



Financial results of Apator Capital Group 2015

PLN ('000)	9M 2015	9M 2014	Change y/y
Sales	556 091	517 480	7,5%
Gross profit on sales	151 857	154 627	-1,8%
<i>Margin</i>	<i>27,3%</i>	<i>29,9%</i>	
Profit on sales	55 878	69 802	-19,9%
<i>Margin</i>	<i>10,0%</i>	<i>13,5%</i>	
EBITDA	83 311	94 503	-11,8%
<i>Margin</i>	<i>15,0%</i>	<i>18,3%</i>	
Net profit	49 451	60 045	-17,6%
<i>Margin</i>	<i>8,9%</i>	<i>11,6%</i>	

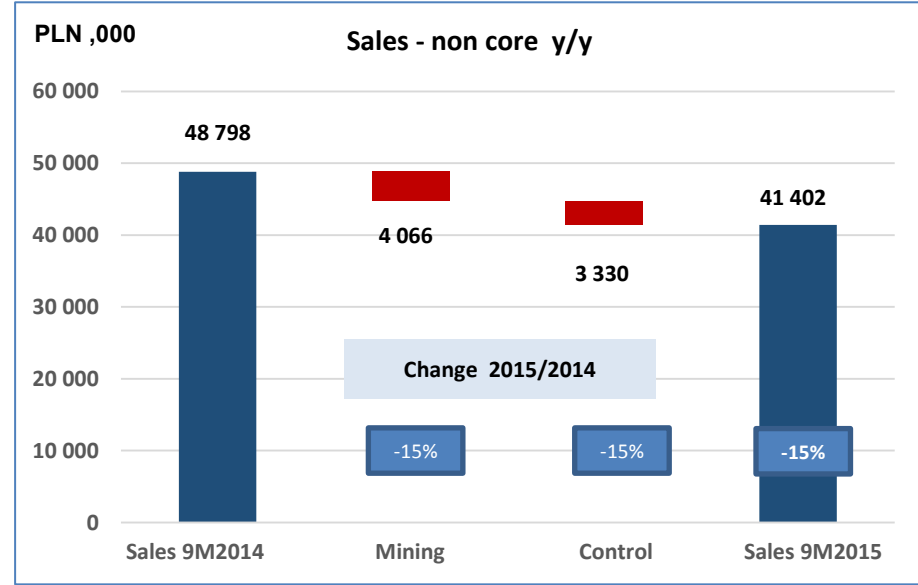
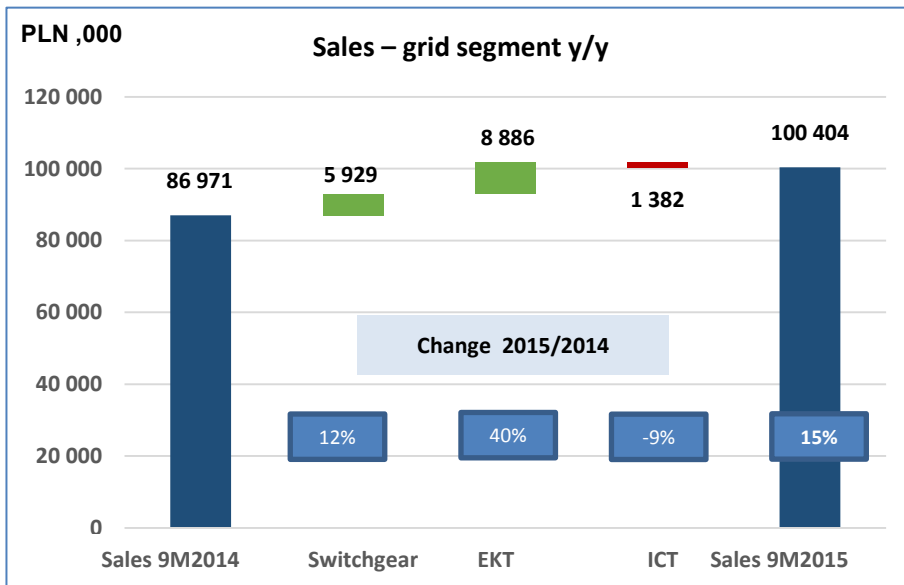
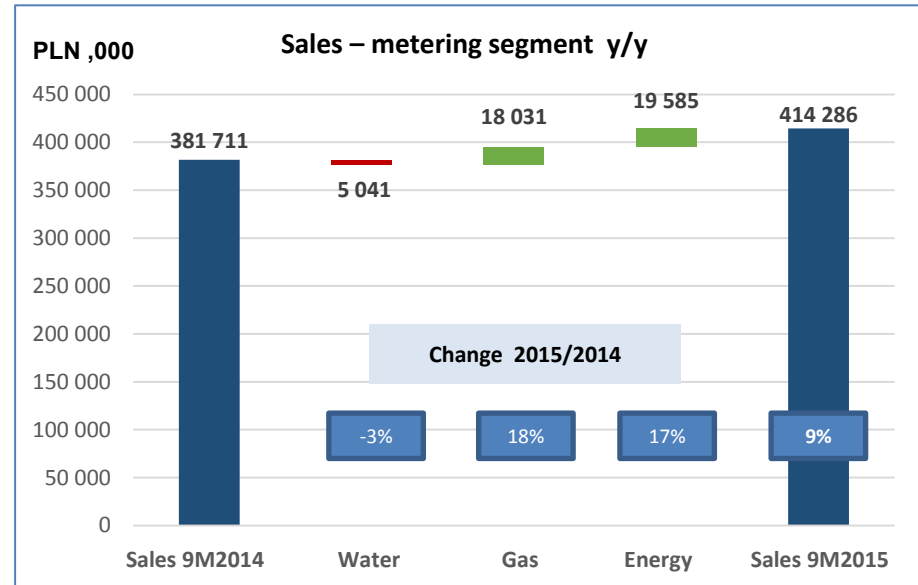
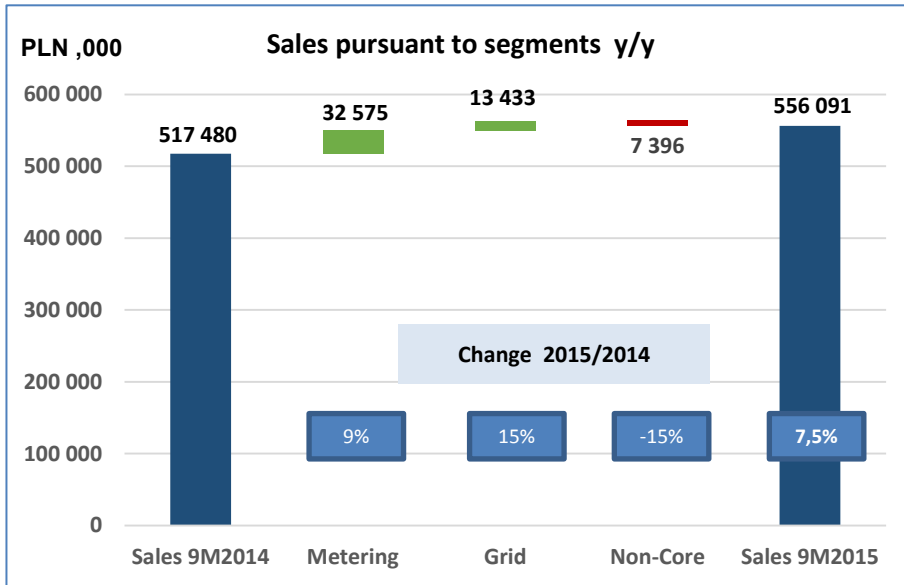
- Significant increase of revenues y/y:
 - increase in line of electricity (high backlog),
 - increase in line of gas – impact of full consolidation of GWI,
 - impact of consolidation of Elkomtech (PLN 9,7 m),
- Organic increase of sales at the level of 2,6%;
- Decrease of profitability of gross profit on sales:
 - loss in Apator Rector,
 - increase of material costs caused by the strengthening of USD exchange rate (circa PLN 7 m),
 - decrease of prices in lines of electricity and gas (high competition),
 - change in product mix – increase of share of sales of less profitable assortments,
 - situation in non-core entities,
- Increase of overheads:
 - one time costs (advising),
 - consolidation of costs entities purchased: Elkomtech, Miitors, GWi,
 - restructuring costs of Rector,
- Release of unnecessary provisions (PLN 3,4 m),
- Largest part of the profit EBITDA provided by metering segment (79%);
- 44% of revenues of high margin of EBITDA (over 20%);

Comparison of quarterly results in 2015

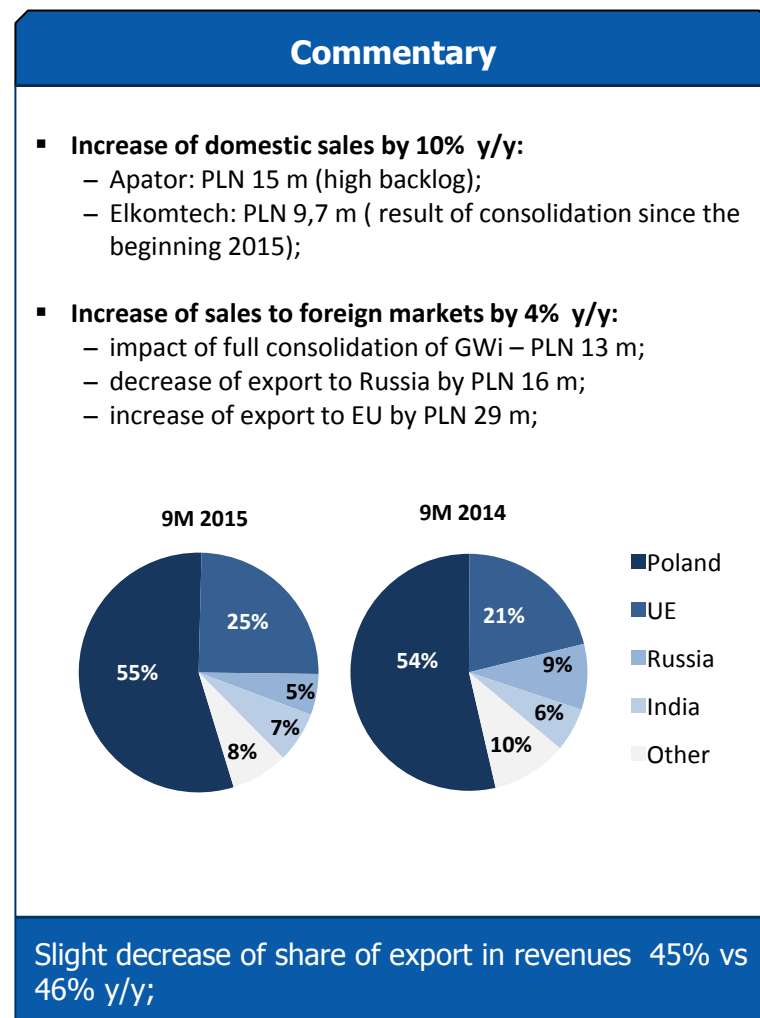
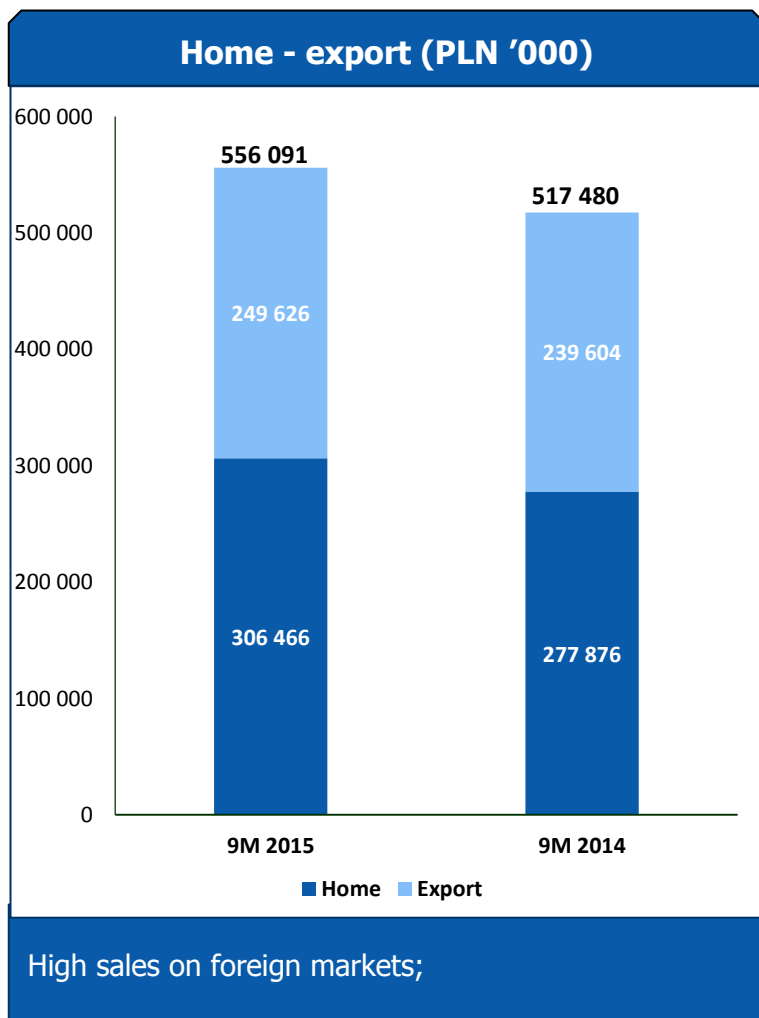
PLN ('000)	I quarter	II quarter	III quarter
Sales	180 909	183 599	191 584
Gross profit on sales	51 424	50 501	49 933
<i>Margin</i>	<i>28,4%</i>	<i>27,5%</i>	<i>26,1%</i>
Profit on sales	19 666	15 809	20 403
<i>Margin</i>	<i>10,9%</i>	<i>8,6%</i>	<i>10,6%</i>
EBITDA	27 751	23 408	32 153
<i>Margin</i>	<i>15,3%</i>	<i>12,7%</i>	<i>16,8%</i>
Net profit	16 681	12 854	19 917
<i>Margin</i>	<i>9,2%</i>	<i>7,0%</i>	<i>10,4%</i>

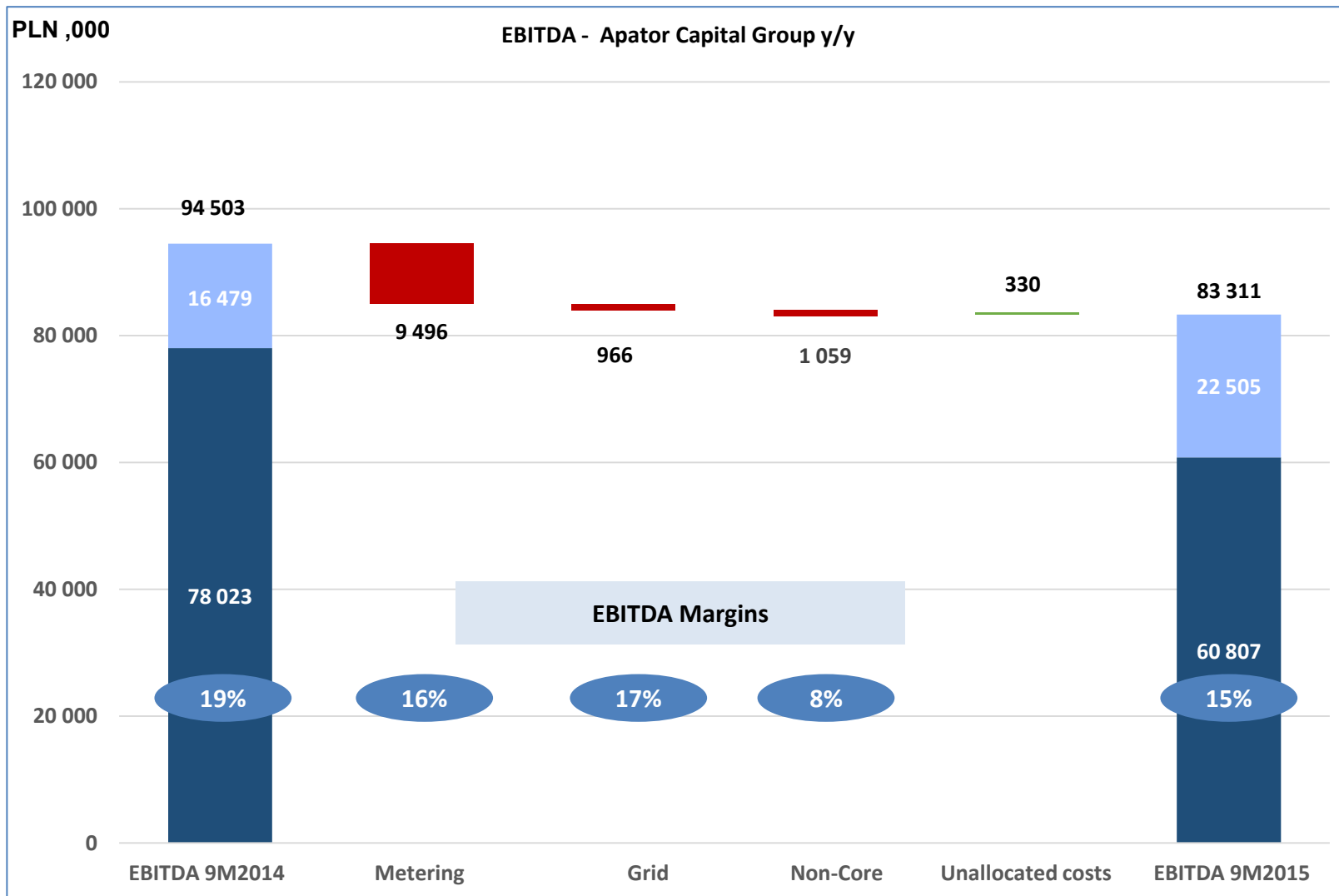
Good III quarter 2015:

- The highest level of sales;
- Lower gross profit on sales caused by loss in Apator Rector, after its elimination the profitability at the level of the first quarter;
- Control of costs – slow down of the decrease of profit margin on sales:
 - decrease of overheads,
 - maintenance selling costs,
- Increase of EBITDA margin and net profit :
 - release of unnecessary provisions,
 - good results of financial activity
- After elimination of the impact of provisions released, net profit margin at the level of 8,6%;

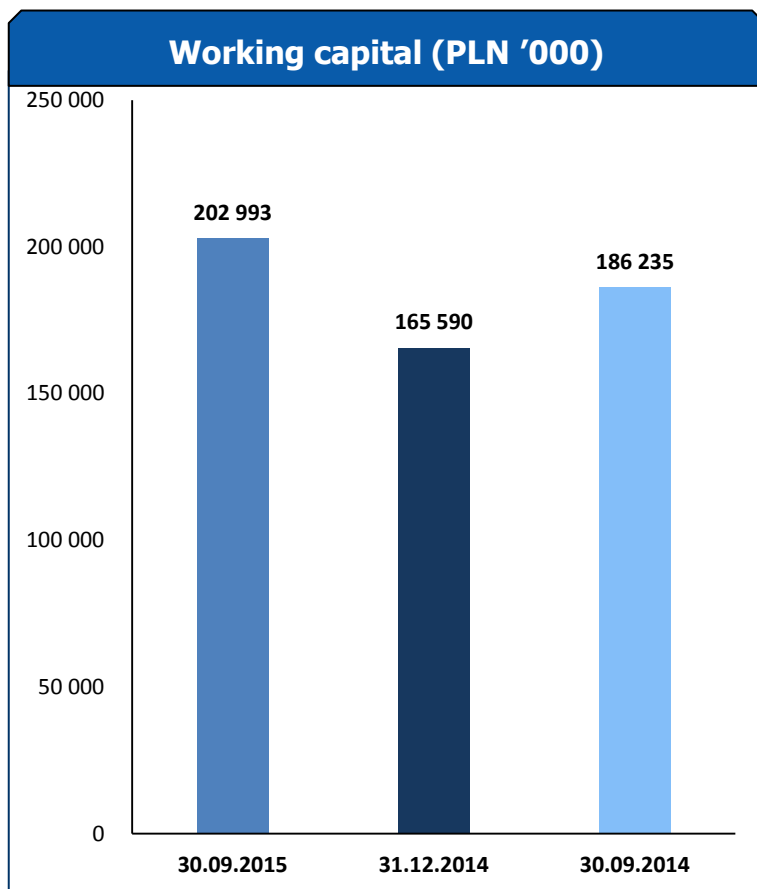


Geographical structure of sales



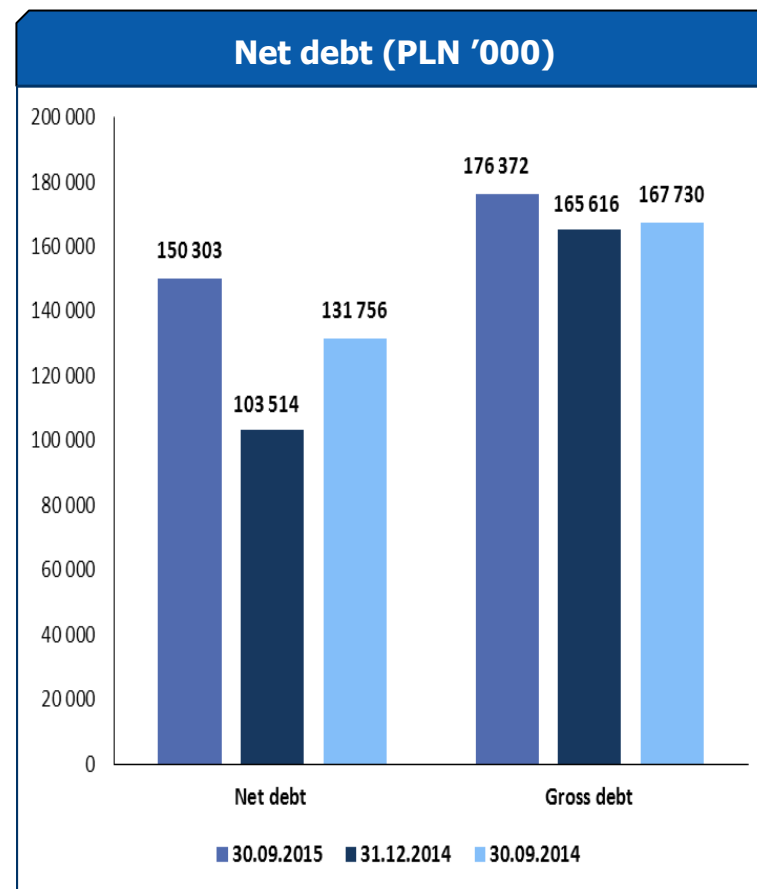


Working capital and debt



Increase of working capital:

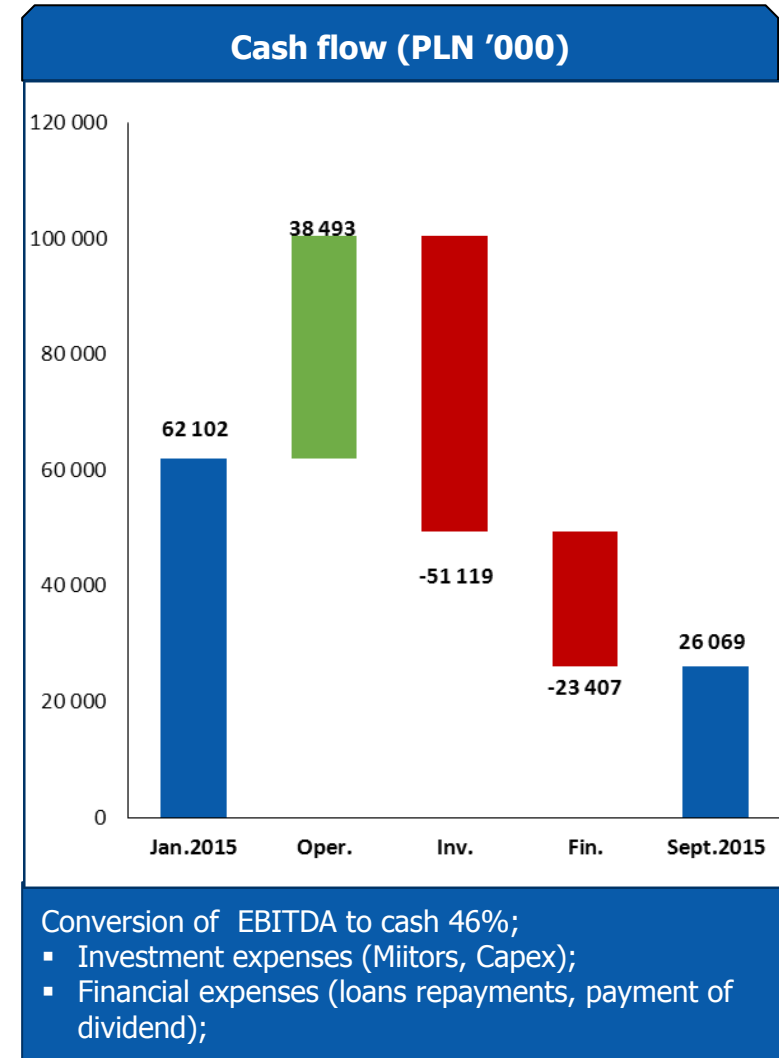
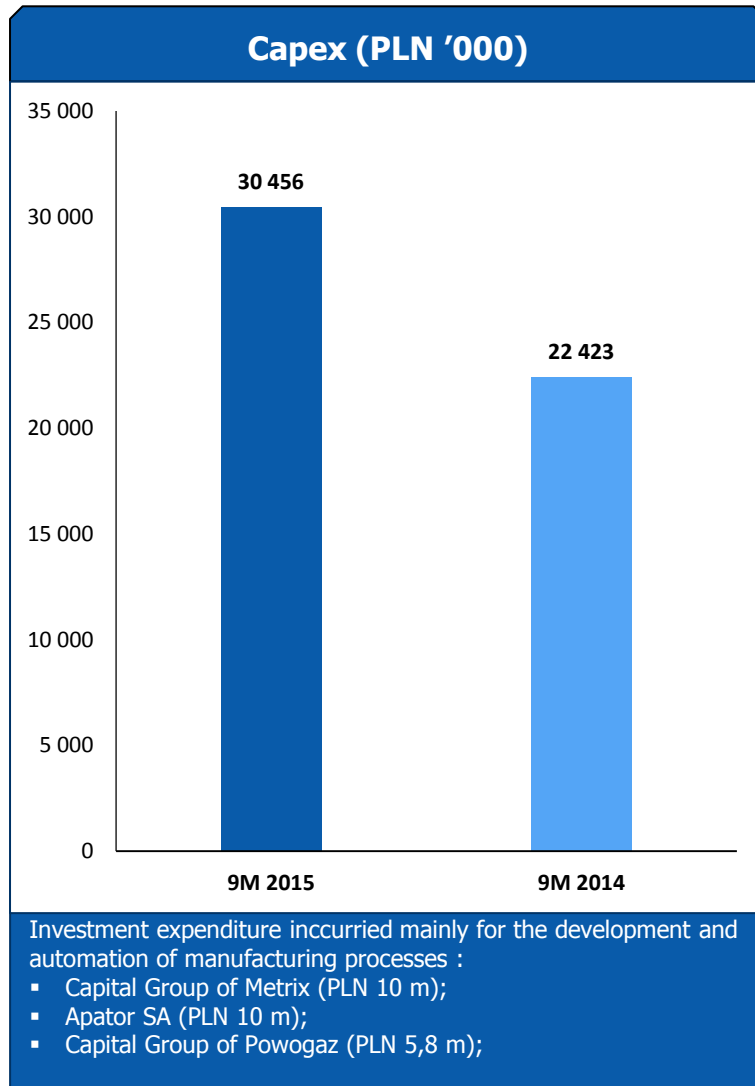
- acquisitions – PLN 6 m
- Powogaz – PLN 7 m (decrease of liabilities with tax ones included),
- Rector – PLN 3 m (short term receivables)



Increase of net debt:

- Increase of gross debt (acquisitions: Miitors, GWi),
 - Decrease of cash;
- Net debt/LTM EBITDA – 1,3 x;

Capex, cash flow



Summary of results

Decrease of profitability y/y, main factors :

- Problems with Apator Rector – net loss of PLN 6,9 m;
- USD exchange rate – increase of manufacturing costs;
- Decrease of profitability in electricity and gas lines – increase of competition, decrease of prices;
- Additional costs – acquisitions;

Build-up of Apator Capital Group – new competences obtained:

- Miitors – purchase of 100% shares;
- Fellows – purchase and making contribution in kind to Apator Telemetry;
- GWi - increase of package of shares to 100%;

Assessment of the situation of Apator Capital Group in 2015 :

- Steady situation of Apator Capital Group;
- Good financial position:
 - safe level of debt, correct liquidity – in 4 Q the surety will be released in amount of PLN 100 m related to the purchase of Elkomtech;
 - dividend policy continued – interim dividend payment of PLN 10 m (18th December 2015);
 - investment possibilities in Capex and other entities;
- In spite of lower profits than planned, results still distinguish positively Apator Capital Group on the market;

Perspectives of development – market opportunities

Metering segment - metering line of electricity:

- high backlog at home, intensive searching for the opportunities for export;
- completion of works related to residential electricity meters with significant lower technical cost of manufacturing in the first half 2016 ;
- Smart City Wrocław project continued;

Metering segment – metering line of gas:

- Dutch market – tender of Liander - contract concluded between GWi and L&G (EUR 8 m) and advanced negotiations related to the contract to be concluded between Metrix and Flonidan (EUR 28 m) for 5 years;
- further large tenders for smart gas meters (e.g. the United Kingdom);
- intensive research and development – own smart gas meters, reducing technical cost of manufacturing of gas meters, automation;

Metering segment – metering lines of water and heat:

- increase of domestic sales,
- increase of export – European Union, Russia;
- expansion of product portfolio
 - intensive studies on whole ultrasonic water meter family, launching of the first product since 4Q 2016;
 - purchase of new communication technologies;

Automation of power grid operation segment:

- development of products on smart grid market;
- development of integrated IT solutions (Elkomtech and Rector), jointly selling;

Perspectives of development – actions taken in 2015 continued

Improvement of financial results of Apator Rector – elimination of loss effect in 2015:

- completion of performance of long-term contracts being settled according to IAS;
- winning new customers and introduction of shorter periods of settlements;
- restructuring of resources;

Optimization of the costs of activity:

- in the area of technical cost of manufacturing – electronic and inductive electricity meters, gas meters;
- overheads;

Hedging of currency exposure:

- hedging policy of EUR and USD continued;
- natural hedging ;

Integration processes of Apator Capital Group continued (e.g. IT, HR)

2016 – perspective of return to profitability of 2014 of Apator Group



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