

Report's type Current report
Number 2/2020
Entity LUG S.A.

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

The Management Board of LUG S.A. with its registered office in Zielona Góra ("LUG", "Issuer") hereby passes estimated consolidated financial data of IV quarter and cumulatively for four quarters of 2019 with comparative data for 2016-2018, regarding to the receiving on February 6th, 2020 estimated financial data for the IV quarter 2019 and cumulatively for four quarters of 2019 and its change regarding to corresponding periods of previous years.

In the IV quarter of 2019, the LUG S.A. Capital Group achieved sales revenues of PLN 47,25 million, which is a decrease of 7,7% y/y. Sales revenues of IV quarter 2019 were the second highest quarterly result in the Company's history. Previously LUG S.A. Capital Group achieved a higher sales in the IV quarter of 2018. The quarterly sales result brought stabilization of sales revenues in 2019 at a level almost identical to the year before, i.e. PLN 170,65 million (against PLN 170,79 million in 2018, -0.1% y/y). The consolidated result after 12 months of 2019 consists of the double-digit development of the LUG S.A. Capital Group on foreign markets, where sales revenues achieved about 15% dynamics, with a simultaneous 17% decrease in sales revenues on the Polish market. The indicated structure of revenues confirms the Issuer's implementation of the strategy of intensive internationalization and, thus, increasing the share of export revenues exceeding 60% in 2019. Expanding on foreign markets, LUG incurs higher development costs, which reflects into other levels of the profit and loss account. The negative dynamics of revenues in the country in the fourth quarter of 2019 was influenced by the poor economic condition on the Polish market. The last quarter of 2019 was characterized by a slowdown in an investment activity on the domestic market, as evidenced by: slowdown in construction production (investments in construction amount a half of total investments), a decrease in the production capacity utilization, a decrease in demand for investment loans, a decrease in the value of leases and a strong decrease in the value of GDDKiA tenders (their total value by December 2019 was more than 80% lower than

in 2018). In addition, in the last quarter of 2019, the Issuer experienced subsequent transfers of significant foreign projects, the implementation of which was confirmed for the first quarter of 2020.

After four quarters of 2019, gross profit on sales amounted to PLN 65,43 million, falling by 7.5% y/y from PLN 70,72 million in the corresponding period of 2018. In cumulative terms for the twelve months of 2019, the gross margin on sales fell by 3,1pp y/y and reached 38,3%. Decrease of the gross margin on sales and drop below 40% is not satisfactory for the LUG Group's short-term results, but was dictated by the need to increase sales volumes in order to strengthen the negotiating position with key suppliers. The Issuer's Management Board expects a positive effect of aforementioned actions at the turn of the first and second quarter of 2020, when the inventory structure will fully reflect the negotiation effect. An additional element increasing the effectiveness of the organization will be a long-term efficiency improvement plan, including optimization of production processes and production preparation, resource rationalization and continuation of internationalization.

Gross profit on sales of the LUG S.A. Capital Group in the IV quarter reached PLN 16,60 million compared to PLN 18,80 million in the IV quarter 2018 (-11.7% y/y). The gross margin on sales in the IV quarter reached 35,1%, compared to 36,7% in the IV quarter of 2018.

In the IV quarter 2019, LUG S.A. Capital Group generated a negative consolidated EBITDA of PLN -1,39 million, while in the entire 2019 it amounted to PLN 4,88 million (-69,2% y/y). At the level of operating result in the IV quarter 2019, the Issuer suffered a loss of PLN -3,65 million against PLN 3,65 million of profit a year ago. The operating result of four quarters of 2019 amounted to PLN -3,43 million, compared to PLN 9,01 million a year ago. At the level of net result, the IV quarter of 2019 closed with a loss of PLN 5,10 million, compared to PLN -857 thousand a year ago. Cumulatively for 2019, the Issuer recorded a net loss of PLN -4,69 million, compared to PLN 4,15 million of the net profit in 2018.

There were no one-off events in the discussed period that would have an extraordinary impact on the results presented. The development of LUG S.A. Capital Group companies is organic and consists in the development and implementation of lighting projects and long-term contracts.

The final values of the financial data presented in this report will be published in the periodic report for the fourth quarter of 2019.

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

Attachment: Estimated consolidated financial data of IV quarter and cumulatively for four quarters of 2019.pdf

Company's representative:

Ryszard Wtorkowski – President of the Executive Board of LUG S.A.