Press release

Zielona Góra, August 11, 2022

Consolidated financial results of LUG S.A. Capital Group in the II quarter of 2022

**In the II quarter of 2022, the LUG Group recorded the highest quarterly level of gross profit on sales**

* **PLN 59,74 mln of revenues on sales in the II quarter 2022 (+26,1% y/y);**
* **PLN 23,18 mln of gross profit on sales in the II quarter 2022, increase by 12,6% y/y;**
* **Net profit amounted PLN 0,85 mln in the II quarter 2022 (+9% y/y) and PLN 1,69 mln for six months 2022;**
* **EBITDA result in analyzed period amounted PLN 5,45 mln (+4,4% y/y);**
* **Stable, though influenced by geopolitical trends, condition of the company.**

**LUG S.A. Capital Group published consolidated results for the II quarter of 2022. The Group's revenue
in the II quarter of 2022 amounted to PLN 59.74 million. Cumulatively, for the first half-a-year, sales reached
PLN 116.71 million compared to PLN 84.92 million a year ago. Gross profit on sales amounted to PLN 23.18 million in the II quarter 2022 alone, compared to PLN 20.58 million in the corresponding period of 2021 (+12.6% y/y). The Group recorded a dynamic increase in revenues y/y, despite the continuing challenges in the semiconductor market.**

- In the second quarter of 2022, the LUG Group recorded a dynamic increase in revenues. Due to the performance
of contracts concluded in the period preceding the increase in production costs, our profitability decreased over the year. However, it should be emphasized that the II quarter of 2022 was a period of gradual rebuilding
of the gross margin on sales, which increased by 1.6 p.p. over the last 3 months to the level of 38.8%.
Currently, we are actively working on the execution of orders in the two most important sales quarters of the year – comments on results **Ryszard Wtorkowski, CEO of the Management Board of LUG S.A.**

Gross profit on sales in the II quarter 2022 amounted to PLN 23.18 million. This is an increase of 12.6% compared to the same period last year. Persistently complicated situation in the global semiconductor market and increased transport costs, resulted in a decrease in the gross margin on sales to 38.8%, i.e by 4.6 p.p. lower y/y. Despite unfavorable economic conditions, the II quarter of 2022 was another period of gradual margin recovery, which increased by 1.6 p.p. over the last quarter.

Consolidated EBITDA in the II quarter of 2022 amounted to PLN 5.45 million, i.e. 10.1% more than in the previous quarter and 4.4% more than last year. EBITDA margin increased by 0.4 p.p. comparing quarter to quarter
and was at the same time 1.9 p.p. lower than the year before.

Net profit in the II quarter of 2022 amounted to PLN 0.85 million and remained at a level slightly higher than
in the I quarter and 9% higher than in the II quarter of 2021. Cumulatively, in first half-a-year it amounted
to PLN 1.69 million, compared to PLN 1.55 million in the first half of 2021 (+9.0% y/y). Net profit in the II quarter
of 2022 amounted to PLN 0.85 million and remained at a level slightly higher than in the first quarter and 9% higher than in the II quarter of 2021. Cumulatively, in the first half-a-year it amounted to PLN 1.69 million, compared
to PLN 1.55 million in the first half of 2021 (+9.0% y/y).

**Key events**

We are continuing the implementation of the project for the Capital City of Warsaw. In the second quarter,
the revenue from the project amounted to PLN 4.3 million, and in the entire first half of 2022 it reached
PLN 5.6 million. It is worth recalling that it is the largest in Poland, a contract for the replacement of lighting.
Thanks to it, the electricity bills of the City of Warsaw will decrease by as much as PLN 23 million per year,
and the emission of carbon dioxide into the atmosphere will decrease by approx. 30,000 tons per year.
These are significant cost reductions in the context of drastic increases in energy prices and in the face of the climate crisis.

In June this year a contract was signed for the replacement of lighting in the Bogatynia Commune.
The modernization of street lighting in the commune will cover over 3,000 luminaires and 8 km of overhead lines. Over 500 new poles will be installed and a modern control system will be installed. The costs of the local government related to electricity will decrease thanks to the investment by PLN 2 million per year.

The geographical structure of sales did not change significantly compared to the first quarter - the share of exports amounted to 60.5%. Among the projects implemented in this period outside of Poland, it is worth mentioning
the street lighting installed as part of the project in Israel, Lithuania, Norway, Estonia, Germany and Croatia.
The company's portfolio also includes comprehensive modernization projects for industrial and architectural lighting around the world.

**Prospects of the lighting market**

The factor influencing the development of the industry is the cost related to electricity charges and their reduction by replacing conventional lighting solutions with LED technology. Forecasts for 2025 are 21% lower compared
to forecasts before the coronavirus pandemic. The estimated growth rate of the smart LED lighting market
in 2025-2030 is 14.3 CAGR. Availability of semiconductors and raw materials remains an issue. This applies primarily to steel, for which one of the main production centers was the plant in Mariupol. In addition, the costs of energy resources, and thus the costs of processing and transport, remain strongly influenced by the military operations
in Ukraine. A new risk strongly affecting the lighting industry is China's aggression against Taiwan and the potential blockade of electronic components supplies to customers around the world.

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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 in dozens of countries around the world. The company with over 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., LUG Turkey, LUG Services Sp. z o.o., ESCOLIGHT Sp. z o. o. 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](http://www.lug.com.pl)

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