



CURRENT REPORT 4 / 2020

5 February 2020

Legal basis: Art. 17.1 of the MAR – Confidential Information.

Subject: Preliminary Financial Results for 2019.

Content:

The Management Board of ZUE S.A. (the "Company," ZUE) inform that after they had completed on 5 February 2020 aggregating financial data for the purpose of preparation of the consolidated financial statements of the Company and the Capital Group for the financial year 2019, the decision was made to publish preliminary financial results for the abovementioned period.

Preliminary financial results of ZUE for 2019 (the data for 2018 is shown in brackets):

- Sales revenue: PLN 934.9m (PLN 763.8m);
- Gross profit on sales: PLN 23.1m (PLN -62.0m);
- Operating profit: PLN 6.3m (PLN -80.0m);
- Net profit: PLN 3.1m (PLN -64.0m).

Preliminary financial results of the Capital Group for 2019:

- Sales revenue: PLN 996.2m (PLN 832.7m);
- Gross profit on sales: PLN 27.9m (PLN -56.0m);
- Operating profit: PLN 7.9m (PLN -77.9m);
- Net profit: PLN 3.8m (PLN -62.6m).

The consolidated sales revenue for 2019 increased by 20% compared to 2018 and by 140% compared to 2017. The consolidated revenue is almost one billion and it is the highest annual aggregate sales revenue ever reported by the Capital Group.

Positive revenues have been reported by the Company since 2017 mainly as a result of its involvement in the National Railway Programme worth more than PLN 75bn. A portion of the Company's backlog includes the railway contracts won in 2016-2017 in connection with the said programme. These are the low-margin contracts and the reasons for this include unpredictable growth of the project execution costs which is



beyond the Company's control and no real price indexation. The Company repeatedly informed about it in current and periodic reports. The share of the abovementioned railway contracts in the scope of services provided by the Company is being successively reduced to become replaced by the new railway and urban contracts whose margins are satisfactory to the Company.

At the date of publication of this current report, the companies within the Capital Group have the backlog worth approx. 1.9bn. ZUE continues to diversify its backlog by winning new contracts on the urban market. In case of these contracts, the period of time between the contract award date and the date of entry on the construction site is brief and the time in which the contracts are performed is short. Accordingly, the risks of unpredictable changes of costs are much smaller than the risks relating to big railway projects.

The Company is also expanding its backlog of railway contracts and is hoping that the remaining contracts related to the National Railway Programme will be awarded soon and the subsequent projects, such as construction of new railway lines in connection with the Central Communication Port project, will be completed.

ZUE informs that detailed information about the backlog and the final financial results will be provided in the reports of the Company and the Capital Group for the financial year 2019.