

Letter from the President of LUG S.A.

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Behind us there are twelve months of hard work of 576-person crew working in 7 companies of the LUG Capital Group, an effort that has brought to us splendid financial results. The company revenues increased by 18 % and reached over 142 million PLN, which then allowed us to generate a net profit of over 7 million PLN. It was the best business year on-record in our 30-year history. ”



Ryszard Wtorkowski,
President of LUG S.A. Management Board

Summary of key conclusions:

- ➔ Last year, the LUG family also expanded: the companies associated within the LUG Capital Group S.A. joined two new entities: technological company named BIOT Sp. z o.o., and LUG Argentina SA, responsible for expansion in Argentina.
- ➔ We have expanded our production and laboratory facilities at the Research and Production Center in Nowy Kisielin, and initiating the construction of a modern factory in Argentina, which the grand opening planned for May 2018, we have strengthened the position of our Group on international arena of lighting manufacturers.
- ➔ At the end of the year, we signed a cooperation and service agreement with the market leader in new Smart Lighting technologies, CISCO Systems Inc.
- ➔ We are constantly changing, following and perhaps also setting global trends in the lighting industry. It has been proven in the announcement June 2017 pronouncement of r our Strategic Development Directions for 2017-2021.
- ➔ We are happy to share our success with shareholders. In 2017, we paid out a second dividend in the company's history of 0.14 PLN per share.
- ➔ We are a team of people with passion, who want to offer the latest lighting solutions to people who live with passion.



LUG Spółka Akcyjna
Producent Opraw Oświetleniowych



Dear Shareholders,

For the 10th year in a row, I have the pleasure of inviting you to read the consolidated report of the Capital Group of LUG S.A. The year 2017 was special for us for many reasons. Behind us there are twelve months of hard work of 576-person crew working in 7 companies of the LUG Capital Group, an effort that has brought to us splendid financial results. **The company revenues increased by 18 % and reached over 142 million PLN, which then allowed us to generate a net profit of over 7 million PLN. It was the best business year on-record in our 30-year history.**

We have also opened next chapters in our history: **we have expanded our production and laboratory facilities at the Research and Production Center in Nowy Kisielin, and initiating the construction of a modern factory in Argentina, which the grand opening planned for May 2018, we have strengthened the position of our Group on international arena of lighting manufacturers.**

Last year, the LUG family also expanded: the companies associated within the LUG Capital Group S.A. joined two new entities: technological company named BIOT Sp. z o.o., strengthening the Group's potential for developing new technologies, and LUG Argentina SA, responsible for expansion in Argentina.

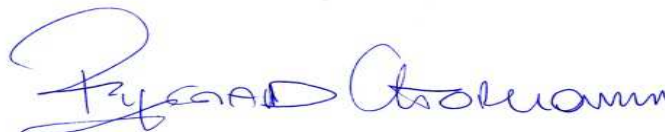
We are constantly changing, following and perhaps also setting global trends in the lighting industry. It has been proven in the announcement of June 2017 of our Strategic Development Directions for 2017-2021. The key assumption of the strategy is to create innovative light and thus increasing the comfort of life, meeting the expectations and the needs of a modern customer. **We are a team of people with passion, who want to offer the latest lighting solutions to people who live with passion.**

We do not settle in our development and growth. There are new challenges ahead of us, including further development in the research area aiming to seek new, effective lighting solutions light control modules. **At the end of the year, we signed a cooperation and service agreement with the market leader in new Smart Lighting technologies, CISCO Systems Inc. Initiating our cooperation, we successfully completed a pilot project in Israel and started further projects in other parts of the world.**

We are happy to share our success with shareholders. In 2017, we paid out a second dividend in the company's history of 0.14 PLN per share. The dynamic development of the Group helps us to be optimistic and want achieve more. Already LUG is a key player on European and global markets, and our goal is to be the leader.

On behalf of the LUG S.A. Management Board I would like to thank our Employees, Clients and Shareholders for their cooperation, trust and support for our decisions, as well as to continue considering our commitment and professionalism, as a guarantee of the continuation of LUG's success in the future.

Your sincerely,



Ryszard Wtorkowski, Chief Executive Officer of LUG S.A.