

LUG does not give in the pandemic – the New Year starts with an investments. The Group summarizes the last twelve months.

- PLN 7.1 million investment in the expansion of the factory in Nowy Kisielin
- Stable financial results and an increase in the share of export revenues to over 60% of the sales structure reflected into an increase in the share price in 2021 by 78% y/y
- Many infrastructure and motorway projects and the winning tender for lighting Warsaw
- Sustainable development of LUG awarded with the title of Ecology Promoter on foreign markets and a Climate Crisis Aware Company
- 18% of CAGR of the projected pace of development of the LED lighting market in Europe until 2025.

Despite the difficulties associated with the global Covid-19 pandemic, the LUG S.A. Capital Group considers 2020 a successful year and starts 2021 with a strong accent. Today, the Management Board of the Group announced the expansion of the Research and Development Center, the second Polish factory located in Nowy Kisielin near Zielona Góra. The company will invest PLN 7.1 million in this project. The contract covers the expansion of a warehouse with office and social facilities. As a result of the project, the warehouse space will be increased by approx. 3,000 m², and the office and social space will be increased by approx. 500 m². In addition, LUG can be proud of new contracts, including replacement of lighting on the streets of the Capital City of Warsaw, or construction of lighting on strategic sections of expressways in Poland.

Last year, LUG improved ROE, ROA and liquidity. In the third quarter of 2020, the company also achieved a record level of EBITDA, which was influenced by reduced selling costs and benefits from the FGŚP. It also maintained a high level of return on sales, close to the strategic gross margin target of 40 percent.

- A year 2020 has gone down in history. It was a difficult time, full of unprecedented challenges. The global pandemic has changed our lives, both in the professional and private spheres. It significantly influenced the functioning of many branches of the economy, including the lighting market. Despite the unfavorable economic and social situation, we ended the year in good mood. From the perspective of recent months, they can confidently say that we have proven ourselves as an organization. The ability to adapt to the changing market and its needs turned out to be our strength. Within a few months, we developed and implemented UV-C luminaires that ensure effective sterilization of premises – **says Ryszard Wtorkowski, President of the Management Board of LUG S.A.** We think about business in the long term, the past year and the pandemic have shown us that in order to develop, we must stay responsive to the prolonged delivery times of components or the interruption of supply chains. The investment in a new warehouse is also a reaction to the challenges associated with deliveries to distant markets, which require full order picking before shipment. For this, we need warehouse space, which we will gain thanks to the expansion of the Research and Development Center in Nowy Kisielin – **adds President Wtorkowski.**

The Center in Nowy Kisielin is the Group's second production plant in Poland. The first is the LUG headquarters in Zielona Góra, established in 2008, which was built with funds from the issue of shares. Since then, the Group has not made any comprehensive expansion of warehouse space, and the investments have focused on production space and technologies.

- In the face of dynamic development and further plans for market expansion, we decided to enlarge the plant – **comments Ryszard Wtorkowski.** - Thanks to the expansion, we will be able to develop our Research and Development Department and shape our product portfolio even more efficiently, meeting the needs of customers. We are working on many product innovations and we need space to bring them to market – **adds.**

The investment will be carried out in Q1-Q3 of the year, and its planned value is PLN 7.1 million.

Replacement of lighting luminaires in Warsaw and motorway projects

The past year 2020 was the time of the Group's success in the field of tenders related to large infrastructure investments in the Capital City of Warsaw and in sensitive points of important expressways in Poland.

LUG Light Factory, subsidiary of LUG S.A., will provide over 38,5 thousand street luminaires for the City of Warsaw. Six companies, including the largest international concerns, applied for the tender, but it was LUG's offer that best met the evaluation criteria. According to the specification of the ordering party, i.e. the Warsaw City Hall, new luminaires will be installed on the streets of the Capital in stages, and the last batch should be delivered in December 2022, which, however, will be clarified under the contract, the signing of which is planned for January 13 this year. The total gross value of the project is PLN 32,08 million. However, the contracting authority is entitled to the so-called „right of option”, which means that without an additional tender, it will be able to increase the order by additional LED luminaires worth PLN 5 million gross. The resolved tender concerns the replacement of lighting on the main streets of Warsaw, but there are also plans to replace lighting on high masts at road junctions and on the historic streets of the city. This means that the total pool of replaced lighting will increase to 43,000 luminaires. The planned modernization in Warsaw will be the largest project of this type in Poland, as well as one of the largest in Europe. In the years 2017 - 2020, 56,000 lighting luminaires were replaced in Manchester and 12,000 in London. In Santander, Spain, 23,000 luminaires have recently been replaced, and 60,000 luminaires are currently being replaced in Vienna.

Another completion of the company in the capital is the project of the Southern Bypass of Warsaw, a communication route strategic from the perspective of the capital city. The 15-kilometer section between the R14 junction (Przyczółkowa) and the R15 junction (Wał Miedzeszyński), opened in December 2020, was fully illuminated by the LUG.

The Group also contributes to the expansion of the accompanying infrastructure on the most important expressways in Poland. Infrastructural lighting is one of the strategic directions of the company's development. Over 60,000 vehicles use the motorway connecting Berlin and Warsaw along the southern border of the Poznań agglomeration a day. Due to numerous motorway junctions and city entrances, this six-kilometer stretch of motorway is considered to be one of the most critical road infrastructures in Poland, where the highest standards of lighting quality, management and communication are of key importance and reliability. 1213 LUG infrastructure luminaires with internal iBLOC controllers equipped with power measurement devices and 14 HUBiot-2 gateways were used for lighting the 6-kilometer section of the A2 motorway along the southern borders of Poznań. All luminaires cooperate with the proprietary control system of the smart LUG URBAN class. It is the first installation in this part of Europe, the control of which enables the dynamic change of lighting intensity and adapting it to the road lighting class, as well as to the traffic intensity.

Another project prepared by LUG is lighting installed on the length of 15 kilometers of the S3 expressway connecting Szczecin with Lower Silesia - it is one of the most important infrastructure arteries on the map of Poland. As part of the winning tender, LUG Light Factory road lighting fittings will be installed here on two sensitive sections – in the subzone of the city of Nowa Sól and at the Sulechów-Świebodzin-Międzyrzecz junction.

Sustainable development

In 2020, the LUG Group focused on sustainable development. The company has analyzed the climatic risks in order to identify short, medium and long-term physical and transformational risks related to climate change. The results will be the basis for the formulation and adoption of the company's climate policy in 2021. The efforts of the LUG Capital Group related to sustainable development have been highly appreciated by independent experts. Last year, the company received a distinction in the 9th edition of the Polish Company - International Champion Competition in the Promotor of ecology on foreign markets category and the third result among 151 largest companies in Poland surveyed, in the 2nd edition of the Crisis Climate Awareness 2020 survey. Thus, LUG was included for the second time among the companies awarded the title of Climate Crisis Aware Company.

Development prospects in the era of a pandemic

Forecasts regarding the pace of development of economies around the world have been changed as a result of the announced in the second quarter of last year coronavirus pandemic. The SARS-CoV-2 virus has revised all forecasts down to date, including those related to the development of the lighting market. They have fallen by as much as 21 percent compared to the pre-pandemic forecast. The expected growth rate of the intelligent LED lighting market in 2020-2025 is to amount to 18 percent. CAGR, and the value of the market in 2025 is estimated at USD 30,6 billion.

A new, rapidly developing trend that appeared in 2020 and presented manufacturers with new challenges was the rapidly growing demand for light sources and UV-C lighting luminaires. The COVID-19 pandemic has sparked an unprecedented increase in interest in the use of ultraviolet light to disinfect rooms. LUG S.A. Capital Group developed and implemented the "PurelightLUG" family of UV-C luminaires in record time, which includes luminaires for surface disinfection, air disinfection products and that can work in the presence of people, as well as hybrid solutions. LUG has already completed projects based on a new assortment, including: hospital, restaurant, aid center, kindergarten and dental clinic. LUG Light Factory's quick and professional response to the coronavirus pandemic has been recognized by the World Economic Forum, which lists LUG as an example of a company that is highly adaptable to market needs.

LUG S.A. is a holding company of the LUG S.A. Capital Group - one of the leading European producers of professional lighting solutions. The Group sells its products in Poland and in several dozen countries around the world. The company with 30 years of experience based in Zielona Góra, has been operating as a Capital Group since 2008. It consists of: LUG S.A., LUG Light Factory Sp. z o.o., LUG GmbH, LUG do Brasil Ltda, LUG Lighting UK Ltd., TOW LUG Ukraina, BIOT Sp. z o.o., LUG Argentina SA, LUG Turkey, ESCOLIGHT Sp. z o.o., LUG Services Sp. z o.o. and LUG West Africa Ltd. LUG S.A. since November 2007 it has been listed on the NewConnect market managed by the Warsaw Stock Exchange. More information: www.lug.com.pl

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