

FINANCIAL RESULTS OF THE ES-SYSTEM GROUP FOR THE 1ST QUARTER OF 2019

**RECORD REVENUES IN THE 1ST QUARTER – A DOUBLE-DIGIT INCREASE IN DOMESTIC AND EXPORT SALES,
A SHARP RISE IN PROFITS WITH A SIMULTANEOUS DECREASE IN COSTS,
PROSPECTS FOR A FURTHER SEVERAL PERCENT INCREASE IN SALES IN THE 2ND QUARTER OF THIS YEAR**

Values in million PLN	Q1 2019	Q1 2018	Change %
Revenue from sales	51.8	41.7	24.2%
Domestic sales	40.4	33.4	21.1%
Export sales	11.4	8.3	36.5%
EBIT	2.8	0.2	1405.3%
<i>EBIT operating profitability</i>	5.4%	0.4%	
Net profit	2.7	0.36	640.8%
<i>Profitability on net sales (profit)</i>	5.1%	0.9%	

“We’ve started the current year with a double-digit increase in domestic and export sales, which translated into a record-breaking 52 million PLN in revenues in the 1st quarter. The increase in revenues with a simultaneous decrease in operating costs signifies a several-fold increase in operating profit. Based on the current order portfolio, we are expecting increases in revenues amounting to several percent in the next quarter of 2019,” commented Rafał Gawrylak, President of the ES-SYSTEM S.A. Management Board.

RECORD REVENUES AND DOUBLE-DIGIT SALES INCREASES AT THE BEGINNING OF THE YEAR

In the 1st quarter of 2019, ES-SYSTEM generated in the amount of 51.8 million PLN, i.e. a 24.2% increase y/y, resulting from increased domestic and export sales. Gross profit on sales amounted to 19.9 million PLN, i.e. a 16.7% increase y/y. The margin on total sales in the 1st quarter of 2019 (expressed in %) amounted to 38.4% and was 2.5 percentage points lower than in the corresponding period in 2018.

A SALES INCREASE OF MORE THAN 20% WITH GOOD MARKET CONDITIONS IN POLAND

In the 1st quarter of 2019, the company recorded domestic sales reaching 40.4 million PLN, i.e. an increase by 21.1% y/y, which was the result of the good conditions on the construction market in Poland and the extensive order portfolio after delays in projects from the end of 2018. In the discussed period, sales increases were recorded in all business segments: industrial lighting (by 34.6% y/y), emergency lighting (by 21.5% y/y), and in lighting control (by 158% y/y), as well as in the architectural and outdoor lighting segments (by 1% and 2.2% y/y, respectively).

“In view of climate challenges, there has been a growing interest in investing in smart lighting systems in the past years, as they contribute to energy savings by as much as 80%. The group is planning to further develop luminaire efficiency based on LEDs combined with advanced lighting control systems that allow for the significant reduction of energy consumption,” said President Gawrylak.

In the 1st quarter of this year, the following investments were continued or completed in Poland:

- Media Education Center – Warsaw
- Wrocławski Teatr Współczesny (Contemporary Theater) – Wrocław
- Ogrodowa office building – Łódź
- Velux production facility – Namysłów and Gniezno
- Regional Specialist Hospital – Wrocław
- MOGILSKA Office – Kraków
- Railway line No. 7 Pilawa-Otwock

DOUBLE-DIGIT EXPORT SALES INCREASE

ES-SYSTEM’s export sales in the 1st quarter of this year amounted to 11.4 million PLN, i.e. an increase by 36.5% y/y. This is the result of the finalization of projects postponed from the end of 2018 and newly acquired projects, among other factors. Markets in the European Union, Asia and the Middle East remain the key foreign markets. In the discussed period, the Company showed a 46% increase in sales on EU market, reaching 8.1 million PLN compared to 5.6 million PLN in the corresponding period in 2018.

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In the 1st quarter of this year, the following investments were continued or completed internationally:

- Underground cemetery – Jerusalem, Israel
- London Empire House (emergency lighting) – London, Great Britain
- Al-Jaied Factory – Misurata, Libya
- Sun Plaza shopping center – Bucharest, Romania

LEDS AS THE PILLAR OF THE GROUP'S GROWTH

In the 1st quarter of 2019, LED solution sales increased by 29% y/y, reaching 42 million PLN. The share of LEDs in the total sales amounted to 81.1% in comparison to 78.1% in the corresponding period of the previous year.

In the 1st quarter of 2019, sales of LED solutions on the domestic market amounted to 32.2 million PLN, i.e. an increase by 25% y/y, whereas the share of LED lighting in total domestic sales accounted for 79.7% compared to 77.1% in the 1st quarter of 2018. Export sales of LED solutions amounted to 9.8 million PLN, i.e. a 45% increase y/y, and the share of LED lighting in total export sales constituted 86.7% compared to 81.7% in the 1st quarter of 2018.

PROFITS RISE THANKS TO HIGHER DOMESTIC AND EXPORT SALES AND SLIGHTLY LOWER OPERATIONAL COSTS

In the 1st quarter of 2019, the EBIT amounted to 2.8 million PLN, which signifies an increase by 1,405.3% in comparison to the corresponding period of the previous year. This is the effect of the increase in sales combined with a slight decrease in operational costs, reaching the amount of 17 million PLN, i.e. by 1.2% y/y. The operating margin in the 1st quarter of 2019 amounted to 5.4% compared to 0.4% in the corresponding period of 2018, i.e. a change by 5 p.p.

The loss on other operating activities reached the level of 50,000 PLN – the result of a write-down due to impairment of inventories and costs of the liquidation of goods and materials. The Group recorded a loss of 0.14 million PLN on financial activity, which is the effect of leasing costs as well as losses due to exchange rate differences. In the 1st quarter of 2019, the Group recorded a net profit of 2.66 million PLN compared to 0.36 million PLN in the corresponding period of the previous year, i.e. an increase by 640.8% y/y.

Cash at the end of the period amounted to 21.6 million PLN, which means a 23.3% decrease y/y. This is the result of lower operating cash flows with a simultaneous increase in short-term receivables by 8.1 million PLN, in comparison to the 8.3 million PLN decrease in the corresponding period of 2018 due to delays in the completion of projects at the turn of the year, and therefore relatively low revenues in the 4th quarter of 2018.

PROSPECTS FOR RESULTS IN 2019

Considering the good economic situation on the domestic market, the results for the 1st quarters of this year and the size of the order portfolio, the Management Board anticipates an increased amount of projects implemented by the Company and maintaining the upward trend in the Group's sales. In terms of domestic sales in the 2nd quarter of 2019, Management expects an increase in revenues by several percent compared to the 2nd quarter of 2018. In terms of export sales, an increase of at least several percent is expected in comparison to the 2nd quarter of 2018.

Thanks to the activities of ES-SYSTEM UK Ltd., further projects are also expected to be completed in Great Britain. In 2019, the Management Board plans to continue developing sales on the existing foreign markets.

The total value of investments in 2019 is planned at 8 million PLN and pertains mainly to outlays in the production facilities. As part of those investments, the Group plans to purchase new machines and devices.

Additional information:

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ES-SYSTEM S.A. is the largest Polish company in the lighting sector in the section of professional lighting technology for construction: general, architectural, residential, industrial, specialist and exterior. The Company forms a specialist Capital Group with its own production plants, determining the directions for the lighting branch's development in the areas of innovative technological solutions, energy saving and design. The development strategy of the Group assumes strengthening the position of the national leader in the sector and the dynamic increase in export sales on the EU market and in other highly developed countries.

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