

Report's type: Current report

Number: 9/2017

Company: LUG S.A.

Subject:

The conclusion of agreements related to business activity of LUG S.A. in Argentina.

Content:

The Management Board of LUG S.A. with its seat in Zielona Góra (the "Issuer") in reference to the current report no. 5/2016 of 24 August 2016, current report no. 6/2016 of 11 October 2016 and current report no. 3/2017 of 7 March 2017, informs that on 14 June 2017 the Issuer has entered into a number of contracts, related to the planned investments of LUG S.A. in Argentina.

Under the agreements signed:

1) The Statute of LUG Argentina SA (the "Company"), in which the stockholders in a ratio of half to half will be LUG S.A. and Provider Argentina SA, joint-stock company with its business activity and registered in accordance with argentinian law, with its headquarters in Posadas, Province Misiones, Republic of Argentina. Headquarter of LUG Argentina SA is Buenos Aires, Republic of Argentina. The Company was established for 99 years, because according to argentinian law companies can not be created for an indefinite time, whereby shareholders may decide at any time to continue running the company. The share capital of the Company was determined at the amount of 300.000 (three hundred thousand) pesos.

The Company's purpose is conducting industry activities that includes production, processing, assembly and assembly of lighting fittings, operation commercial, including sale of light luminaires and accessories and consulting activities in area of lighting technology, including projects related to energy saving.

The LUG S.A. Corporate Security in the Company regarding to the division of votes at the General Meeting in half-to-half proportion, are in particular so called- deadlock provisions included in shareholders agreement (provisions in case of conflict) with option buy-sell, the right to join in the sale of shares (tag along) and the appointment of two-person Board of Directors of the Company: Mr. Rogelio Bertone – the President of the Board, who represents Provider Argentina SA and Mr. Jorge Chamarro Escalona – the Vice President of the Board, who represents LUG S.A. and who is also the Technical Director. According to the Statute of the Company, both of the Board members represent it together.

The cooperation of both shareholders will allow for full exploitation of their potential: on the one hand technological thoughts and know how of LUG S.A. and on the other hand commercial contacts and operational experience in lighting industry on argentinian market of Provider Argentina SA, what will allow the development of LUG Argentina SA, realization of an Agreement with the Government of



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Misiones Province and future contracts. What's more the Issuer and Provider Argentina SA are planning to increase the Company's share capital up to the amount corresponding to 1 million EURO by 31 December 2017. Regarding to above share capital increase, each shareholder will contribute the amount of 500 EURO in cash.

2) The cooperation agreement concluded between LUG S.A. and LUG Argentina SA in organization concerning the obligations of both companies to cooperate, including chargeable technical support, licensing of products and trademarks, transferring know-how and sale of components and finished products.

3) The contract of assignment, which concerns the transfer of all rights and obligations under the contract concluded on 11 October 2016 by LUG S.A. with the Government of the Misiones Province, of which the Issuer informed in the Current Report No. 6/2016 dated on 11 October 2016 from LUG S.A. to LUG Argentina SA.

The assignment agreement was concluded with objection for the following conditions:

- a) if the Government of the Misiones Province will not accept the assignment or won't agree for its realization; or
 - b) in the absence of raising the LUG Argentina SA capital up to the amount constituting the equivalent of 1 000 000 euros; or
 - c) if LUG S.A. ceased to be the shareholder of the LUG Argentina SA;
- LUG S.A. may waive the contract of assignment.

About any of the above conditions, the Issuer will immediately inform you in the separate current report.

In addition, on 14 June 2017 at the Shareholders Meeting of LUG Argentina SA adopted a resolution on:

- a) liabilities of shareholders: LUG S.A. and Provider Argentina SA, to increase the Company's share capital up to the amount constitute equivalent of EUR 1.000.000 until 31 December 2017;
- b) commitment of LUG Argentina SA Management Board to conclude with LUG S.A. contract for the purchase of machines and services needed to start a productive activity in the facility in Argentina for total cost of EUR 499 230,75, which can be credited as the value of the share capital contribution of LUG Argentina SA, which is obliged to contribute LUG S.A. ;
- c) the establishment of deputies of the President and the Vice President of the Board: Mr. Federico Andres Ricci (as substitute of Rogelio Bertone, the President of the Management Board) and Mr. Andres Rozanski (as substitute of Jorge Chamarro Escalone, the Vice President of the Board). The establishment of deputies of the President and the Vice President of the Board is formal action due to legal regulations in Argentina. This does not change the way of representation of the company, which was indicated above: the President together with the Vice President of the Management Board of LUG Argentina SA are both authorized to represent the Company together.

The Management Board of the Issuer emphasizes that the way of representing the Company, mentioned in the its Statute, participating in the Board of Directors of the LUG S.A. representative, concluded additional shareholder agreement with specified rules in case of conflict and specified terms in the assignment conditions allow waive of LUG S.A. and in the opinion of the Issuer's Management



LUG Spółka Akcyjna
Producent Opraw Oświetleniowych



Board, it ensure enough the Issuer's interests within common operational and business activities in Argentina with the Partner.

About concluding other significant agreements regulating or amending existing rights and obligations of the Parties, the Issuer will immediately inform in the form of current reports.

Legal basis:

Art. 17 par. 1 MAR – confidential information.

Company representatives:

Ryszard Wtorkowski –President of the Executive Board