

Press Release

August 14, 2019

Consolidated results of the LUG S.A. Capital Group for the second quarter of 2019:

Results of LUG S.A. Capital Group influenced by deteriorating economic situation and postponement of the lighting investments.

- **PLN 40.76 million (-2.2% y/y) sales revenues in the second quarter and PLN 82.81 million (+ 8.0% y/y) sales revenues in the entire first half of 2019;**
- **increase in export revenues in Q2 this year by + 27.0% y/y to PLN 26.26 million;**
- **PLN 15.29 million gross profit on sales in the second quarter of 2019 and PLN 71.55 million in cumulative terms for the last four quarters;**
- **PLN 2.04 million of the net loss in the Q2 of 2019 and PLN 0.84 million of net profit in four quarters;**
- **PLN 0.29 million EBITDA in the second quarter and PLN 13.79 million in cumulative terms for the last four quarters;**

LUG S.A., one of the leading European manufacturers of system solutions in the field of professional lighting technology, published financial results for the second quarter. Consolidated revenues of the LUG S.A. Capital Group in Q2 2019 amounted to PLN 40.76 million. Gross profit on sales in the analyzed period is PLN 15.29 million. Gross sales margin was 37.5 percent.

The decrease in revenues was influenced by several factors, including the postponement of contracts with Polish local government units and the deterioration of the condition in the construction industry, primarily in the field of infrastructure construction in Poland.

- In the second quarter of 2019, our results were under pressure of deteriorating economic situation, price pressure and rising labor costs. That is the reason we have strengthened our sales structures and accelerated the implementation of the internationalization strategy, which makes us independent of local fluctuations - explains Ryszard Wtorkowski, President of the Management Board of LUG S.A.

In Q2 2019, export revenues increased significantly by 27 percent, to PLN 26.26 million. Thus, the share of exports in the total revenues of the Group exceeded 64 percent. In last four quarters, export revenues increased by 21.6 percent to PLN 102.61 million.

Gross profit on sales in the second quarter of 2019 amounted to PLN 15.29 million, which means a decrease by 12.5 percent compared to the second quarter of 2018. The reason for this phenomenon was the previously indicated decrease in revenues on the Polish market, while increasing costs products, goods and materials sold. As a result, the gross margin on sales decreased to 37.5 percent. In the last four quarters, gross profit on sales increased by 4 percent, to PLN 71.55 million, however, dynamically growing revenues reduced the gross margin on sales to the level of 40.4 percent, but still being above the target specified in strategic directions of the Group's development.

The EBITDA result in the second quarter of 2019 was PLN 0.29 million. The lower level of gross profit on sales with rising costs had the main impact on this level of result. The EBITDA margin in the analyzed period was 0.7 percent. In last four quarters, the EBITDA result was PLN 13.79 million, which means a decrease by 0.3 percent in y/y terms. The EBITDA margin for the last four quarters was 7.8 percent.

- Some of our investment decisions expected by us in the country have been postponed. Our contractors withheld business decisions related to implemented investments, which is natural in the situation of uncertain economic situation. However, the pipeline of projects we are currently working on should allow us to offset the loss from Q2 in the whole year. LUG Group remains in good shape, and the following months of the year allow us to believe that the trend of results will not be long-term - comments Ryszard Wtorkowski, President of the Management Board of LUG S.A.

LED market is still developing

Despite the worse results of the construction industry in Poland, which includes the lighting market, global forecasts for the development of the lighting market are promising. The dynamic increase in demand for LED light sources is dictated by, among others rising costs of electricity and progressing urbanization forcing self-governments to invest in the development of smart city and smart lighting. Global Market Insights forecasts that the European lighting market will grow at a rate of 15.5 percent CAGR and will reach USD 30 billion in 2024. ¹

Awards and competitions

The spring months of the year are traditionally the time of numerous industry competitions and awards. This year, the company has once again been recognized in the competition of the Association of Stock Exchange Issuers assessing investor relations websites. LUG became a double winner of the 12th edition of the Issuer's Golden Website competition in the categories Best IR service and Leader of online communication. The company also received a distinction on the occasion of its 30th anniversary on the XXX anniversary of the beginning of the Polish political transformation. The economic and industry awards include the title of Emerging Europe Awards 2019 in the Global Champion of the Year category and the Lubuski European Entrepreneur 2018.

The fourth dividend will go to shareholders

The General Meeting decided to pay dividend from the profit to the company's shareholders. On September 19, PLN 1,007,799.80 million of earned profit for 2018, i.e. PLN 0.14 per share, will be payed. This will be the fourth dividend payment to LUG shareholders.

Consolidated results of Q2 of 2019

PLN mln	2018Q2	2019Q2	change Q2 2018/2019	2017Q3 -2018Q2	2018Q3 -2019Q2	y/y
Sales revenues	41,66	40,76	-2,2%	155,18	176,94	+14,0%
Gross profit on sales	17,48	15,29	-12,5%	68,79	71,55	+4,0%
Gross margin on sales	42,0%	37,5%	-4,4pp	44,3%	40,4%	-3,9pp
EBITDA	3,49	0,29	-91,7%	13,83	13,79	-0,3%
EBITDA margin	8,4%	0,7%	-7,7pp	8,9%	7,8%	-1,1pp
Operating profit	1,89	-1,80	-	8,13	5,99	-26,4%

¹ www.gminsights.com/pressrelease/europe-led-lighting-market

<i>Operating margin</i>	4,5%	-4,4%	-9,0pp	5,2%	3,4%	-1,9pp
Net profit*	1,43	-2,04	-	7,52	0,84	-88,8%
Net margin*	3,4%	-5,0%	-8,4pp	4,8%	0,5%	-4,4pp

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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 Ukraine, BIOT Sp. z o.o., LUG Argentina S.A. and LUG Turkey. 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