

Report's type Current report

Number 12/2020

Entity LUG S.A.

Subject: Estimated consolidated selected financial data of LUG S.A. Capital Group of III quarter and cumulatively for three quarters of 2020.

The Management Board of LUG S.A. with its registered office in Zielona Góra ("LUG", "Issuer"), regarding to today's information on the values of selected estimated financial data of the LUG S.A. Capital Group for the third quarter and for the three quarters of 2020 cumulatively, as well as their changes in relations to the financial results presented in the corresponding periods of previous years, hereby passes as the attachment to this report, selected estimated consolidated financial data for the third quarter and cumulatively for the three quarters of 2020, together with comparative data for the corresponding periods of the 2017-2019 financial years.

Cumulative sales for the three quarters of 2020 increased by 7,5%, reaching PLN 132,7 million compared to the corresponding period of 2019. Sales revenues in the third quarter of 2020 amounted to PLN 42,2 million, which is a result higher by 4.0% than in the third quarter of 2019. Revenues' dynamics in the third quarter of this year was positively affected by the re-opening of regional economies after the spring lockdown caused by the coronavirus pandemic and the fulfillment of demand characteristic of the second half of the year in the construction industry. Other operating income in the third quarter of 2020 was mainly affected by the benefit for the protection of jobs from the Guaranteed Employee Benefits Fund (FGŚP) in the amount of PLN 1,7 million, in connection with the periodic decline in economic turnover as a result of COVID -19. The total amount of funding in the second and the third quarter was PLN 2,6 million.

After three quarters of 2020, gross profit on sales amounted to PLN 54,3 million, increasing by 11,2% y/y from PLN 48,8 million in the same period of 2019. On a cumulative basis for the nine months of this year, gross margin on sales increased by 1,3pp y/y to 40,9%. The change in the product structure of LUG Capital Group's revenues and the uncertainty caused by the coronavirus pandemic resulted in price pressures in the third quarter of this year reflected in a gross sales margin of 39,3%, compared to 40,1% in the third quarter of last year (-0.9pp y/y). In parallel, the volume of gross profit on sales increased to PLN 16,6 million compared to PLN 16,3 million in the same period of 2019 (1,7% y/y).

The LUG Group's operating result in the third quarter of this year amounted to PLN 3,6 million, compared to PLN 0,5 million a year ago, which was mainly caused by the provision for the protection of jobs from the Guaranteed Employee Benefits Fund (FGŚP) in the amount of PLN 1,7 million. Cumulatively, from the beginning of 2020, the operating profit amounted to PLN 7,8 million, compared to PLN 0,2 million in the corresponding period of 2019, dictated by the received financial support for the protection of jobs in the total amount of PLN 2,6 million and the implemented optimization measures in 2020 that include both the improvement of processes and the rationalization of the use of resources. The operating margin in the third quarter of 2020 was 8,5% compared to 1,3% in the third quarter of 2019, and 5,9% for 9 months of 2020 compared to 0,2% in the same period of 2019. Adjusting the operating margin by the received financial support for job protection, its level in the third quarter of 2020 would reach 4,5% (+ 3,2pp y/y), while in the period from January to September of 2020 3,9% (+ 3.7pp y/y).

In the third quarter of 2020, the LUG Capital Group generated a consolidated EBITDA of PLN 6,0 million (+ PLN 3,5 million y/y), while in the period of 9 months of 2020, the EBITDA reached PLN 14,8 million (+ PLN 8,5 million y/y). The EBITDA margin in the third quarter of this year was 14,3% and 11,2% in the period from January to September 2020. Adjusted for the benefit obtained for job protection, the EBITDA result would amount in the this year PLN 4,3 million (+ PLN 1,8 million y/y) and PLN 12,2 million (+ PLN 5,9 million y/y) for the period of 9 months of 2020. At the level of the net result, the Issuer generated in the analysed third quarter PLN 1,8 million (+ PLN 0,65 million y/y) with a net profitability of 4.3% (+ 1,4pp y/y) and PLN 6,42 million (+ PLN 6 million y y) with a net profitability of 4,8% (+ 4,5pp yy) for the three quarters of 2020.

The Management Board assesses the condition of the LUG S.A. Capital Group in future periods as stable. In the first three quarters of the year, the Issuer recorded a large fluctuation of the result between individual months, which was significantly related to the unpredictable economic situation following the COVID-19 pandemic. Based on the current level of orders, we estimate that the fourth quarter of this year will allow us to achieve a positive result which it may significantly depend on the situation of world economies in the pandemic era and the impact of potential lockdowns on the construction industry on a global scale.

The final financial data presented in this report will be published in the Periodic Report of third quarter on November 10, 2020.

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

Attachment: Estimated consolidated selected financial data of III quarter and cumulatively for three quarters of 2020.pdf

Company's Representative:

Ryszard Wtorkowski – CEO of the Management Board