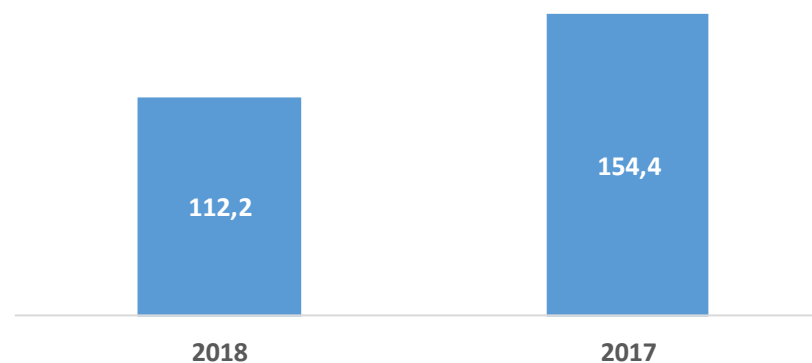
Capex

as PLN million



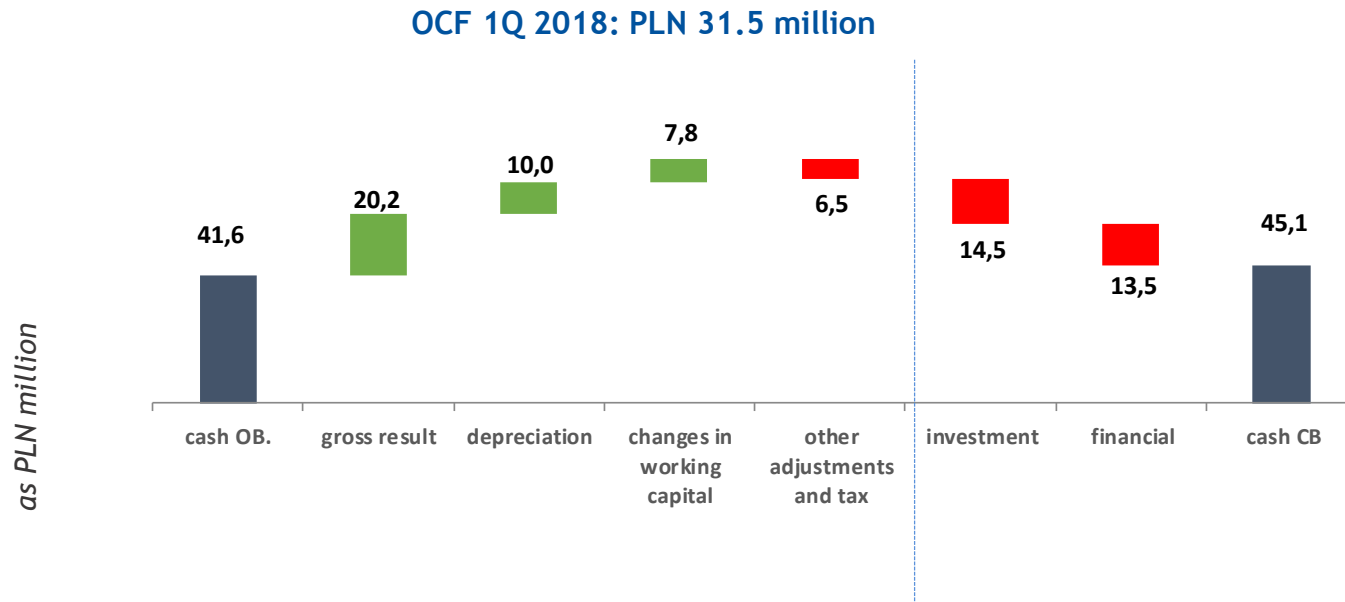
- **A slight reduction in investments expenditures, year-to-year**
- a drop in expenditures on new products is partly compensated by an increase in replacement investments and expenditures on R&D

Net debt



- **Drop in debt by 27.3%, year-to-year:**
 - repayment of credits in the amount of PLN 30.8 million
- **Safe level of debt**
 - net debt/LTM EBITDA 1.11 x

Cash flow analysis



- A drop in the operating CF, PLN 31.5 million year-to-year in Q1 2018 vs PLN 34.9 million in Q1 2017 resulting from a lower release of cash from the working capital and lower financial results
- Negative flows from investments - mainly purchases of fixed assets and intangible and legal assets, and expenditures on purchase of the company GWI.
- Negative flows from financial operations - mainly repayment of credits and loans

Forecasts for 2018

as PLN million	Forecast 2018	Performance Q1 2018	Degree of performance Q1 2018	Degree of performance Q1 2017 *	Degree of performance Q1 2016 *
Sales	850 - 880	188	22,1% - 21,4%	24,5% - 23,2%	23,3%
Net profit	65 - 70	15	23,3% - 21,6%	22,9% - 21,5%	17,2%

- Key assumptions for the forecast:
 - a settlement concluded between Tauron Dystrybucja SA and Apator Rector
 - improvement in results of companies Apator Rector and Apator Elkomtech
 - no individual events
 - average exchange rates: PLN/EUR: 4.17; PLN/USD 3.60; PLN/GBP 4.80

- Capex - planned investments at the level of PLN 56 million, a slight increase in investment expenditures year-to-year, mainly caused by an increase in investments in new products

- **Financial results consistent with the Management Board assumptions, therefore, the Management Board maintains the forecast result for 2018**

* a degree of forecast fulfillment for Q1 2017 and Q1 2016 according to the initial forecast for a given year

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