

Report's type: Current report

Number: 4/2017

Company: LUG S.A.

Subject:

The conclusion of a contract for the construction of an industrial building with Parque Industrial S.A.P.E.M.

Content:

The Management Board of LUG S.A. with its seat in Zielona Góra (the "Issuer", the "Company", "LUG"), regarding to the current report No. 6/2016 of 11 October 2016 concerning the conclusion of significant agreement with the Government of the Misiones Province (Argentina) and the current report No. 3/2017 dated on 7 March 2017, concerning signing of the Memorandum of Understanding for the project of LUG factory in Argentina, informs that on 10 April 2017 the Company concluded an agreement with Parque Industrial Posadas S.A.P.E.M. ("PIP SAPEM").

The subject matter of the Agreement is:

- (i) The construction by PIP SAPEM for LUG an industrial plant with an area of about 1,600 m² designed to provide an opportunity of its modular expansion, which will constitute the subject of exclusive usage by the Company for LED lighting production,
- (ii) The usage of parcels of surface 7.885 m², on which the building is located and the usage of the building for three years, and
- (iii) The Issuer obligation to acquire these immovable property along with the building after the expired period of usage at a price equal together with applicable tax 1.5 million € for the building and 65.708€ for plots.

In addition, the LUG will bear the costs associated with the use of the property, including the maintenance of the industrial building.

The commencement of the factory construction works for LUG will occur within 15 days of signing contract, while its construction should end not later than within 10 months from the date of start work. LUG is obliged to start and activity in a newly built industrial building within 90 days from the day of receipt of property.



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In addition to the above, the agreement provides to an Issuer a reservation of two plots adjacent to the industrial building with total area of 8.170 m² for a period of four years, for potential expansion needs of a factory.

Other detailed terms and conditions of the contract and the risk associated with it, does not depart from commonly used on the market for this kind of agreement. According to the provisions, LUG is entitled for cession of rights and obligations arising from this contract to another entity. The Issuer's intention is to make the assignment in favor of LUG Argentina, immediately after the registration of the aforementioned company. (about the intention to establish and start the process of registration of LUG Argentina, the Issuer informed in the current report no. 5/2016.)

Acquisition of rights and obligations by LUG Argentina due to this contract will be made in accordance to the geographic scope of the Issuer division of activities within the LUG S.A. Capital Group.

On further key phases of the Company's cooperation with the Government of the Province of Misiones, the Issuer will immediately report in the form of current reports.

Legal basis:

§ 6 par. 14.2 of Appendix No. 3 to the Alternative Trading System Rules "Current and periodic information provided in the Alternative Trading System on NewConnect"

Company representatives:

Ryszard Wtorkowski – President of the Executive Board