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Apator Group with good results in 2020 and favourable perspectives for further business development.

Diversified portfolio, stable business foundation and well-established market position of the Apator Group resulted in effective resistance to pandemic and enabled the Group - despite demanding market conditions - to conduct its activities without any disturbances and – as a result - to achieve increase in sales by 6% y/y (amounting to PLN 934.5 million) and net profit at the level of almost PLN 63 million, which translates into an increase by ca. 14% y/y.

- **Record-high sales in the Electricity segment (+18% y/y) thanks to particularly strong sales in Poland (large contract for the Power Market).**
- **The impact of the pandemic was experienced more strongly in two other segments: after a weaker second half of the year, the Gas segment noted a slight increase in sales (+3% y/y), while sales of the Water and Heat segment were weaker by 7% y/y.**
- **Very good Q1-4 2020 financial results achieved in challenging market conditions: y/y EBITDA up by 4% (to PLN 130.9 million), net profit of PLN 63 million (+14% y/y), with net margin higher by 0.4pp y/y at 6.7%.**
- **Dynamic growth of domestic sales (up by 19% y/y), with lower export dynamics due to temporary sales limitations as a result of the pandemic in the main export markets**
- **High level of operating cash flow with a favourable impact on the Group's safe financial position, which ensures timely payment of liabilities as well as funds for the implementation of strategic projects and investment activities.**
- **Management Board's recommendation to pay a dividend of PLN 1.20 gross per share from the 2020 net profit (an advance of PLN 0.45/share was paid in December 2020).**

The year 2020 clearly showed that diversified business of the Apator Group, extensive portfolio, well developed business relations in the domestic and in the main export markets enable the Apator Group to run stable business activity and to generate strong financial results. Consequently performed optimization, improvement of effectiveness, automation of operating processes and cost control also influenced the results of the activity of the Apator Group.

- Worst case scenarios have not come true - Mirosław Klepacki, the President of Executive Board of Apator SA, summarized the year 2020. - Due to our determination, with bigger effort mainly on the side of operational processes, we came close to the originally assumed objectives. In relation to strategic assumptions, pandemic hindered us slightly, but the effects of our work are much better than it could have resulted from the forecasts or economic sentiment - he added. - We continue to focus on ensuring continuity of contracts execution and safety of our employees and contractors. We have developed operating procedures which have passed the test and are still in force. Thanks to this, we are able to operate without any interruptions.

Electricity segment

The record-high revenues of the segment in 2020 at the level of PLN 444 million (+18% y/y) are mainly the effect of delivering large volumes of smart meters under the contract for the so-called Power Market. The value of principal and extended orders executed in 2020 was PLN 95.2, besides - under additional

orders for Power Market - till February 2021 Apator delivered additional meters for the amount of PLN 23.5 million (out of which about PLN 13 million were included in revenues for 2020). Apator delivered also increased orders of meters for German market, which is one of the strategic directions of the Group development in all segments and in 2020 was the second largest export market of the Group. Consequently, the sales of electricity meters to Germany increased by 8% compared to 2019. The decrease of sales in the lines of switchgear, ICT and - to a slightly higher extent - in the line of control and supervision systems - was related to withholding or postponement of investment and modernisation decisions by key DSOs.

In 2020, Apator developed the offering for renewable energy sources (RES) market which is growing in Poland. Among other things, EKTIN system was implemented - SCADA class solution, thanks to which the client can observe the operation of RES sources in real time, monitor basic parameters and track the most important ratios related to use of a potential of green energy production. In 2020 Apator Elkomtech carried out pilot installations of the system on several photovoltaic farms, also the first commercial implementation of the EKTIN system was made for the Parzeczew wind farm. In the scope of solutions for RES, Apator also provides protection equipment for medium and low voltage networks, telemechanics and communication equipment, electricity meters with bidirectional energy metering and switchgear. Good prospects for the EE segment are associated with the announcements of energy companies planning to further increase the share of electricity from renewable sources in their mix, as well as with the announced Energy Policy of Poland 2040 and the ongoing work on the Energy Law Act. The documents assume further increase and support of the Government for the participation of RES in Poland, digitalization of the power sector (including the development of modern ICT tools to manage the network), implementation of smart metering on a wide scale and implementation of tools for higher energy efficiency of the energy recipients in the country. In each of these areas, the Apator Group has already developed competences and ready solutions as well as ideas and new initiatives that can be applied on this growing market.


Gas segment

Significantly higher domestic sales (up 41% y/y), with exports lower by 6%, resulted in total sales growth of 3% y/y in Q1-4 2020. In the Gas segment, in the first half of the year we observed dynamic sales increases due to the execution of large export contracts signed in the previous periods. However, in the second part of the year there was a decrease in sales due to temporary suspension of roll-outs of gas meters due to pandemic. On the domestic market, Apator Metrix successfully sold residential gas meters with a mechanical counter. At the same time, since May 2020, the company from Tczew supplied intelligent gas meters iSMART for the Polish Gas Company as a part of the first major implementation of this type of solutions in the domestic market. Sales of smart gas meters with an electronic counter of its own design were also launched on the UK market.

The Gas segment also has long-term contracts for the supply of gas meters to the UK, Belgium and the Netherlands, although the restrictions resulting from the pandemic have caused temporary declines in orders from overseas customers. These orders should recover as the outbreak in Europe and around the world gradually settles. At the same time, the segment gained new orders from other markets such as Germany, Turkey and Georgia. Moreover, in 2020 the subsidiaries (Apator Elkomtech and Apator Rector) took over new competences and IT solutions in the area of advanced IT systems for gas industry - Apator Group plans further development of software solutions for the customers from the gas sector.

Water and Heat segment

This part of the Group's business proved to be the most sensitive to the pandemic, mainly due to restrictions on water meter replacements in housing associations and communities and problems with equipment installation due to COVID-19 restrictions. The segment's sales decreased by 7% y/y and affected both domestic and exports. In Q3 2020, however, the first symptoms of recovery appeared (the number of water meter exchanges in housing associations and communities increased, as well as orders from some foreign markets), which continued also in the last months of 2020. Apart from legalisation



exchanges, demand in this sector is determined by the scale of new residential investments - still low saturation of the housing market in Poland and low interest rates encouraging investment in real estate are a good prognosis. It is also worth noticing that this segment has high potential of development due to increasing need to save water resources and development of the equipment related to precise metering and rational management of this valuable resource. Apator gradually develops its offer in this range.

To sum up, in the period 1-4Q 2020 Apator Group achieved improvement of results y/y. The increase of revenues is noticeable (PLN +56,9 million that is +6%). Gross profit on sales was maintained at the level of the corresponding period of the previous year - despite the decrease of metering equipment prices on the market, increase of the competition (especially in the EE segment) and higher technical manufacturing cost on the side of transport of raw materials and components. Operating profit was at a high level of PLN 78.3 million, while EBITDA increased by 4% y/y to PLN 130.9 million. The result on financing activities was noticeably (i.e. by PLN 6 million) more favourable than in 2019 (the effect of exchange rate differences and positive result on currency transactions was PLN 6.7 million). As a result, in the period under consideration Apator Group generated net profit higher by 14% y/y, reaching the level of PLN 63 million.

Pandemic intensified the process of price erosion, therefore we see the necessity of acceleration when it comes to revenues generation and we will concentrate on it - announced Miroslaw Klepacki, President of the Executive Board - We will continue to optimise our processes, we plan to increase investments and further automate our production. In the coming years, we plan to increase the Group's investment expenses. In 2020 CAPEX amounted to ca. PLN 80 million, while for 2021 there is a plan for the expenses to exceed PLN 100 million.

These investments will relate to the automation of production processes and increasing the scalability of production, mainly in the Water & Heat and Electricity segments, as well as the development of new products and services, particularly in the area of solutions for smart grids and RES. The most important investment for 2021-22 is undoubtedly the project of relocation of the manufacturing plant of Apator Powogaz. Apator is also getting ready for the roll-out of smart metering in Poland, both in terms of the offer and manufacturing capacities and ensuring effective chain of supplies of components.

- We are building capacity that will enable us to cope with the task of rolling-out smart energy meters in Poland. We estimate that the process may concern an exchange of ca. 3.5 million meters per year. We are waiting for tenders to be announced and we are ready for them - Miroslaw Klepacki declared - Exchange of meters on such a large scale will be a huge challenge and logistic undertaking for the operators. The key element that the ordering parties should take into account is the onsite support of engineering and service teams of the supplier. The Apator Group has significant long-term experience here and necessary resources in which we still plan to invest - he adds.

Safe financial position of the Group provides timely payment of liabilities, allows to carry out investment activities and consequently to share the profit with shareholders. In December 2020, an advance dividend for 2020 net profit in the amount of PLN 0.45 per share was paid. At the same time, the Management Board recommends the payment of a total dividend from the 2020 net profit in the amount of PLN 1.20 per share. The final decision on profit distribution and payment of the second part of the dividend will be made at the AGM.



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Selected financial data

PLN million	1-4Q 2020	2019	dynamics	4Q 2020	4Q 2019	dynamics
Sales	934.5	877.6	+6%	228.4	233.8	- 2%
EBITDA	130.9	126.3	+4%	31.3	28.7	+9%
Net result	62.8	55.3	+14%	13.5	9.9	+36%

Sales geographic and segment breakdown

PLN million	1-4Q 2020	2019	dynamics	4Q 2020	4Q 2019	dynamics
Domestic sales	553.5	465.4	+19%	141.8	127.8	+11%
Export sales	381.0	412.2	- 8%	86.6	106.0	- 18%
Electricity segment	443.9	377.3	+18%	107.9	97.6	+11%
Water & Heat segment	239.6	256.8	- 7%	67.9	67.2	+1%
Gas segment	251.0	243.5	+3%	52.6	69.0	- 24%

Additional information is provided by:

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Apator SA operates as international capital group of experienced manufacturers of metering equipment and systems and also 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 on the market, including smart class solutions and systems for active management of power media 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 Warsaw Stock Exchange since 1997.