

Report's type Current report ESPI
Number 7/2019
Entity LUG S.A.

Subject:

Estimated consolidated financial data of LUG S.A. Capital Group for the II quarter 2019 and cumulatively for I half of 2019.

Content:

The LUG S.A. Management Board with its registered office in Zielona Góra ("LUG", "Issuer"), due to receiving on July 26, 2019 an information on the estimated value of selected financial data of the LUG S.A. Capital Group for the second quarter and cumulatively for the I half of 2019 as well as their changes in relation to the financial results presented in analogical periods of previous years, hereby provide the estimated consolidated financial data for the second quarter and cumulatively for I half of 2019 with comparative data of financial years 2016-2018.

In the first half of 2019 sales cumulatively reached the level of PLN 81.57 million, with dynamics +6.4% y/y (increase by PLN 4.91 million), despite the decline in the second quarter of 2019 at the level of -5,1% y/y to PLN 39.52 million (a decrease of PLN 2.13 million). The growth in revenues in the second quarter of 2019 was reflected by the results of June this year, when the negative development of the Polish economic situation caused the postponement of projects and completions, exceeding April increases and the level maintained in May 2018. It was caused by the strongest deteriorations in economic conditions of construction from 2012 and drastically poor industrial production results in Poland in June this year (decline by 2,7% y/y, which is the worst result from over 2 years). Economic factors are reflected in business activity, as a result of which the Issuer met with the postponement of investment decisions on the domestic market. The Issuer's Management Board assesses the possibility of improving the above-mentioned results at the turn of the third and fourth quarter 2019 as probable and feasible, based on the current portfolio of orders and developed projects. Positive dynamics of sales revenues, achieved cumulatively for the first six months of 2019, was possible mainly due to increases in the first quarter of 2019.

In the first half of 2019, gross profit on sales amounted to PLN 29.52 million, falling by 6.9% y/y from PLN 31.71 million in the corresponding period of 2018. In terms of the two quarters of 2019 cumulatively, the gross margin on sales dropped by 5.2pp y/y and reached the level of 36.2%, dictated by the growing price pressure in the country, caused by unfavorable development, mainly in industry sector. The level of revenues of the LUG S.A. Capital Group in the second quarter of the year translated into gross profit on sales amounted to PLN 12.27 million, compared to PLN 17.48 million (-29.8% y/y) in the corresponding period of 2018. The gross margin on sales in the second quarter dropped by 11.0pp reaching 31.0%, compared to 42.0% in the second quarter of 2018. In the second quarter of 2019, the LUG S.A. Capital Group generated consolidated EBITDA of PLN -0,19 million, while in the six months of 2019 EBITDA decreased by 43.7%, reaching PLN 3.27 million. At the level of the operating result in the second quarter of 2019, the LUG S.A. Capital Group incurred a loss of PLN 2.33 million, which affected the operating profit for the first half of 2019 amounted to PLN -0.84 million. In the period April - June 2019, the Issuer reported a net loss of PLN 2.25 million, while the net result cumulatively for 6 months of the current year decreased and amounted to PLN -0.95 million.

In the reporting period there were no one-off events that would have an extraordinary impact on the presented results. The development of LUG S.A. Capital Group's companies is organic and involves the development and implementation of lighting projects and long-term contracts. The strategic development direction of LUG S.A. Capital Group is the internationalization of business and development on international markets. Facing observed slowdown in the domestic market and increasing price pressure, the Issuer enhanced its activity in the area of development of export markets over the second quarter, aiming for more independence from the local economic situation. For this purpose, the LUG S.A. Capital Group consolidated sales structures and thus strengthened the implementation of the foreign expansion strategy. These activities will also be continued in the upcoming periods.

The final values of financial data presented in this report will be published in the periodic report for the second quarter and cumulatively for I half of 2019.

Appendix:

Estimated financial data for II quarter and cumulatively for I half of 2019.pdf

Law basis:

Article 17 paragraph 1 MAR – confidential information.

Company Representatives:

Ryszard Wtorkowski – President of the Executive Board