

RESULTS OF APATOR GROUP 4Q 2017

presentation for investors and analysts
Warsaw 27 February 2018



Main trends 1-4Q 2017

- ❖ Increase of revenues, profits and profitability y/y up to the level of pre-tax results
- ❖ Double-digit increase of EBITDA y/y
- ❖ Increase of sales revenues in the metering segment
- ❖ Increase of geographical diversification of sales - high export share
- ❖ Maintained high conversion EBITDA into operating cash flow resulting in the reduction of debt and safe funding structure
- ❖ Significant increase of operating cash flow y/y

SALES 918M PLN, +6% Y/Y		
GROSS RESULTS FROM SALES	EBITDA	NET
+16%/+2,3 pp	+12%/+0,8 pp	-4%/-0,6 pp

METERING SEGMENT 730M PLN, +8% Y/Y		
ELECTRICITY	GAS	WATER AND HEAT
-14%	+20%	+17%

SHARE OF EXPORT	DYNAMICS OF EXPORT
54%	+13%

OCF/EBITDA	OCF	DN/EBITDA
128%	150 mln PLN	1,07x

Results of Capital Group 2017 vs 2016

mln PLN

Result of CG	2017	2016*	Δ r/r	Result of CG excluding one-off events	2017	2016*	Δ r/r
	Sales	918,3	868,8		5,7%	Sales	918,3
Gross profit from sales	250,1	216,4	15,6%	Gross profit form sales	253,2	226,1	12,0%
	27,2%	24,9%			27,6%	25,7%	
Profit from sales	85,2	72,6	17,4%	Profit form sales	94,2	82,3	14,5%
	9,3%	8,4%			10,3%	9,4%	
EBITDA	117,8	104,9	12,3%	EBITDA	134,7	114,6	17,5%
	12,8%	12,1%			14,7%	13,0%	
Net profit	56,4	58,5	-3,6%	Net profit	70,0	57,8	21,1%
	6,1%	6,7%			7,6%	6,6%	

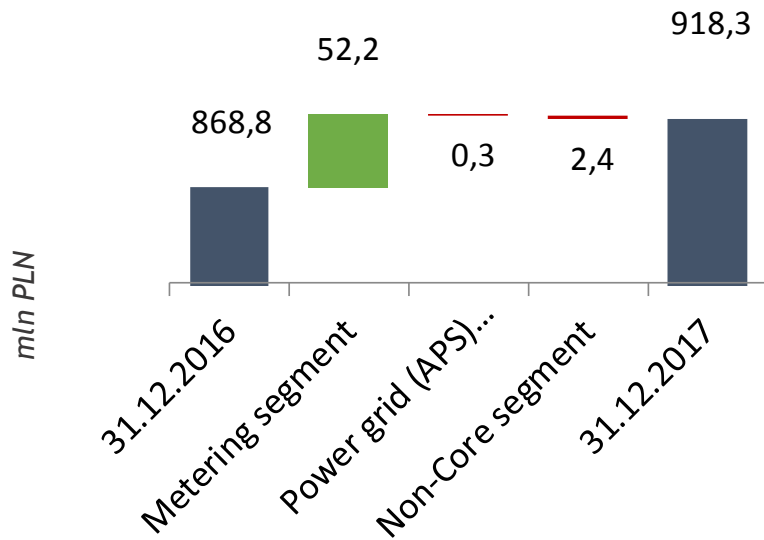
- Improvement of results up to the level of Apator Capital Group EBITDA y/y and net for the result without one-off events (costs of one-off events up to the level of EBITDA 7,2M PLN higher than in 2016)
 - positive impact of metering segment (energy, gas)
 - improvement of EBITDA results in the ICT segment (from 23,5M PLN up to 3,5M PLN)
 - dynamic growth on foreign markets
- Impact of one-off events in 2017 13,6M PLN net (mainly including the sale of the summer resort Rowy 2,9M PLN, change of classification of development works 4,5M PLN, additional provisions for warranty repairs and complaints 3,0M PLN)

* Adjustment of the reported results for 2016 due to the adjustment of opening balance

** Presentation includes data from the continuing and discontinued operations

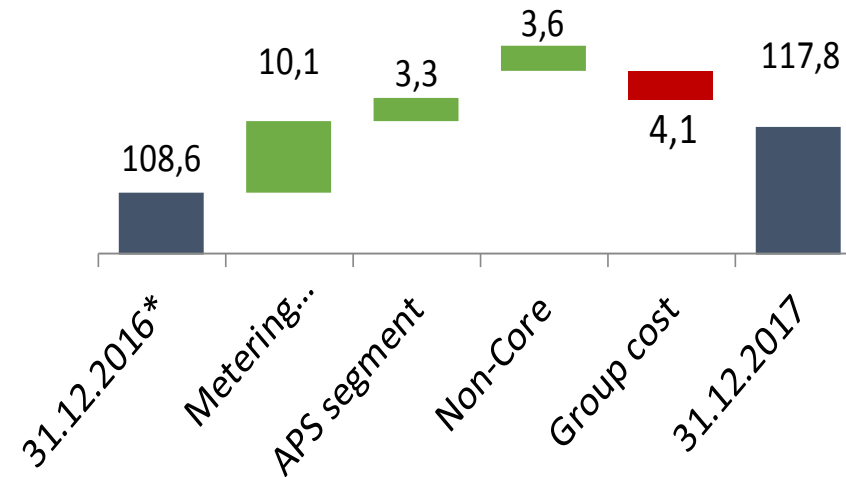
Summary of the Apator CG Results - 2017 vs 2016

Revenues ▲



- Increase of revenues at the level of 5,7% y/y due to good sales results in the metering segment

EBITDA ▲



- Significant increase by 12,3 % of the level of EBITDA profit, improvement of results in all segments, the biggest increase in terms of value in the metering segment
- Increase of the group costs due to one-off events (mainly sale of summer resort Rowy)

Results of Capital Group 2017 Q4 vs 2016 Q4

Result of CG

	Q4 2017	Q4 2016*	Δ r/r
Sales	232,2	240,7	-3,5%
Gross profit from sales	63,3 27,3%	61,8 25,7%	2,4%
Profit from sales	19,0 8,2%	22,1 9,2%	-14,0%
EBITDA	25,3 10,9%	27,9 11,6%	-9,3%
Net profit	9,8 4,2%	22,3 9,3%	-56,1%

Results of CG excluding one-off events

	Q4 2017	Q4 2016*	Δ r/r
Sales	232,2	240,7	-3,5%
Gross profit from sales	64,2 27,6%	61,8 25,7%	3,9%
Profit from sales	22,2 9,6%	22,1 9,2%	0,5%
EBITDA	33,0 14,2%	27,9 11,6%	18,3%
Net profit	16,1 6,9%	13,7 5,7%	17,5%

mIn PLN

- Higher gross profitability in Q4 2017 vs Q4 2016 with a lower level of sales
- Lower net profit Q4 than in the last year - mainly due to 8,5M PLN of additional assets resulting from the tax credit received last year by Apator S.A. for operating in the special economic zone
- Improvement of the Capital Group Apator corrected EBITDA results Q4 2017 vs Q4 2016 by 18,3% (costs of one-off events up to the level of EBITDA higher than in 2016 by 7,8M PLN)
- Net profit excluding one-off events higher than in 2016 by 17,5%
- Impact of the one-off events in Q4 2017 6,3M PLN net (mainly including the sale of the summer resort Rowy 2,9M PLN, change of classification of development works 0,6M PLN, additional provisions for warranty repairs and complaints 1,0M PLN)

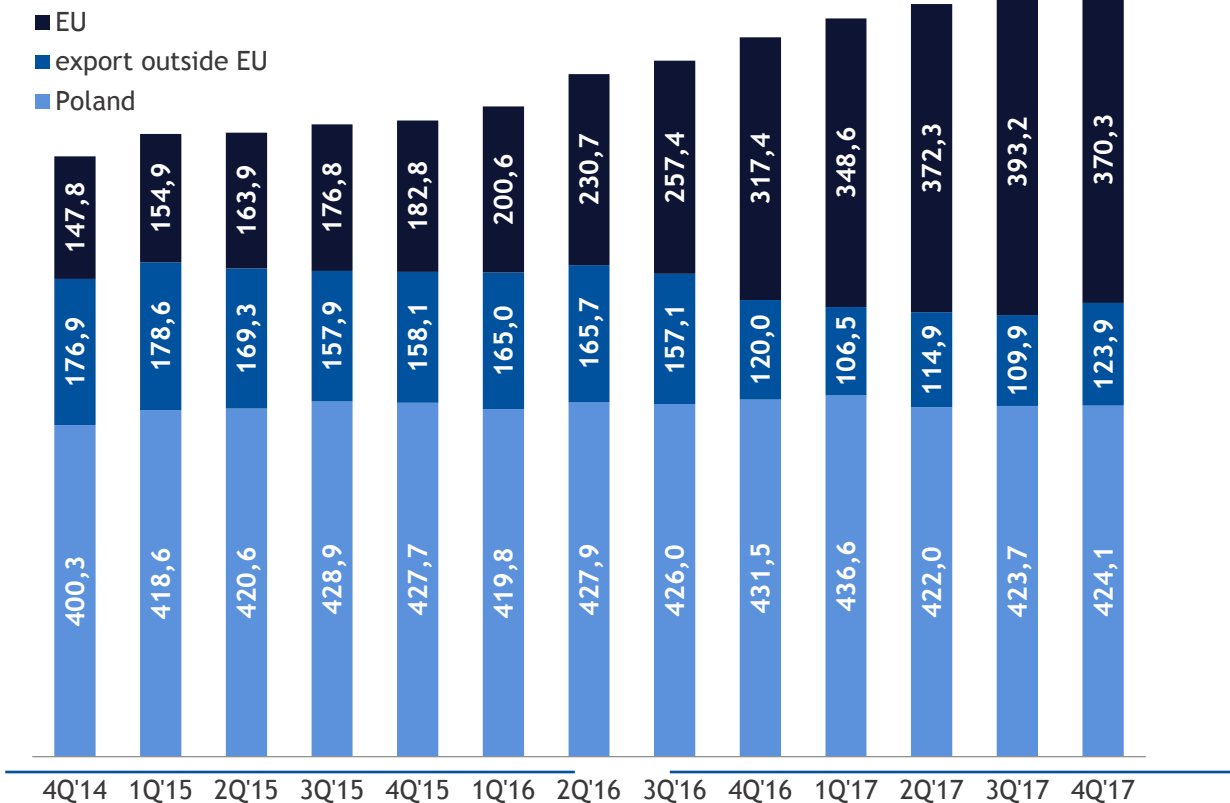
Quarterly results of Capital Group

	IQ 2017	IIQ 2017	IIIQ 2017	IVQ 2017	IQ 2016	IIQ 2016	IIIQ 2016	IVQ 2016	ΔIVQ17/16
Sales	220,7	240,0	225,5	232,2	197,8	222,5	207,8	240,7	-3,5%
Gross profit from sales	62,9	63,8	60,1	63,3	51,5	56,9	46,2	61,8	2,4%
	28,5%	26,6%	26,7%	27,3%	26,0%	25,6%	22,2%	25,7%	
Profit from sales	23,1	19,7	23,5	19,0	18,5	21,6	10,3	22,1	-14,0%
	10,5%	8,2%	10,4%	8,2%	9,4%	9,7%	5,0%	9,2%	
EBITDA	33,1	27,4	32,1	25,3	27,5	29,1	20,4	27,9	-9,3%
	15,0%	11,4%	14,2%	10,9%	13,9%	13,1%	9,8%	11,6%	
Net profit	16,9	12,4	17,2	9,8	13,7	14,6	7,8	22,3	-56,1%
	7,7%	5,2%	7,6%	4,2%	6,9%	6,6%	3,8%	9,3%	

➤ Improvement of profitability at the level of the gross profit from sales in the respective quarters 2017 vs 2016

Export as the engine for growth in sales

Geographical structure of sales (progressive TTM)



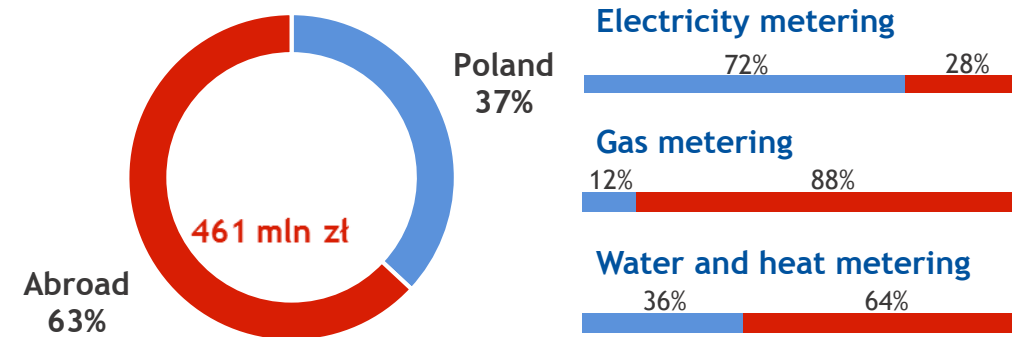
share of export in 1-4Q'17

54%

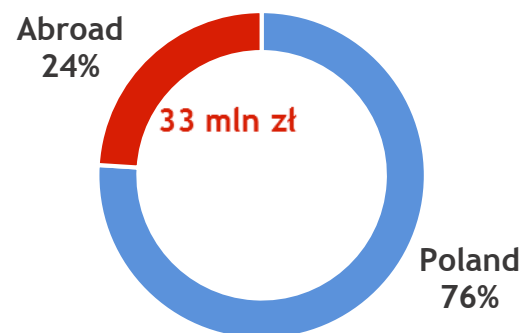
dynamics y/y of export 4Q'17-4Q'16

+13%

Geographical structure of metering segment, M PLN(1-4Q 2017)

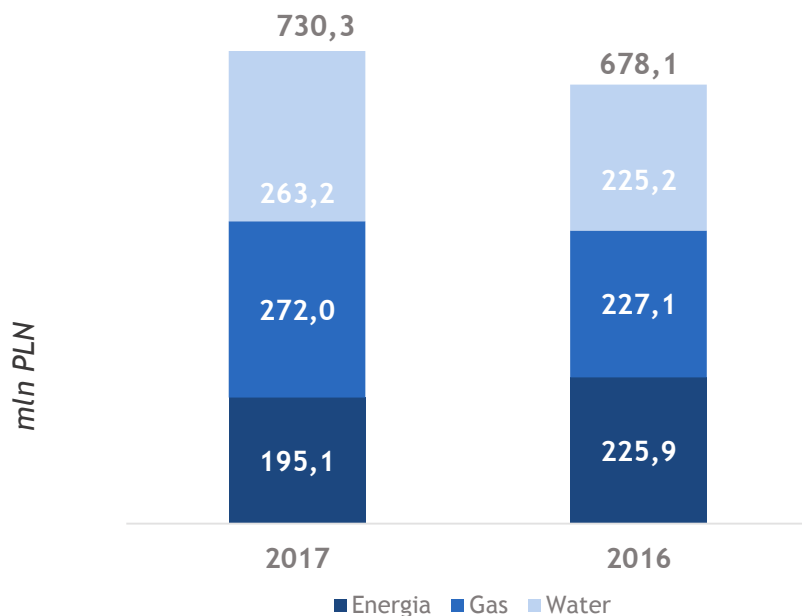


Geographical structure of grid automation segment, M PLN(1-4Q 2017)



Sales 2017 vs 2016

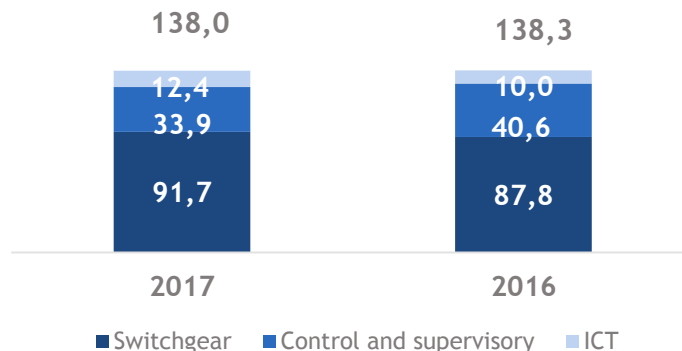
Metering segment



➤ **Increase y/y by 7,7%:**

- Dynamic growth of export- gas meters (UK Secure, Flonidan UK and NL), water meters (Ethiopia and EU)
- Very good year in gas, water and heat metering line
- High basis in 2016 in electricity metering line

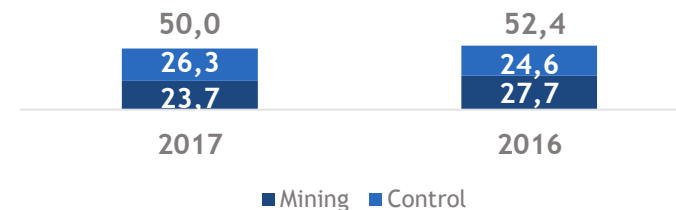
Grid automation segment



➤ **Maintained sales y/y:**

- Switchgear line- consolidation of the market position, increase in sales in the country and abroad
- Control and supervisory line - increase of competition, pressure on prices and margins
- ICT line- maintaining revenues from implementation projects

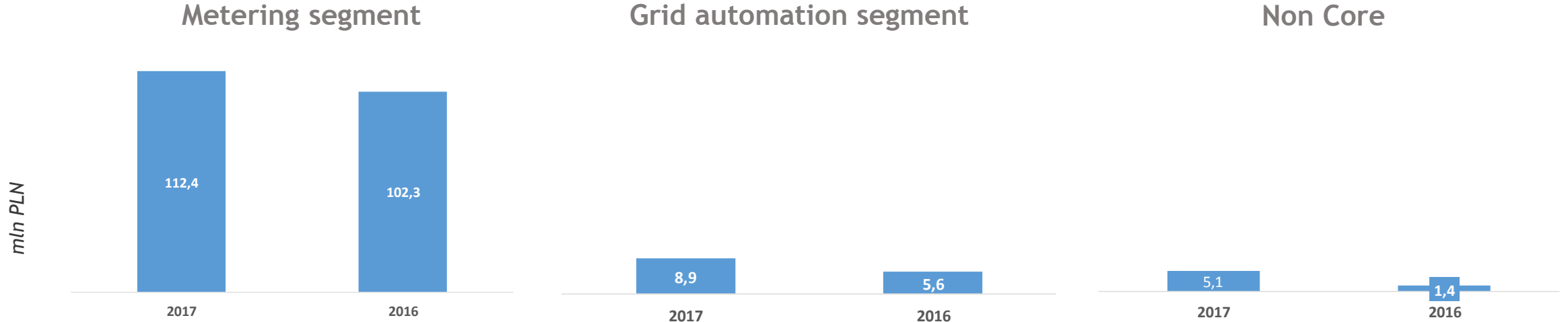
Non Core



➤ **Decline y/y by 4,6%:**

- Mining equipment line - discontinuation of operations by the end of 2018
- Control equipment line- maintaining the level of drives and applications sales

EBITDA 2017 vs 2016



➤ **Increase y/y by 9,9%:**

- Advantageous structure of Norax3 sales and initiatives lowering TKW in electricity line
- Significant increase of revenues from sales in gas line with the increase of margin by 1,4 pp - taking the margin of cooperators (automation)
- Deterioration of the results in water and heat line -one-off events (4,0M PLN) - corrections pertain mainly to provisions and changes in qualification of development works

➤ **Increase y/y by 58,9%:**

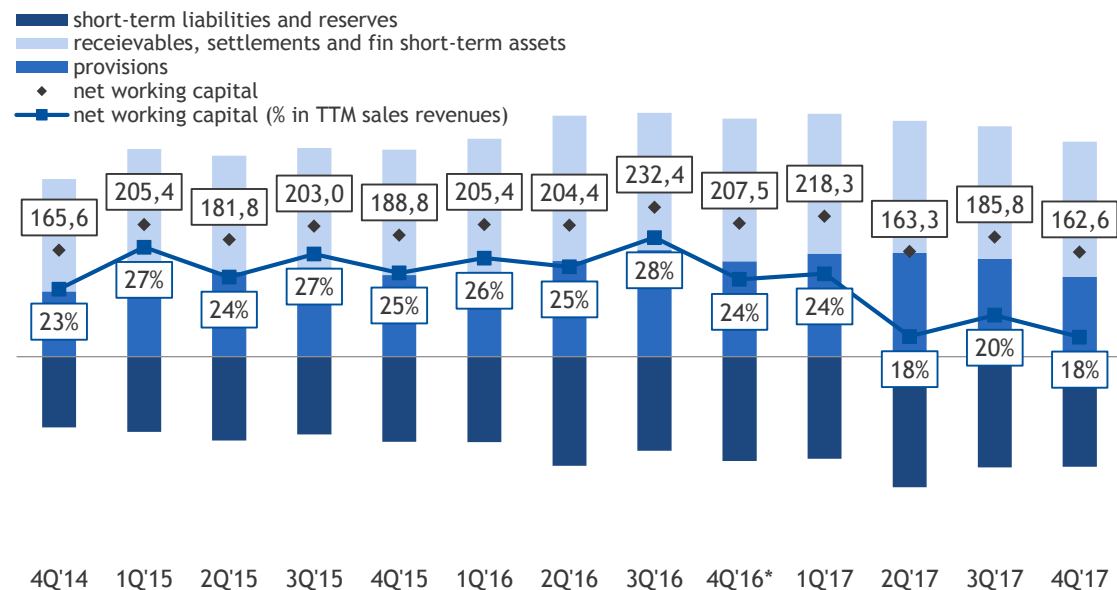
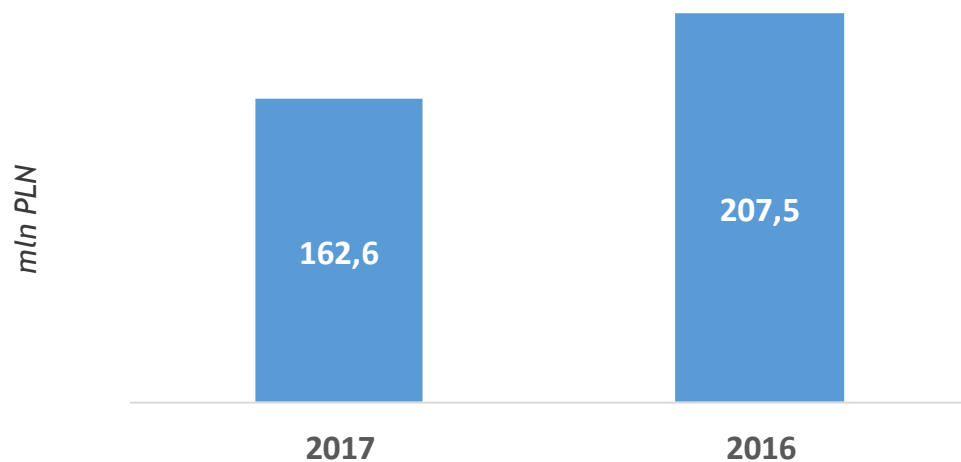
- Significant improvement of results in ICT line by 20,0M PLN y/y (including the impact of one-off events in 2016 at 9,7M PLN)
- Deterioration of the results in control and supervision systems line (one-off events 5,9M PLN) and switchgear line (increase of costs of materials)

➤ **Increase y/y by 3,7M PLN:**

- Improvement of the results in control equipment line within the non-core activity - creation of provisions in 2016
- Additional revenues due to the sale of Apator Mining - sales of tangible assets and product documentation

Working capital

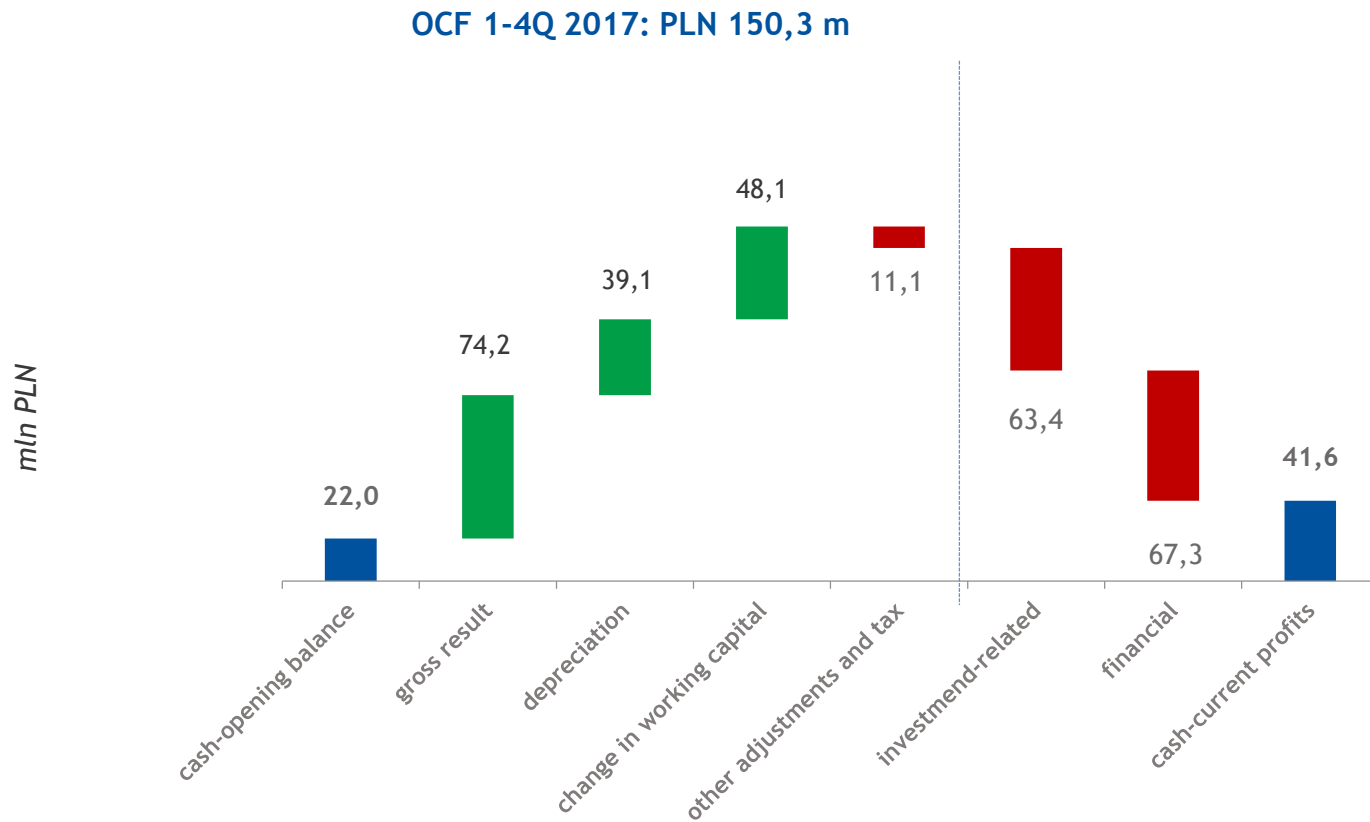
Working capital net



➤ **Reduction of working capital net by 21,6% y/y:**

- Reduction of receivables despite the growth of sales due to the advantageous structure of sales with short payment periods and the implementation initiative concerning negotiations of payment periods within the Group - reduction of receivables turnover ratio from 63 to 55 days
- Significant reduction of inventory turnover ratio from 82 to 67 days, mainly due to closure of projects

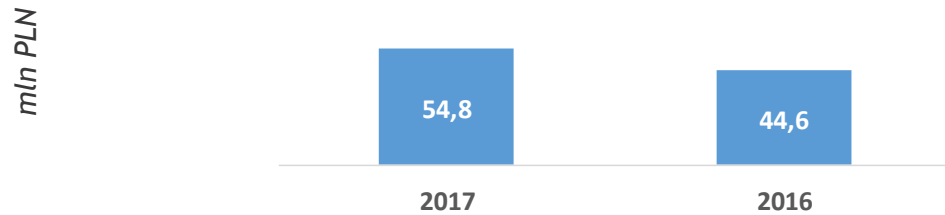
Cash Flow Analysis



- Significant increase of operating CF y/y, 150,3M PLN in 2017 vs 62,3M PLN in 2016 - result of initiatives directed towards lowering the share of resources devoted to cash flows and good financial results
- Negative flows from investment activity - mainly acquisition of tangible assets, intangible assets and expenditures on the acquisition of GWI Ltd
- Negative flows from financial activity - mainly bank loans and dividends

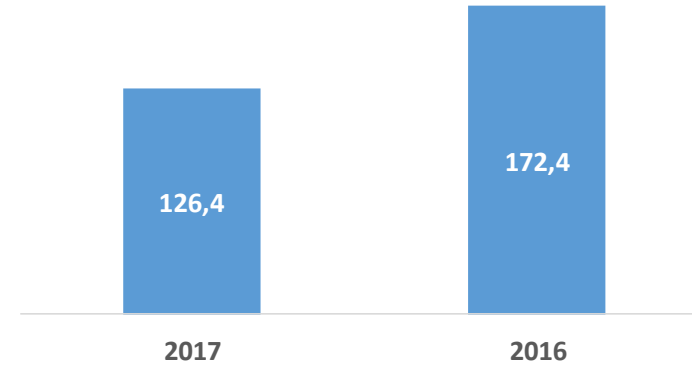
Investments and indebtedness

Capex



- **Continuation of investments in development:**
 - Increase in production capacity due to automation of processes
 - Investments in new products and technologies (ultrasounds, smart metering, cost optimisation)

Net debt



- **Decrease of debt by 27% y/y:**
 - Reduction of amount of loans by 26,5M PLN (including payment of 2 instalments of Elkomtech amounting to 22,5M PLN)
- **Safe level of debt**
 - Net debt/ EBITDA 1,07x

Elkomtech and Rector - summary of 2017 and perspective for 2018

Rector

- Significant change of EBITDA level in 2017 vs 2016 by +20M PLN, last year EBITDA reduced by withdrawal of margin amounting to 9,7M PLN due to corrections of budgets of long term contracts
- Continuation of restructurisation in the company
- Conclusion of contracts for EOP (concluded agreement) and TD (conclusion of negotiations)
- Priority for quick settlement of contract with TD
- Plans for further improvement of results in 2018 due to increase of revenues y/y and margin from gross sales
- New orders from energy sector

Elkomtech

- EBITDA 2017 significantly lower than in 2016 mainly due to lower revenues y/y and one-off events in 2017 at 5,9M PLN (mainly pertain to actualisation of the stock value and research and development works)
- Continuation of actions optimising costs structure , including optimisation and increase of flexibility of the level and structure of employment
- Significant improvement of results 2018 mainly caused by planned increase of revenues in 2018 vs 2017 by about 20% and improvement of margin from gross sales (change of products portfolio)
- First export contract
- Planned consolidation with switchgear within sales department (synergy effects)
- Fusion plan of Elkomtech and Rector will be prepared in 2018

Perspectives 2018

- Recommendation to pay dividends from net profit for the year 2017 for the shareholders amounting to 1,20 PLN per 1 share
- Intention to create a fund amounting to 20M PLN for the share buyback program

PLN (000')	Forecast for 2018	Performance in 2017	Dynamics
Sale	850 000- 880 000	918 214	93%- 96%
Net profit	65 000- 70 000	56 384	115%- 124%

- Key forecast assumptions:
 - Conclusion of the agreement with Tauron Dystrybucja SA by Apator Rector
 - Improvement of results in Apator Rector and Apator Elkomtech
 - No one-off events
 - Average exchange rates: 4,17 PLN/EUR; 3,60 PLN/USD; 4,80 PLN/GBP
- Capex - planned investments at the level of 56M PLN, slight increase of investment expenditures y/y mainly caused by the increase of investments in new products

New segments of Apator Group

Segments of Apator Group

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">Electricity meteringAwitchgearControl and supervisoryDistribution and drivesICT
<p>Companies of Powogaz Group</p> <ul style="list-style-type: none">TelemetryMiitorsMetraMetroteksTeplovodomer	<p>Companies of Metrix Group</p> <ul style="list-style-type: none">GwiInda	<p>Companies:</p> <ul style="list-style-type: none">ApatorPafalElkomtechRectorControl
<p>Leader</p> <p>Jacek Kryszkiewicz</p>	<p>Leader</p> <p>Arkadiusz Chmielewski</p>	<p>Leader</p> <p>Miroslaw Klepacki</p>

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