# Press release

04.11.2020

Estimated consolidated results of LUG S.A. Capital Group of III quarter 2020:

**LUG Group closed third quarter with the profit amounted to PLN 1,8 mln.**

* **PLN 54,3 mln (+11,2% y/y) of gross profit on sales after nine months and PLN 16,6 mln (+1,7% y/y) of gross profit on sales in III quarter 2020;**
* **PLN 42,2 mln of revenues in III quarter, which is an increase by 4,0% comparing to the same period last year. Total revenues of nine months 2020 exceeded PLN 132,7 mln;**
* **PLN 1,8 mln of net profit in the III quarter of 2020 and PLN 6,4 mln cumulatively of nine months of 2020;**
* **PLN 6 mln (+ PLN 3,5 mln y/y) of EBITDA in the III quarter 2020 and PLN 14,8 mln of the three quarters of 2020 (+ PLN 8,5 mln y/y);**

**The Capital Group of LUG S.A. published its financial results accomplished in the III quarter of 2020. Sales revenues in analysed period reached PLN 42,2 mln. It’s an increase by 4,0 percent comparing to the same period last year. After three quarters of 2020 the gross profit on sales amounted to PLN 54,3 mln improving by 11,2 percent y/y. The gross margin on sales cumulatively for nine months amounted to 40,9 percent. In the third quarter the Company accomplished PLN 1,8 mln of the net profit, which altogether resulted in PLN 6,4 mln of the net profit of the three quarters. EBITDA amounted to PLN 6 mln which is a result higer by PLN 3,5 mln comparing to the III quarter of the previous year.**

Positive results of the third quarter were affected by re-opening of the regional economies after spring lockdown caused by COVID-19 pandemic and the fulfilling the demand typical for the second half of the year in the construction branch.

- Despite the unfavorable economic and social situation, we completed the third quarter in positive atmosphere, improving the Group’s financial results not only quarter-on-quarter, but also year-on-year. *I also positively assess the condition of the LUG Group in the coming periods. It is true that in the first three quarters of the year we recorded a large fluctuation in the result between individual months, which is closely related to the unpredictability of the economic situation during such a strong pandemic. However, based on my previous experience and the current level of orders, I am optimistic and I think that we will end the last quarter of the year with a positive result. Of course, it all depends on the development of the epidemiological threat and the strategy of fighting the virus that will be adopted by global economies and how construction industries in individual countries will react to restrictions.* – comments Ryszard Wtorkowski, the CEO of the Management Board of LUG S.A.

The operational result of LUG Group in the third quarter reached PLN 3,6 mln comparing to PLN 0,5 mln a year ago,

which was mainly conditional on the benefit for the protection of jobs from FGŚP funds in the amount of PLN 1,7 million. Cumulatively, from the beginning of 2020, the operating profit amounted to PLN 7,8 million compared to PLN 0,2 million in the corresponding period of 2019. The result is dictated by the financial support received for the protection of jobs with a total value of PLN 2,6 million and the implemented optimization measures in 2020, taking into account both the improvement of processes and rationalization of the use of resources. Operating margin in the third quarter of 2020 was 8,5 percent compared to 1,3 percent in the third quarter of 2019 and 5,9 percent for the 9 months of 2020 compared to 0,2 percent for the same period of 2019. Adjusting the operating margin for the received financial support for job protection, its level in the third quarter 2020 would reach 4,5 percent (+ 3.2pp y/y), while in the period from January to September 2020 3,9 percent (+ 3.7pp y/y).

In the third quarter of 2020, the LUG Capital Group generated a consolidated EBITDA of PLN 6 million, increasing by PLN 3,5 million year-on-year. In the nine-month period of 2020, the EBITDA result amounted to PLN 14,8 million, an increase by PLN 8,5 million compared to the data for 2019. Adjusted by the benefit obtained for job protection, the EBITDA result would amount in the third quarter of this year PLN 4.3 million (+ PLN 1,8 million y/y) and PLN 12,2 million (+ PLN 5,9 million y/y) for 9 months of 2020.

The EBITDA margin in the third quarter of this year amounted 14,3 percent and 11,2 percent in the period January-September 2020. At the level of the net result, the LUG S.A. Capital Group in the third quarter generated PLN 1,8 million (+ PLN 0,65 million y/y) with a net profitability of 4,3 percent (+ 1.4 pp y/y) and PLN 6,42 million (+ PLN 6 million y/y) with a net profitability of 4,8 percent (+ 4.5 pp y/y) for the three quarters of 2020.

The consolidated results for the third quarter of 2020 will be published in the periodic report for the third quarter of 2020 on November 10, 2020.

Table 1. Estimated results of III quarter 2020

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **[thousand PLN, %, pp]** | **III Q 2017** | **III Q 2018** | **III Q 2019** | **III Q 2020** | **change III Q  2020/2019** | **CAGR 2017-2020** |
| Sales revenues | 39 239,30 | 42 939,88 | 40 594,00 | 42 197,00 | 4,0% | 2,5% |
| Gross profit on sales | 18 210,00 | 20 208,39 | 16 291,00 | 16 575,00 | 1,7% | -3,1% |
| *Gross margin on sales* | *46,4%* | *47,1%* | *40,1%* | *39,3%* | *-0,9pp* |  |
| Operational profit (including benefit from the governmental support (\*)) | 1 719,84 | 2 655,28 | 533,00 | 3 587,00 | 573,0% | 27,8% |
| *Operational margin* | *4,4%* | *6,2%* | *1,3%* | *8,5%* | *7,2pp* |  |
| *EBITDA* | 2 996,86 | 4 338,19 | 2 521,00 | 6 035,00 | 139,4% | 26,3% |
| *EBITDA margin* | *7,6%* | *10,1%* | *6,2%* | *14,3%* | *8,1pp* |  |
| Net profit\*\* | *2 118,40* | *2 438,97* | *1 165,00* | 1 808,00 | 55,2% | -5,1% |
| *Net margin* | *5,4%* | *5,7%* | *2,9%* | *4,3%* | *1,4pp* |  |
| Table 2. Estimated consolidated financial results cumulatively for three quarters of 2020 | | | | | | |
| **[thousand PLN, %, pp]** | **I-III Q 2017** | **I-III Q 2018** | **I-III Q 2019** | **I-III Q 2020** | change  I-III Q  2020/2019 | CAGR 2017-2020 |
| Sales revenues | 103 023,99 | 119 595,80 | 123 404,00 | 132 704,00 | 7,5% | 8,8% |
| Gross profit on sales | 42 995,00 | 51 922,87 | 48 828,00 | 54 293,00 | 11,2% | 8,1% |
| *Gross margin on sales* | *41,7%* | *43,4%* | *39,6%* | *40,9%* | *1,3pp* |  |
| Operational profit (including benefit from the governmental support (\*)) | 3 547,17 | 5 358,42 | 216,00 | 7 812,00 | 3516,7% | 30,1% |
| *Operational margin* | *3,4%* | *4,5%* | *0,2%* | *5,9%* | *5,7pp* |  |
| *EBITDA* | 7 281,19 | 10 147,07 | 6 275,00 | 14 802,00 | 135,9% | 26,7% |
| *EBITDA margin* | *7,1%* | *8,5%* | *5,1%* | *11,2%* | *6,1pp* |  |
| Net profit\*\* | *4 260,19* | *5 010,34* | *418,00* | *6 419,00* | 1435,6% | 14,6% |
| *Net margin* | *4,1%* | *4,2%* | *0,3%* | *4,8%* | *4,5pp* |  |

*\* A grant of EUR 935 thousand to protect jobs from the FGŚP (2Q20) + 1,700 thousand (3Q20)*

*- total 2,635 thousand to subsidise the wages of workers not covered by economic downtime*

*or reduced working time due to economic turnover following the withdrawal of COVID-19*

*\*\* for the shareholders of the dominant company*

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**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