

Sales stability thanks to business segment and geographic diversification – Apator Group summarizes the Q1-4 2021 results.

Apator Group closes the year 2021 with revenues at the level of PLN 940 m, generating significant increases in export sales. The Water & Heat segment generated record revenues in the 4th quarter of 2021. The successful sale of real estate in Poznań had a positive impact on the financial results of the Group, and simultaneously Apator Powogaz is finalizing the construction of a state-of-the-art manufacturing facility in Jarzyski in close vicinity of Poznań.

- Consolidated sales revenues Q1-4 2021 similar to last year's (PLN 940.3 m) thanks to a clear recovery in demand in the Water & Heat segment (PLN 295.4 m, + 23% YOY) and an increase in sales in the Gas segment (PLN 269.7 m, + 7% YOY), with lower YOY sales in the Electricity segment (PLN 375.2 million, - 16% YOY).
- Consolidated EBITDA for Q1-4 2021 of PLN 150.2 m (including the impact of the sale of real estate in Poznań + PLN 34.1 m), net profit of PLN 62.7 m (result excluding the profit on the sale of real estate: PLN 35.1 m).
- Continued trend of export recovery after the period connected with pandemic constraints - the increase in export reached 16%, and its share in the total turnover of Apator Group reached the level of 47%.
- Q4 2021 results: consolidated revenues higher by 4% YOY (PLN 238.3 m), thanks to the high dynamics of foreign sales recorded in all segments and an increase in domestic sales of gas and water meters. Financial results under pressure of cost inflation: lower EBITDA YOY (PLN 19.2 m) and net loss of PLN 1.6 m.
- Financial situation under control, despite higher debt level YOY (mainly as a result of maintaining and systematically replenishing material buffers for future contracts) - net debt / EBITDA for the last 12 months was 1.16x (after adjustment by the one-off event, financial debt also on a safe level 1.50x).

2021 was another period of business activity in an uncertain and demanding economic environment. Apator Group, thanks to strong foundations, diversified business and a wide-scale operations, showed resistance to economic perturbations. The priority in recent months has been to rebuild sales in markets suffering from previous COVID-19 restrictions. The Group continued development in the field of remote communication technology for metering devices and solutions supporting the efficiency of distribution network management. Further steps were taken to expand the portfolio of renewable energy solutions. Due to the macroeconomic situation, the greatest operational challenge was the efficient organization of warehouse management and the development of a new, flexible model of supply logistics operations.

The activities of the industrial sector throughout 2021 were overshadowed by disruptions in global supply chains of components and the accompanying inflation of costs. Despite difficult conditions and a high base from 2020 (sales related to the Capacity Market Act), Apator Group maintained the level of consolidated revenues (+ 1% YOY, PLN 940.3 million) and achieved a net result of PLN 62.7 million. After adjusting the results for the impact of the sale of real estate in Poznań, EBITDA amounted to PLN 116.2 million (-11% YOY), while the Group's net profit amounted to PLN 35.1 million (-44% YOY).

In Q4 2021 Apator Group generated a slight increase in revenues YOY - a clear increase in turnover in the Gas segment (+ 24% to PLN 65.1 million) and Water & Heat (+ 14% YOY to PLN 77.4 million) both domestically and on foreign markets, compensating for the decrease in turnover in the Electricity segment (-12% to PLN 95.8 million). EBITDA amounted to PLN 19.2 million (-39%YOY), while the Group's net loss amounted to PLN -1.6 million, which was influenced, among others, by foreign exchange losses and valuation of hedging transactions as well as an increase in debt servicing costs.

PRESS RELEASE

Electricity Segment (EE)

In the Electricity segment, sales were reduced by 16% compared to 2020 due to the decrease in turnover on the domestic market in consequence of the finalization of the contract for the Capacity Market Act. While the turnover in the lines of switchgear, control and supervision systems (SSiN) and ICT achieved higher YOY turnover, the segment's results were influenced by the reduced sales of electricity meters for domestic DSOs (with an 16% increase YOY in export sales of metering devices, mainly to Germany).

The electricity metering line is subject to the relatively greatest fluctuations related to the current macroeconomic situation and the regulatory environment. Manufacturers of electronic devices experience problems with the supply of raw materials and components for production, as well as inflationary pressures on the cost of materials, freight and labor. In addition, the sales model that is mainly based on long-term contracts concluded under public procurement procedures, gives limited opportunities to translate cost inflation into final prices for the client (for contracts concluded mostly in 2020-21). At the same time, the lack of regulations for the technical specifications of remote reading meters to the amended Energy Law makes it easier for device manufacturers with standard functionalities to enter the Polish market, which affects profit margins.

Interesting market opportunities appear in business lines of switchgear as well as ICT and SSiN, which results from the announcements of DSOs regarding the planned investments for the modernization of the energy infrastructure, related to the improvement of quality and security of supply, as well as the integration of the distribution network with renewable energy - these areas relate to switchgear, telemechanics and electric power protection equipment provided by Apator Group. The goals of the transformation of the domestic energy sector and EU regulations regarding reducing the emission of energy sources, in turn, are related to the expansion of RES assets in the portfolios of distribution companies, which will result in an additional, rapid increase in the share of "green energy" in the system and will boost investment in advanced solutions for distribution network management offered by companies from the EE segment.

Gas Segment

Over Q1-4 2021, the segment's sales revenues increased by 7% YOY, mainly as a result of high sales dynamics in Poland (+ 25% YOY). Apator Group maintains its position as the key supplier of gas meters for Polska Spółka Gazownictwa - in 2021 the deliveries of bellows gas meters were carried out under a 2-year contract concluded in February 2020, and in November of last year, Apator Metrix was once again selected in six lots for the total amount of PLN 74.9 m, including the delivery of another 540 thousand gas meters (with the right to options in the amount of +/- 20%). Smart gas meters intended for the Belgian, Dutch and British markets, as well as mechanical flow gas meters supplied to the German market, continue to generate a very large share in the segment's revenues, while maintaining production for contracts on the Turkish market, which allows Apator Group to achieve a high, stable YOY level of exports for this business segment.

Other European countries are preparing to implement smart gas meters (including Spain, Austria, Romania and Hungary). One of the most promising markets is Belgium, where gas meters are currently being replaced with smart devices, and a consecutive successful tender (delivery of approximately 1 million meters with a total value of approximately EUR 65 million) will ensure a stable backlog for the segment for the coming years. Polska Spółka Gazownictwa is also examining the alternate implementation of smart gas meters - Apator Metrix participated in market consultations announced by PSG, as well as delivered smart gas meters as part of a pilot project. Regardless of the progress of smart metering in Europe, there are still numerous tenders for standard gas meters, in which Apator Metrix continues to participate successfully.

Water & Heat Segment (W&H)

The last quarter of 2021 was record-breaking in terms of turnover, and in the four quarters of last year the W&H segment achieved an increase in revenues by 23% YOY, with a 10% YOY increase in domestic turnover and a dynamic increase in exports (+35% YOY). The main export directions of the segment are the Czech Republic, France, Spain and eastern markets.

PRESS RELEASE

The water and heat industry in Poland in 2021 was supported, among others, by the boom in construction and the accompanying increase in the number of flats built and commenced construction projects. The market for water metering services is not only growing in Europe, but also all around the world, and concurrently customers expect more accurate measurement methods - hence the segment is developing ultrasonic water meters with a wide range of remote communication capabilities. However, there is still a high demand for mechanical water meters commonly used in multi-family housing, especially in the countries of Eastern Europe and the Balkans. The heat metering market also shows an upward trend, which results from legislative changes (compulsory heat metering in the EU), but also from the general, growing awareness of users in the field of energy and heat efficiency. As in the case of water meters, there is also a lot of interest in remote reading systems in the heating sector.

The key factor influencing the development and future results of the segment is the relocation of the Apator Powogaz plant to Jarzyski near Poznań. The process of transferring operations to a new, state-of-the-art manufacturing facility planned for Q2 2022 is a milestone towards the automation of production processes, implementation of the highest standards of product quality and a significant increase in efficiency and production capacity (the production scale of water meters by 2025 will reach the level of 4 million units per year, which means an increase by approx. 40% compared to 2021, including a significant increase in the volumes of other assortment groups). In addition to the hardware, the segment is intensively developing remote control systems, leak location and autonomous water loss reduction systems, as well as remote reading services for water and heat.

A significant part of CAPEX of Apator Group incurred in the Q1-4 2021 was related to the construction of the new facility of Apator Powogaz (PLN 38.2 m). Nearly 40% of the total CAPEX amounting to of approx. PLN 90 m was allocated to R&D and new products, and approx. 13% of the Group's expenditure was allocated to further improvement of efficiency and increasing production capacity.

A 2021 was a year full of challenges primarily related to functioning in an environment of disturbed component supply chains and cost pressures. These factors significantly influenced the level of the Group's financial results for 2021, and thanks to business segment and geographic diversification, the Group maintains sales at a stable level. Basing Apator's business activities on three complementary business pillars with different order cycles combined with good planning and care for the financial sphere allow Apator to retain the ability to share profit with shareholders despite a demanding market situation. The year 2022 will also most likely be full of challenges, also in connection with the situation in the East. We generate a small part of our business in the Russian, Ukrainian and Belarussian markets, which account for approx. 5-6% of consolidated revenues, yet we are following current newsflow with great attention. We make every effort to ensure that the Group fulfills its business ambitions, including the development of foreign sales, which will translate into a satisfactory level of achieved results – said The Management Board of Apator SA.

Key financial data

PLN m	Q1-4 2021	2020	dynamics
sales	940,3	934,8	+1%
EBITDA	150,2	131,1	+15%
<i>EBITDA w/o profit from sales of real estate</i>	116,2	131,1	-11%
net result	62,7	62,2	+1%
<i>net result w/o profit from sales of real estate</i>	35,1	62,2	-44%

PRESS RELEASE

Revenue by business segment

PLN m	Q1-4 2021	2020	dynamics
domestic sales	497,8	553,4	-10%
export sales	442,5	381,4	+16%
Electricity	375,2	444,3	-16%
Gas	269,7	251,0	+7%
Water & Heat	295,4	239,5	+23%

For additional information, please contact:

Press spokesperson of Apator Group

Monika Pietkiewicz
tel.: +48 56 61 91 318
mob.: +48 506 009 308
e-mail: rzecznik.prasowy@apator.com

Apator Group operates as an international capital group of experienced manufacturers of measuring devices and systems, supplying solutions for the automation of power network operations. Within three specialized business segments (Electricity, Water & Heat and Gas), the Group implements technologically advanced products and services, including smart meters and systems for the active management of energy distribution networks.

Apator is one of the three largest suppliers operating on the Polish market and a leading, recognized supplier on selected prospective foreign markets. The company has been listed on the Warsaw Stock Exchange since 1997.