

Press release

FINANCIAL RESULTS OF THE ES-SYSTEM GROUP FOR 2017

REVENUES AND PROFITS GO UP, PROSPECTS FOR FURTHER GROWTH THROUGHOUT 2018

(values in million PLN)	Q4 2017	Q4 2016	Change in %	2017	2016	Change in %
Sales revenues	53.7	54.4	-1.3%	189.7	182.1	4.2%
Domestic sales	43.2	44.6	-3.2%	148.1	145.9	1.5%
Export sales	10.5	9.8	7.7%	41.6	36.2	14.9%
Profit on operating activity(EBIT)	3.1	2.6	18.9%	7.7	3.5	116.9%
<i>Operating profitability EBIT</i>	<i>5.7%</i>	<i>4.7%</i>		<i>4%</i>	<i>1.9%</i>	
Net profit	2.2	2	12%	7	3.3	113.5%
<i>Profitability on net sales (profit)</i>	<i>4.2%</i>	<i>3.7%</i>		<i>3.7%</i>	<i>1.8%</i>	

“In 2017, we recorded a 4.2% increase in sales revenues which was the result of a 15% increase in export sales y/y. In the discussed period, domestic sales increased by 1.5% y/y. The increase in sales was accompanied by an improvement in profit and profitability. The company ended 2017 with a net profit of 7 million PLN with 3.7% profitability,” said Rafał Gawrylak, President of the ES-SYSTEM S.A. Management Board.

AN INCREASE IN DOMESTIC SALES

In Q4 2017, ES-SYSTEM’s domestic sales amounted to 43.2 million PLN, which is a decrease by 3.2% y/y as a result of delays of projects that were supposed to be completed in 2017 to this year, as well as a high comparative base. Cumulatively, sales on the domestic market amounted to 148.1 million PLN, which is an increase by 1.5% y/y.

In the segmental approach, in 2017, the company achieved a 5.5% increase y/y in industrial lighting. The architectural lighting segment recorded a 0.2% increase y/y, outdoor lighting increased by 8.1% y/y, and lighting control – 23.9% y/y. Sales in the emergency lighting decreased by 0.5% y/y.

“The increase in sales in the industrial lighting segment is the effect of introducing a new luminaire series – COSMO FX, a system that was awarded the e-Quality 2017 emblem for Discovery of the Year (e-Jakość 2017 Odkrycie Roku) and was nominated for the following awards: the iF Design Award 2017 and DOBRY WZÓR 2017 (GOOD DESIGN). In addition, the previous year was spent working on emergency luminaire series which will be available for sale as early as mid-2018. We are also developing our own lighting control system, including both emergency lighting and general lighting products, so as to provide comprehensive lighting solutions for our clients,” said President Gawrylak.

Examples of domestic projects completed by the ES-SYSTEM Group in Q4 2017:

- Zintegrowane Centrum Komunikacyjne (Integrated Communication Center) – Białystok
- PWC IBC, Equator and Wronia buildings – Warsaw
- Paged S.A. production halls – Pisz
- MALTA Office Park – Poznań
- Adam Mickiewicz University – Poznań
- Centrum Symulacji Medycznych (Medical Stimulation Center, stage 1) and Collegium Zembala – Poznań
- Bogdanka mine, mining lighting – Łęczna

EXPORT GROWTH ON MARKETS IN THE EU, ASIA AND THE MIDDLE EAST

In Q4 2017, the Capital Group recorded export sales reaching 10.5 million PLN, i.e. 7.7% higher than in Q4 2016. Throughout 2017, export sales amounted to 41.6 million PLN, i.e. a 14.9% increase y/y, which results from increases in sales mainly on the EU markets, reaching 28.2 million PLN, i.e. 12% y/y, as well as in Asia and to Middle Eastern countries by 52%, reaching 7.3 million PLN.

“The increase in foreign sales is in line with our assumptions and results from, among other things, an active marketing policy, including participation in the LuxLive fair in London, Light Middle East in Dubai, as well as the Professional Lighting Design Convention in Paris. ES-SYSTEM products are successfully competing on the European markets,” said the President of ES-SYSTEM S.A.

Examples of export projects completed by the ES-SYSTEM Group in Q4 2017:

- CI Tower office building – London, Great Britain
- Embassy of Canada – Paris, France
- Sports center – Liepāja, Latvia
- Health Care Center chain – Nikšić, Andrijevica, Kolašin, Montenegro
- Frottana warehouse hall – Varnsdorf, Czech Republic
- Gestamp production hall – Žatec, Czech Republic

GROWING SHARE OF LEDS IN TOTAL SALES

In 2017, LED lighting sales in the Group increased by 9.8 p.p. y/y, reaching 72.1% of total sales. Domestic LED lighting sales constituted 72.2% of total sales compared to 59.3% in 2016. The Group recorded a decrease in the share of LED product export sales, amounting to a 71.6% share compared to the 74.7% share in 2016. The value of foreign LED product sales in 2017 was 16% higher y/y.

DOUBLED PROFIT AND AN IMPROVEMENT IN MARGINS

The EBIT in Q4 2017 came in at 3.1 million PLN, which is an 18.9% increase compared to Q4 2016. Cumulatively in 2017, the operating profit was doubled and amounted to 7.7 million PLN, i.e. an increase by 116.9% y/y. Operating expenses throughout 2017 amounted to 65.3 million PLN and were 4.5 million PLN, i.e. 7.4% higher than in the previous year, which was the effect of the increase in employee benefit and commercial commission costs in the ES-SYSTEM S.A. Capital Group. The Group achieved a profit of 1.1 million PLN on other operating activities, compared to the 3.1 million PLN loss in 2016. The improvement is mainly the result of creating 2.6 million PLN less in provisions for receivables than in the previous year, the reversal of provisions for receivables at ES-SYSTEM S.A., and the reversal of actuarial provisions at ES-SYSTEM Wilkasy. The EBIT margin at the end of 2017 amounted to 4%, compared to 1.9% in 2016.

In Q4 2017, the Group achieved a net profit of 2.2 million PLN, i.e. an increase by 12% compared to Q4 2016. Cumulatively in 2017, the Group recorded a result of 7 million PLN, which is an increase by 3.7 million PLN, i.e. 113.5% compared to 2016.

PROSPECTS FOR FURTHER GROWTH IN 2018

Based on the result from Q4 2017, the prospects in the industry and the portfolio of domestic orders, which was 18% higher y/y, Q1 2018 should translate into improved domestic sales. The company plans to introduce new office, exhibition and hotel/apartment lighting systems in the architectural lighting segment. In the industrial lighting segment, ES-SYSTEM plans to continue to implement new solutions and expand its product offer. In the lighting control segment, the company will begin to manufacture and sell intelligent lighting systems, the conceptual planning and implementation of which was initiated in 2017.

The company started this year with an export order portfolio that was 9% lower y/y, which means a lower result on sales in Q1 2018 is to be expected in comparison to the corresponding period in 2017. At the same time, the number of projects that are in development on various markets is a good forecast for sales throughout 2018, which may close having reached a higher value than in 2017. Thanks to the activity of ES-SYSTEM UK Ltd., the first completed major projects in Great Britain are also expected. Management plans further sales development on the existing export markets. Strengthening the position on foreign markets will be implemented based on the development of business contacts and sales representative networks, as well as through participation in selected industry events.

The investment expenditures planned for 2017 in the amount of 9 million PLN have been realized. The CAPEX for 2018 is assumed at a similar level in comparison to the previous year.

Additional information:

Anna Przychyna
Office of the ES-SYSTEM S.A. Supervisory Board
Tel. +48 (12) 295 80 39
e-mail: anna.przychyna@essystem.pl

ES-SYSTEM S.A. is the largest Polish company in the lighting sector in the section of professional lighting technology for constructions: general, architectural, residential, industrial, specialist and exterior. The Company forms specialist Capital Group with its own three production plants. The Group determines direction of the branch's development in the areas of innovative technological solutions, energy saving and design. For the last few years ES-SYSTEM has been recording a double digit increase in income along with distinct improvement

of profitability ratios at the same time. Development strategy of the Group assumes strengthening the position of the national leader in the sector and dynamic increase in export sales on the EU market and other highly developed countries.