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Entity LUG S.A.

Subject: Estimated consolidated selected financial data of the LUG S.A. Capital Group for the third quarter and cumulatively for three quarters of 2019

Content:

The Management Board of LUG S.A. with its registered office in Zielona Góra ("LUG", "Issuer"), received on November 6, 2019, selected estimated financial data of LUG S.A. Capital Group for the third quarter and cumulatively for the three quarters of 2019, as well as their changes in relation to the financial results presented in the same periods of previous years, and attach to this report selected estimated consolidated financial data for the third quarter and cumulatively for three quarters of 2019 together with comparative data for the same periods of 2016-2018 financial years.

Cumulative sales for three quarters of 2019 reached PLN 120,15 million, which is similar to 2018 (an increase of +0.5% y/y). Sales revenues in the third quarter of 2019 amounted to PLN 37,34 million, which is a 13% decrease comparing to the corresponding period of the previous year. The negative dynamics of revenues in the third quarter of this year was affected by the very poor economic situation on the Polish market, which blocked the positive impact of the seasonality of the lighting industry on the results of the LUG S.A. Capital Group. In the third quarter, the Issuer experienced further postponement in project implementation, as well as a continuous reduction in the number of public tenders for construction works in Poland.

After three quarters of 2019, gross profit on sales amounted to PLN 46,96 million, falling by 9.6% y/y from PLN 51,92 million in the corresponding period of 2018. Cumulatively for the nine months of this year, the gross margin on sales dropped by 4.3pp y/y reaching 39,1%. The gross profit on sales of the LUG S.A. Capital Group in the third quarter reached PLN 14,43 million compared to PLN 20,21 million in 2018 (-28.6% y/y). The gross margin on sales in the third quarter dropped 8.5pp y/y and reached 38,6%, compared to 47,1% in the third quarter of 2018. The poor revenue dynamics and reduction of the gross margin on sales is a result

of strong price pressure in the lighting industry, towards which - the Issuer, by implementing its stand out strategies - was forced to defend its margins at the expense of sales volume. As a result, in the third quarter of 2019, the Issuer improved its gross sales margin to 38,6% compared to the gross margin on sales realized in the previous quarter, i.e. 31%.

In the third quarter of the year, the LUG S.A. Capital Group generated a consolidated EBITDA of PLN 1,79 million (-58.8% y/y), while in the nine-month period of 2019, EBITDA decreased by 45,4% and amounted to PLN 5,54 million. At the level of operating result in the third quarter of 2019, the LUG S.A. Capital Group partially offset the loss from the second quarter of this year, which decreased to the level of PLN 0,38 million, which was reflected in the operating profit for three quarters of 2019, which amounted to PLN -0.69 million. Between months July - September this year, the Issuer recorded a net loss of PLN 0,73 million, while the net result in incremental terms for the nine months of this year was PLN -1,48 million.

In the discussed period, there were no one-off events that would have an extraordinary effect on the presented results. The development of the LUG Group companies is organic and consists in the development and implementation of lighting projects and long-term contracts. The strategic direction of the LUG S.A. Capital Group development is the internationalization of business and evolution in international markets. An additional factor supporting the decision to develop on foreign markets is the invariably deteriorating economic situation in the domestic industry and very poor readings of significant economic indicators, including the Polish PMI at the lowest level since 2009. In this situation, experiencing rising price pressure, the Issuer increased its activity in the second and third quarter of this year in the development of export markets, tending towards independence from the local economic situation. As a result of the this actions, the structure of sales revenues of the LUG S.A. Capital Group in the growing perspective for 9 months of 2019 has changed in favor of revenues realized on foreign markets, which constitute 62% of total sales revenues, compared to 38% of revenues realized on the Polish market. A year earlier, i.e. in the first three quarters of 2018, foreign revenues were a minority (49,5% of total revenues). Thus, the share of revenues generated abroad increased by 12.5pp y/y, which is in line with one of the objectives indicated in the Strategic Directions of Development (achieving a 75% share of export revenues by 2021). At the same time, the Issuer's Management Board is working on implementation of an internal process optimization program that will increase the organization's efficiency in the upcoming quarters.

The final values of the financial data presented in this report will be published in the interim report for the third quarter of 2019 on November 14, 2019.



LUG S.A.



Legal basis: Article 17 para. 1 MAR – confidential information

Company Representatives:

Ryszard Wtorkowski – President of the Executive Board