Zielona Góra, March 29 2023

Press release

**LUG S.A. Capital Group with the new business strategy for 2023-2026**

* **The operating philosophy of the LUG Group will focus on the sustainable development of its subsidiaries and supporting the sustainable development of its business partners through a wide range
of professional services and innovative products, including the SMART area or NCL
(nature centric lighting).**
* **The main measures of the strategy's effectiveness are the achievement of 7% of the Group's net profitability in the perspective by 2026 and 75% of revenues from foreign markets in the next four years.**
* **Four strategic goals of the Group are service transformation, international partnerships, sustainable development and quality of life innovation.**

**LUG S.A. Capital Group, a leading European manufacturer of professional lighting solutions, has based its new business strategy for the next four years on four pillars: transformation into services, international partnership, sustainable development and innovation in the quality of life. Responding to market challenges and by following the global trends in the lighting industry, the LUG Group *will create a sustainable living and development environment for a better tomorrow through light*. Group’s operating philosophy is written in a new Company’s mission.**

LUG closed last year with revenues of PLN 238 million. This is nearly 16.9 y/y growth. The Group's EBITDA amounted to over PLN 19 million (+32% y/y). At the same time, the sale of luminaires amounted to 477 thousand pieces,
and LUG R&D team achieved a world record level of effectiveness of a street luminaire of 190lm/W.
Satisfying financial results and dynamic development in the area of ​​innovation include: the effect of the 2017-2022 strategy, in which the main emphasis was placed on the average annual growth at the level of 10% CAGR, generating a 40% margin and expansion into foreign markets. Despite the difficult political and economic conditions,
LUG achieved selected goals, achieving an increase in revenues at the level of nearly 17% CAGR, and also generated a gross margin from sales, which in the strategic period reached and even exceeded the level of 40%, to finally amount to 37% in 2022. In line with its strategic aspirations, LUG also significantly increased the share of large projects in its sales structure.

New strategy of the LUG Capital Group maintains the elements constituting the pillars of the Group's development, such as: innovation or internationalism, but there will also be new goals and initiatives regarding the transformation from the supplier model to the service model. In addition, the company wants to develop international partnerships and lighting solutions that reduce energy consumption and CO2 emissions. The absolute pillar of LUG's strategy will be development based on SMART technologies in the product, technological and manufacturing areas, which will be reflected in the integration of subsequent verticals within the proprietary LUG Urban management system
or in building intelligent production processes that increase efficiency and eliminate weak points of the internal LUG system.

- *We have created a strategy which confirms that we understand the needs of the changing world and are able to respond to them by making appropriate modifications in the Group's business activities. Our goal is to strengthen the position of LUG in five separate macroregions. We intend to stand out with innovation and a comprehensive offer in the service model and the energy efficiency of our lighting solutions. Sustainable development will be the driver of our activities, thanks to which we will strengthen our company-wide resilience and help our business partners to strengthen it* - says Ryszard Wtorkowski, President of the Management Board of LUG.

Presented at the conference on March 29 this year strategy of LUG S.A. Capital Group indicates that the key
to success are 4 strategic goals, which will be measured by achieving 7% net profitability and 75% share of foreign sales in the LUG sales structure by 2026.

The first goal is **transformation to services**. Which in practice means focusing on the development of the service philosophy throughout the organization. It is not only the increasingly well-known and understood Light-as-a-Service (LaaS), but also new service models focused on the comprehensive implementation of lighting projects, including consulting, design, execution or support in the maintenance of lighting infrastructure.

Secondly - continuation of activities in accordance with the philosophy of **sustainable development**, so that
the functioning of the company serves the needs of stakeholders, customers, investors and business partners
as well as people working in the structures of the organization. All areas of the organization will develop
in a sustainable manner, including e.g. production or R&D, so that, thanks to modularity, automation and respecting the principles of circular economy, neutralize the organization's impact on the natural environment. The next step will also be the implementation of a detailed sustainable development strategy, supplemented with elements
of a circular economy.

The third pillar are **international partnerships**. LUG's aspiration is to be the center of an international community of customers, suppliers and partners. Building a strong brand on a global scale, valued for competence, professionalism and understanding the needs of business partners will be possible thanks to the refreshed value proposition for customers. Values ​​such as availability in the form of comprehensive service for large contracts, stable planning and a flexible supply chain will be the key. LUG also intends to provide its partners with high-quality product, technological and process innovations and to eliminate knowledge and capital barriers.

Fourthly, the development of **quality of life innovations** understood as striving to change our environment for
the better. This concept is very capacious, because it contains the ideas of SMART lighting. SMART solutions will create the space around people in such a way that it is safe and friendly. At the same time, thanks to the applied lighting solutions, entities managing the urban infrastructure will be able to generate financial and energy savings. All this will be possible thanks to the intensive development of new urban verticals under the umbrella of the LUG Urban system, in full respect of the assumptions of Nature Centric Lighting, i.e. light that is in line with the circadian rhythm of not only humans, but also animals and the natural environment.

- *We live in very interesting times. The environment around us is changing at an above-average pace, characteristic of the VUCA reality. We wanted to create a strategy adequate to the new reality. The first step was to redefine our mission. We also focused on the values ​​of our Group and the needs of its stakeholders. Implementation of strategic directions of development has its beginning inside the organization. That is why we have designated areas of activity around which our projects and initiatives will focus.* - adds Ryszard Wtorkowski.

The designated areas of strategic initiatives focus on production and organizational issues (FAB), as well as put emphasis on building strategic partnerships with customers and suppliers (CLUB). In addition, LUG will strongly develop competences related to knowledge sharing and consulting (HUB), and projects in the area of ​​research
and development, design and innovation (LAB) will be the unchanging foundation of development. In every area, LUG has planned a number of projects and initiatives that will be consistently implemented over the next ones
4 years.

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**LUG S.A. is a holding company of the LUG S.A. Capital Group** – one of the leading European manufacturers of professional lighting solutions. The Group sells its products in Poland and 75 countries around the world. Possessing over 33 years
of experience, company based in Zielona Góra, since 2008 it has been operating as a Capital Group. 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., LUG Turkey, LUG Services Sp. z o.o., ESCOLIGHT Sp. z o. o. LUG S.A. has been listed since November 2007
on the NewConnect market managed by the Warsaw Stock Exchange. More information: www.lug.com.pl