



LUG Spółka Akcyjna
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Subject: Estimated consolidated selected financial data of LUG S.A. Capital Group for III quarter 2022 and cumulatively for three quarters of 2022.

Content:

The Management Board of LUG S.A. with its headquarter in Zielona Góra ("LUG", "Issuer"), due to receiving today information on selected estimated financial data of the LUG S.A. Capital Group for the third quarter and cumulatively for three quarters of 2022, as well as their changes in relation to the financial results presented in the corresponding periods of previous years, encloses selected estimated consolidated financial data for the third quarter and cumulatively for three quarters of 2022, together with comparative data for the corresponding periods of the financial years 2019-2021 and the commentary below:

- Consolidated sales revenues of the LUG S.A. Capital Group in the analyzed period of the third quarter of 2022 reached PLN 58,26 million, which means a slight decrease by 1.1% compared to the same period last year. Incremental sales for three quarters of 2022 reached PLN 174.97 million compared to PLN 143.80 million for three quarters of 2021 (+21,7% y/y). An evenly high level of revenues exceeding PLN 56 million, realized in all three quarters of 2022, allowed the LUG Group to achieve over 20% y/y revenue dynamics on a cumulative basis. This result was positively influenced by both domestic and foreign revenues. Achieving a high level of revenues in 2022 required maintaining a large stock of warehouse stock, which, despite a slight decrease y/y, still remained at a much higher level than before the pandemic. The revenues of the analyzed period also include revenues realized as part of the lighting modernization project for the capital city of Warsaw, which in the third quarter of this year amounted to approx. PLN 5.7 million, and cumulatively throughout 2022 - PLN 11.4 million.
- Gross profit on sales generated in the third quarter of the current year amounted PLN 21.39 million vs. PLN 22.18 million in the third quarter of 2021 (-3.6% y/y) with a gross margin of 36.7% (-1.0 p.p. y/y). The product structure of sales realized in three quarters of 2022 translated into a gross profit on sales of PLN 65.78 million, which was 13.0% higher than in the previous year. Gross margin on sales after 9 months of 2022 amounted



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to 37.6% and was lower by -2.9 p.p. y/y. Gross profitability on sales remains below the planned minimum level of 40% in 2022, which is due to the deterioration of business conditions. Growing sales revenues are the result of a large portfolio of orders of the LUG Group, which is carried out in the conditions of increasing transport costs, weakening zloty, tensions in supply chains, rising prices of components and existing payment backlogs. This situation has a negative impact on profitability and requires continuous optimization activities to maintain margins at the observed level. LUG S.A. Capital Group adjusts its pricing policy in order to counteract the percentage erosion of the gross margin, actively manages the terms of cooperation with partners and expands the range of suppliers looking for cost optimization. The steps taken made it possible to limit the decline in the margin and maintain the return on sales at a safe level.

- Operating profit in the third quarter of this year amounted to PLN 2.77 million compared to PLN 0.96 million in the third quarter of 2021 (+187.6% y/y). Consolidated operating profit on a cumulative basis, i.e. over the first, second and third quarters of 2022, increased by 80.6% and amounted to PLN 7.49 million compared to PLN 4.15 million in the corresponding period of 2021. Operating margin in the third quarter of 2022 amounted to 4.8%, while cumulatively after nine months of 2022 it amounted to 4.3%. In relation to the indicated level of operating profit, the consolidated EBITDA amounted to PLN 5.66 million in the third quarter of 2022, which is 81.8% higher than in the previous year. The EBITDA margin in the third quarter of 2022 was 9.7% and was 4.4 p.p. higher y/y. Cumulatively, EBITDA for 9 months of 2022 amounted to PLN 16.05 million and was 39.8% higher than in the corresponding period of 2021, when it amounted to PLN 11.48 million. The EBITDA margin for three quarters of 2022 was 9.2% vs. 8.0% a year ago (+1.2 p.p. y/y).
- The consolidated net result of the LUG Capital Group for three quarters of 2022 amounted to PLN 2.43 million compared to PLN 2.3 million in 2021 (+5.7% y/y), while in the third quarter of this year net profit amounted to PLN 736 thousand vs. PLN 746 thousand a year earlier (-1.3% y/y). The net margin amounted respectively to 1.3% in the third quarter of 2022 (0.0 p.p. y/y) and 1.4% in Q1-Q3 2022 (-0.2 p.p. y/y). The key impact on the level of the net margin had higher costs of servicing financial liabilities resulting from historically high interest rates, as well as high cost-intensive manufacturing processes and high prices of electronic components.

The level of profitability of the LUG Capital Group in the first nine months of 2022 was affected by the deteriorating economic situation and the epicenter of economic uncertainty. Inflationary pressure caused by the risk of an energy crisis translates into an increase in the production costs of products, goods and materials sold, and consequently into the profitability of the entire organization. Changes in raw material prices do not stimulate a decrease in production costs due to several months in advance in the contracting of supplies and the stretching of the manufacturing process (from raw material to finished product), as well as due to the pressure of rising energy prices and wages. An additional factor negatively stimulating the level of organizational costs is also the continuous increase in interest rates. Due to the implementation of numerous infrastructural projects with local government units and maintaining a high level of inventories, the Issuer increased the level of financing with a short-term loan, which had a negative impact on the level of financial costs. The Issuer's Management Board positively assesses the fact that, despite the indicated factors, it was possible to limit the decline in profitability.

The key management challenges for the coming months will consist in building a sense of security among customers, suppliers and employees of the LUG Group, in order to ensure stability and efficient functioning in conditions of poor economic conditions, high prices of electricity and gas, record inflation, tight supply chains and rising labor costs.

The final values of the financial data presented in this report will be published in the periodic report for the third quarter of this year on November 9, 2022.

Legal basis: Article 17 para. 1 MAR – confidential information.

Attachment: Szacunkowe skonsolidowane wybrane dane finansowe za III kwartał 2022.pdf

Representative:

Ryszard Wtorkowski – CEO of the Board