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## Apator Group has published its results for the 1st half of 2022. - sales of solutions to save energy, water, heat and gas are growing

The solutions provided by the Apator Group, which include devices for precise measurement and management of energy, water, heat and gas consumption, fit well with the sustainable economic model in force today, where the focus is on saving natural resources, developing green technologies and accelerating the energy transition. The Group's good sales performance in the 2nd quarter of this year allowed it to make a profit for the 1st half of the year. This positive, foreseen by the management trend is accompanied by initiatives aimed at minimizing the impact of widespread cost inflation on business profitability.

- Consolidated sales revenues in 1H 2022 higher by 7% y/y (PLN 495.2 million), thanks to continued good trends in Water and Heat - record sales in 1H (PLN 168.8 million, +20% y/y), with a slight increase in Gas (PLN 143.1 million, +5%) and comparable y/y sales in Electricity (PLN 183.3 million).
- Export sales were 11% higher y/y (PLN 243.3 million), accounting for 49% of the Group's revenues.
- Very good Q2: sales up 9% y/y (PLN 258.1 million) as a result of another historically highest sales quarter in Water and Heat (PLN 88.1 million, +22% y/y) with single-digit y/y increases in Electricity (PLN 102.4 million) and Gas (PLN 67.6 million).
- Full-year results under pressure from cost inflation: consolidated EBITDA in 1H 2022 at PLN 43.5 million, net profit at PLN 1.3 million.

The financial results of the Apator Group achieved in the 1st half of 2022 confirm the reversal of the unfavorable trend observed in previous quarters, being a consequence of conducting business activities in a very difficult and uncertain macroeconomic environment. The Group's broad product portfolio in line with energy and water utilities saving trends, as well as the Group's stable position in key European markets, allowed it to generate a 7% y/y increase in turnover. Consolidated 1H revenues reached PLN 495 million, largely due to record sales of solutions in the Water and Heat segment, higher sales in Gas and comparable y/y sales in Electricity.

The Apator Group invariably remains one of the largest suppliers of specialized electrical apparatus and metering equipment to domestic utilities, while striving to diversify markets and increase export exposure. In the first half of this year, foreign sales accounted for almost half of the Group's sales (PLN 243.3 million, +11% y/y), with Europe being the main export market. The largest increases in foreign orders (+21% y/y) were recorded by the Water and Heat segment following, among other things, the EU directive requiring the installation of heat metering equipment with remote reading and the worldwide trend of water conservation, as well as the Electricity segment (+10% y/y) - which in turn is the result of Apator's growing position as a recognized supplier of EE meters in the German market. The Gas segment - despite the uncertain situation in the fuel market - maintained positive export growth and delivered gas meters to existing and new customers.

The continuing disruption of supply chains since the outbreak of the pandemic, exacerbated further by the war in Ukraine, remains a major challenge for business. Increasing inflationary pressure, combined with the nature of Apator's business, much of which is based on long-term contracts, translated into weaker results and profitability of operations in previous quarters (mainly IVQ '21 and IQ '22).

*- Acting in difficult times hardens you, and we too have learned an important lesson from the crisis. We had already implemented a number of initiatives in the previous year to counteract the loss of revenue and declining margins. We focused on maintaining continuity of production and ensuring greater flexibility of sales prices – says Arkadiusz Chmielewski, President of the Management Board of Apator SA. - The key condition for the success of our plan was renegotiation of concluded contracts and change of existing price lists, which would take into account inflation indicators of material prices. Most of our customers have shown an understanding of the situation in the components market, and we are already seeing the first positive effects of this change in Q2 of this year. In the second half of the*





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*year, we expect further noticeable improvement in our financial performance on our core business. What we unfortunately have no control over is the turmoil in the currency market and increased financing costs. Were it not for them, the Group's performance would have been much better – the CEO adds.*

Consolidated EBITDA after H1 2022 amounted to PLN 43.5 million. In turn, the net result, after a weaker Q1 this year, came in at PLN 1.3 million, despite a negative balance on financing activities (PLN -9.9 million) resulting from an increase in debt service costs and negative exchange rate differences.

In the Electricity segment, Apator maintained sales at the comparable level of last year (PLN 183.3 million), with lower y/y profitability of operations resulting from inflation of material, energy and labor costs. Since the 2nd quarter of this year, an improvement in margins has been observed as a result of the completion of less profitable contracts, the renegotiation of existing price lists and continued process optimization. The company supplies smart meters within the framework of successively announced tenders by Polish DSOs and special lines of meters adapted to the technical requirements of the German market. Good results in the first half of this year were recorded by the line of switchgear and ICT - in addition to the specialized protection equipment traditionally supplied for the power industry, and IT tools and services in the field of management of network assets for DSOs, Apator is developing sales of new solutions for the RES sector (automation, systems to manage energy from PV and wind). The company has successfully piloted its first proprietary energy storage, which enables grid stabilization and balancing with a large number of prosumer installations.


*- Today we are seeing an accelerated transformation of the energy sector. I am convinced that the energy crisis can be an opportunity for a fundamental change in our economy and the approach of the whole society to the management of energy resources - **says Tomasz Łatka, Member of the Management Board of Apator SA.** - Our customers and distribution system operators are aware of this inevitable change, they invest in RES, modernize network infrastructure and automate processes. We are seeing a similar trend among our customers from the industry. The number of conscious consumers and prosumers is also growing. Everyone today is looking for tools for rational, efficient management of electricity, gas, water and heat consumption. Local technology providers can play an important role in this transformation. Apator Group knows this market very well, and can offer not only innovative solutions manufactured in its own R&D centers, but also technical advice, after-sales service and on-site service.*

Sales of the Gas segment in H1 this year were 5% higher y/y at PLN 143.1 million - with a similar trend to the other segments of declining profitability caused by cost inflation. The segment made contracted deliveries to PSG and supplied gas meters to export markets, intensifying sales in the German, Hungarian, Romanian, Czech and Georgian markets. The geopolitical situation affects this part of the Apator Group's business to the greatest extent, so alternative directions of development are already being analyzed, which will allow to significantly diversify the portfolio of products and customers.

*- In a few weeks, we will present to the market the revised strategy of the Apator Group, which will be a response to new macroeconomic conditions and challenges related to the energy crisis - **announces Arkadiusz Chmielewski.** - In the area of our interest is, of course, renewable energy, and the key issues are: safety and energy efficiency. We have a lot of experience in this area. We want to use our know-how and engineering teams to come up with new solutions not only for our traditional utilities sector, but also for increasingly environmentally conscious and pro-environmental consumer groups.*

By far the best prospects lie ahead for the Water and Heat segment, a consequence of climate change, widespread water scarcity (including in developed countries), and the consequent growing demand for technologies that support the management and conservation of this precious resource. The second quarter of this year was another record quarter in terms of segment sales, and for the entire six months, turnover was about 20% higher y/y thanks to high sales growth both abroad (+21%) and in the domestic market (+17%). Significantly, the segment successfully filled the revenue gap created by the war in Ukraine and related sales declines in eastern markets.

In the 2nd quarter of this year, relocations of three production facilities were finalized, namely: Apator Powogaz, Apator Telemetria and GWi (UK). - *These first two investments were necessary to scale up, first of all, the production of water meters, which will allow the Group to significantly increase its turnover*



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*in the fast-growing water and heat metering market in the following years. The second, equally important aspect of reorganizing the Group's assets, but also optimizing production processes at our other factories, is to counter the margin erosion that is affecting all industries today. Each of our factories must be modern and efficient – says Arkadiusz Chmielewski.*

Due to difficulties in the availability of components and the still uncertain situation in the market, it is still necessary to maintain a high level of working capital to secure current and future production, which is associated with an additional financial burden on the Apator Group.

*- The financial position of the Apator Group is safe. We have guaranteed financing for the next 3 years, however - due to current economic conditions - we intend to use it cautiously - says Małgorzata Mazurek, Finance Director of Apator Group. - The funds we have enable us both to finance current activities and to make necessary investments, including development work on new products. We are keeping expenses under control and working all the time to optimize inventory, while securing material buffers for current and future contracts.*

### Basic financial data

PLN million	1H 2022	1H 2021	dynamics
sales	495.2	461.9	+7%
EBITDA	43.5	99.9	-56%
adjusted EBITDA*	43.5	65.8	-34%
net result	1.3	51.2	-97%
adjusted net result*	1.3	23.6	-94%

### Main segments revenues

PLN million	1H 2022	1H 2021	dynamics
domestic sales	251.9	242.3	+4%
foreign sales	243.3	219.6	+11%
Electricity segment	183.3	184.7	-1%
Water and Heating segment	168.8	141.2	+20%
Gas segment	143.1	136.0	+5%

\* for 1H 2021 EBITDA and net profit adjusted for the impact of a one-time event, i.e. gain on sale of real estate.

Additional information may be obtained from:

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Apator SA operates as an international capital group of experienced manufacturers of metering equipment and systems, as well as suppliers of solutions for automation of power grid operation. Within its three specialized business segments (Electricity, Water and Heat, and Gas), the Group deploys technologically advanced products and services to the market, including smart solutions and systems for managing energy utility distribution networks.

Apator is one of the three largest 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.