

Quarterly report
3Q2022

LUG S.A. Capital Group

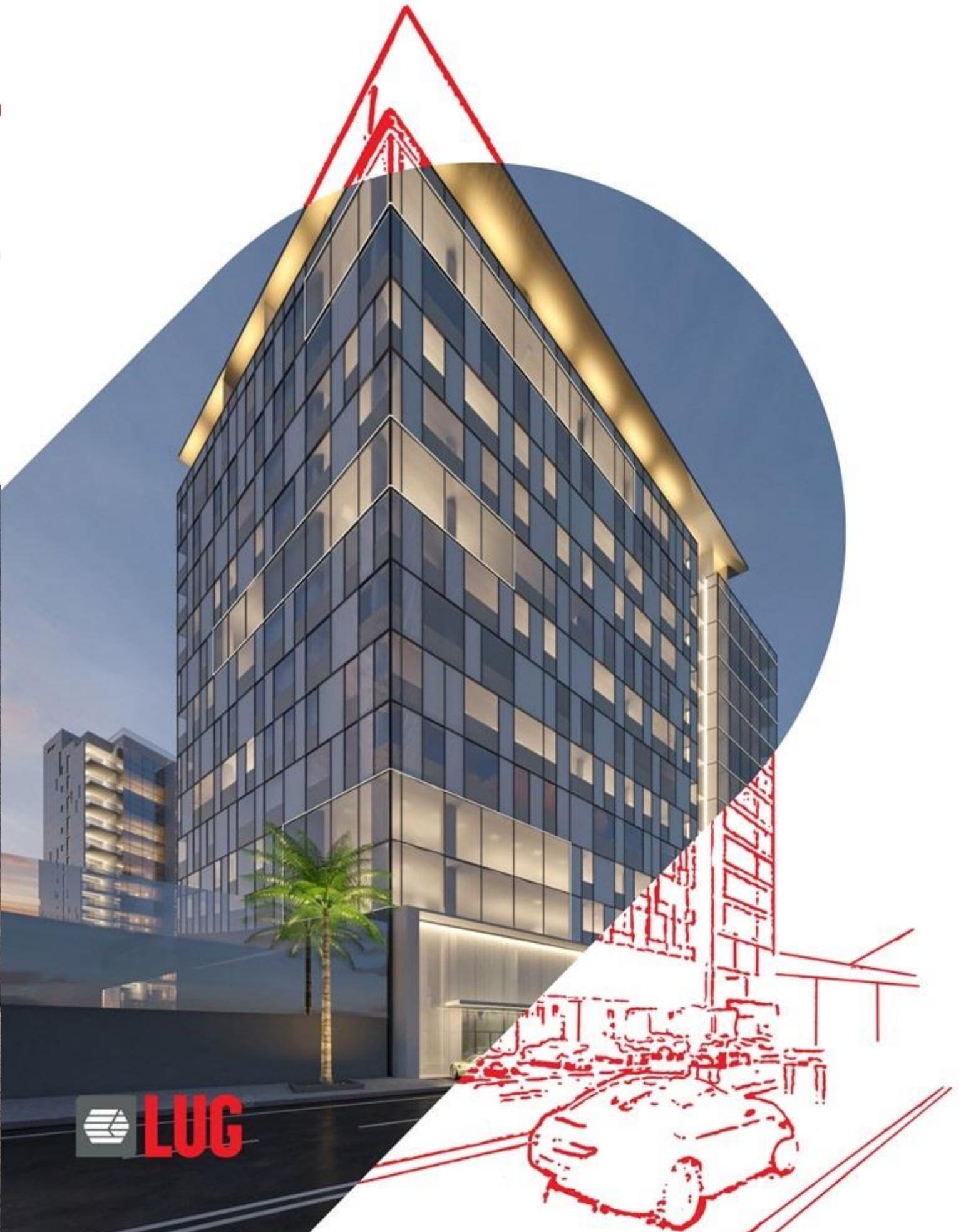


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Q3 2022



In the third quarter of 2022, our results were under the pressure of the difficult situation in the global economy, which has a negative impact on the conditions of operating activities. On the other hand, rising energy prices are a market opportunity stimulating demand for our products. The EBITDA reached the third highest level in the history of the LUG Group. We are currently actively working on the processing of orders in the last, most important sales quarter of the year.

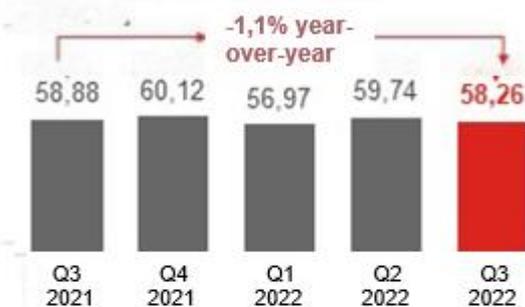
Ryszard Wtorkowski
President of the Board of LUG
S.A.

58.26 PLN million	21,39 PLN million	5.65 PLN million	0.74 PLN million
revenues Q3 2022	gross profit on sales Q3 2022	EBITDA Q3 2022	net profit and margin attributable to the parent company's shareholders Q3 2022
-1,1% year-over-year	-3,6% year-over-year	+81,1% year-over-year	-1,3% year-over-year

- Maintaining the level of revenues despite challenges posed by the economic situation on the global market
- The third highest EBITDA in the history of LUG
- Increases in component prices neutralized by lowering the ratio of sales costs and general administration costs to revenues
- Growing demand for energy-efficient lighting stimulated by rising electricity prices

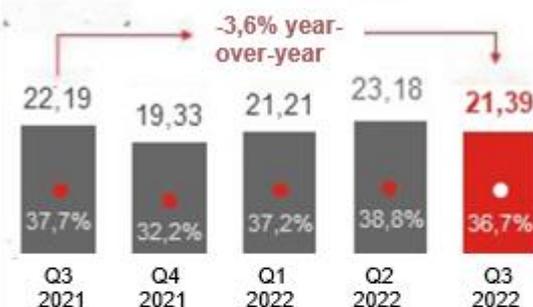
Sales revenues

[PLN million, %]



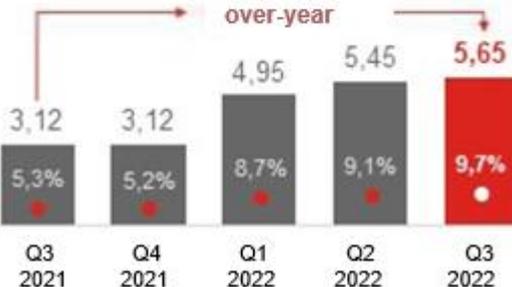
Gross profit on sales

[PLN million, %]



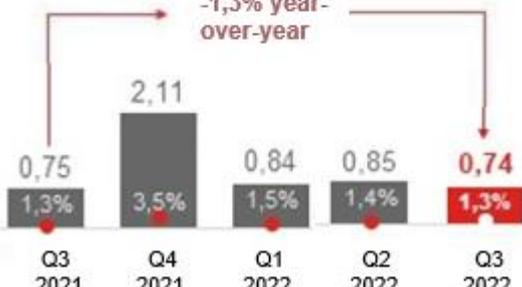
EBITDA

[PLN million, %]



Net profit and margin attributable to the parent company's shareholders

[PLN million, %]



Letter from the President
of the Management Board



Dear Sir or Madam,

Presenting you with the report of the LUG S.A. Capital Group for the third quarter of 2022, I am extremely proud that we can deem this settlement period a successful one. In reading the report you will learn what results we have achieved, how we did it and in what market and industry environment we had to operate. This document is a summary of our hard work and a testimony of determination that motivates us to continue our efforts.

In the third quarter of this year, thanks to joint efforts, we generated PLN 58.26 million in sales revenue, which was only 1.1% lower year-over-year and 2.5% lower at quarterly rate. However, cumulatively we increased our revenues for 9 months of the year by more than 21%, reaching PLN 174.97 million. The result includes both revenues generated in the country, as well as abroad, in the proportion of 43 to 57%. The high dynamics of revenues generated in the country proves a huge increase of interest in lighting modernization projects among Polish cities and municipalities.

Operating in an industry based on electronic components, aluminum and steel, in Q3 2022 we managed uncertainty in supply chains, as well as rising component prices, which was reflected in an increase in the cost of products, goods and materials sold, the share of which in the revenues of the quarter itself increased by 2.1 pps, while in cumulative terms year-over-year it increased by 2.9 pps. We counterbalanced it by optimizing selling and general management costs, whose share in the revenue structure we reduced in the annual perspective. Unfortunately, the impact of external factors in the form of unbridled inflation, the weakening zloty, high interest rates, as well as breaking the parity of the most important currency pair in the world stopped us from achieving the strategically assumed level of 40% margin on sales. However, I still believe that we have taken a number of very adequate means in terms of pricing policy and cooperation with suppliers, which allowed us to maintain sales profitability at a safe level and reach 37.6% margin on sales for 9 months of 2022.

One of the indicators best reflecting the development of our business is EBITDA, which in the last quarter reached the third highest level in the history of LUG in the amount of PLN 5.65 million and was higher year-over-year by over 81%. In cumulative terms, the EBITDA increased by nearly 40%, reaching the level of PLN 16.05 million. A detailed package of information on our results can be found in the financial statement which is an integral part of this report and in the fifth chapter devoted to the analysis of the LUG Group's results.

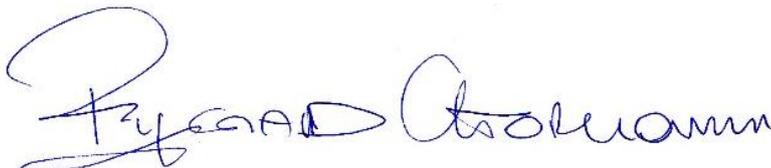
The period of economic turmoil in business is a time of challenges, constant tension and struggle with adversities. However, it is worth looking at this part of the company's history also through the prism of community building, commitment and incredible focus around one goal. Overcoming adversities together is not only a battle, but, above all, a series of daily big and small victories that build a strong team and help organizations "find their way", because when one door closes, another opens.

The times of unlimited international expansion in all segments of the lighting market have changed into a reality shaped by soaring energy and gas prices. As a manufacturing company, we feel the pressure associated with this, but at the same time we know how to help others turn energy challenges into the foundation of positive infrastructural changes and future success in the field of energy efficiency. The much spoken about factors of the declining economic situation are the challenges that the LUG S.A. Capital Group is facing today, but they are counterbalanced by great market opportunities stimulating the demand for our energy-saving lighting products. In this situation, it is essential to remain vigilant about the situation in the market and strengthen the sense of security among LUG stakeholders. And it is on these important aspects and order processing that we will focus in the upcoming weeks in the fourth quarter of the year, which is the most important quarter in terms of sales.

To conclude, I would like to thank our employees for their hard and passionate work for the development of the LUG Group, as well as for their responsible attitude in handling all the challenges they encounter. I would also like to thank our customers, suppliers and shareholders for great cooperation and trust being the foundation of our long-term business relationships.

I recommend to your attention the entire report for the third quarter of 2022 and I wish you to find your business path to become your driving force in these difficult times.

Yours sincerely,

A handwritten signature in blue ink, which appears to read "Ryszard Wtorkowski". The signature is fluid and cursive, with a large initial 'R'.

Ryszard Wtorkowski
President of the Board of LUG
S.A.

Market situation in Q3 2022

- Macroeconomic environment in the world and in Poland
- Lighting industry
- Market trends



3.1 Macroeconomic environment in the world and in Poland

The economic situation observed in the third quarter of the year was not optimistic. Rising inflation translating into an increase in the costs of servicing business activities, the tense geopolitical situation resulting from the ongoing armed conflict in Ukraine, the energy crisis and the pandemic's impact on the market and economy are the key aspects shaping the economic situation in this period.

The economic situation in the third quarter was significantly influenced by the following events:

- **PMI**

In the third quarter of 2022 the Polish PMI was below 50 points signalling another difficult quarter for Polish entrepreneurs and a decline in economic activity. In response to downward trends in sales and production, companies reduced purchasing activity while trying to use their existing inventories, which resulted in the release of working capital. An increase in energy prices and the fear of power outages have worsened the prospect of the upcoming months translating into forecasts of meager industrial production growth.

In the third quarter the global PMI was below 50 points and the level of global economic activity decreased for the second straight month in September. PMI decline was recorded in the USA, euro zone and Great Britain. Production increased in Japan, Brasil, Russia and Australia. In Europe, inflationary pressures intensified, leading to a significant decrease in expectations regarding future production.

- **Global semiconductor industry sales**

Global semiconductor sales growth has stalled in recent months, with month-over-month sales dropping in August by the largest percentage since February 2019. Global organizations forecast an increase in semiconductor prices and longer order processing times in the upcoming months. Such forecasts also apply to the first half of 2023.

- **Double-digit core inflation and rising costs**

In September, CPI inflation in Poland reached a high, double-digit value of 17.2% per year for the first time in over 25 years, translating into a very rapid increase in the prices of services and goods manufactured in Poland. Preliminary data on inflation in October in Poland showed a CPI increase of 17.9% year-over-year compared to 17.2% in September.¹ In order to bring inflation back to the target, the Monetary Policy Council has raised interest rates in Poland eleven times since October 2021, as a result of which the NBP reference rate has increased from 0.1 to 6.75%. The current cycle of monetary policy tightening is the most abrupt in the 21st century. However, in October, the Monetary Policy Council refused to raise interest rates again, arguing that it expected a spontaneous drop in inflation resulting from previous interest rate increases being sufficient. This is contradicted by both the forecasts of most economists and even the latest inflation forecast of the National Bank of Poland, in which the bank does not forecast a drop of CPI inflation to the target throughout the whole forecast horizon (i.e. until the end of 2024).² The CPI is forecast to rise above 18% year-over-year by the end of 2022 to reach its peak value of just under 20% year-over-year in February. In 2023, inflation is forecast to drop to slightly below 10% year-over-year.³ High inflation clearly weighs on Poles' willingness to spend money.

¹ Codziennik Santander, Inflacja wciąż rozpędzona, 02.11.2022r.

² www.money.pl, Pierwszy raz taka sytuacja. Inflacja bazowa jest już dwucyfrowa. 17.10.2022r., g. 14:39.

³ Codziennik Santander, Inflacja wciąż rozpędzona, (op.cit.)

- **Global supply chain disruption and rising commodity prices**

The war in Ukraine has intensified the post-pandemic struggle with supply chain disruptions and the drastic increase in international shipping rates that companies faced in the third quarter of the year. Broken supply chains negatively affected the operations of nearly 47% of small and medium-sized enterprises, as indicated in the SME Scanner (Skaner MŚP) survey. In this group, 34% of respondents reported a reduction in sales, 32% the need to look for substitutes and new suppliers, and 31% a decrease in profit, while the loss of contractors/customers was reported by 24% of them.⁴ Further long-term increases in production costs are forecast, which will directly affect the prices of goods and services.⁵ Major ports in Europe are facing a capacity crisis due to the accumulation of cargo from Russia and Ukraine. It has disrupted container shipping operations and caused global value chains to collapse, according to UNCTAD. The disruptions have resulted in delays and an increase in charges for detention and downtime in ports. The situation is placing pressure on storage capacity, which translates into increased supply chain costs, rising consumer prices and constantly increasing inflation around the world. High freight rates caused consumer prices to rise by 1.6%. It is estimated that global import prices will increase by an average of 12% as a result of the continued increase in freight rates.⁶

Russia and Ukraine have a significant impact on the global economy due to their role as suppliers of many essential commodities: fossil fuels, agricultural products, as well as several metals. The OECD economic report shows that the countries together export approximately 30% of the world's wheat, 15 % of corn, 20% of mineral fertilizers and natural gas, and 11% of oil. According to the report, global supply chains are additionally dependent on the Russian and Ukrainian export of precious metals. As a result of the Russian invasion on Ukraine, the prices of many of these goods have soared. As for the electronics industry, this applies in particular to important commodities such as natural gas and oil (between 25 and 55%) and metals such as nickel and platinum (between 21 and 47%).⁷

Energy prices have also skyrocketed, which translates into higher costs in the road transport industry. The chaos in the supply chain continues and the outlook is quite pessimistic. Sentiments are also pessimistic because of information from China about the strict "zero covid" policy and lockdowns caused by even small outbreaks of infections. This is particularly important for the fluidity of the supply chain, because restrictions in China cause congestion in ports and problems in international transport.

- **Dollar exchange rate**

After rallying throughout the entire third quarter of this year, in September the dollar exchange rate broke PLN 5 for the first time in history. The USD became record strong against major currencies, and the most expensive against the Chinese yuan since the Global Financial Crisis. Since the beginning of 2022, the USD/PLN exchange rate has increased by as much as 24%. The dollar is also the strongest against the euro in 20 years, and it caused euro to drop below parity in the third quarter.

The dollar is gaining strength based on a series of announcements from the US Federal Reserve informing about relatively restrictive policy. Its price is also influenced by concerns about the condition of the global economy, including the impact of the energy crisis on the economic situation in Europe. In addition, the Russia's attack on Ukraine makes investors refrain from risk and invest capital from risky markets in safe havens, i.e. the dollar or the Swiss franc.⁸

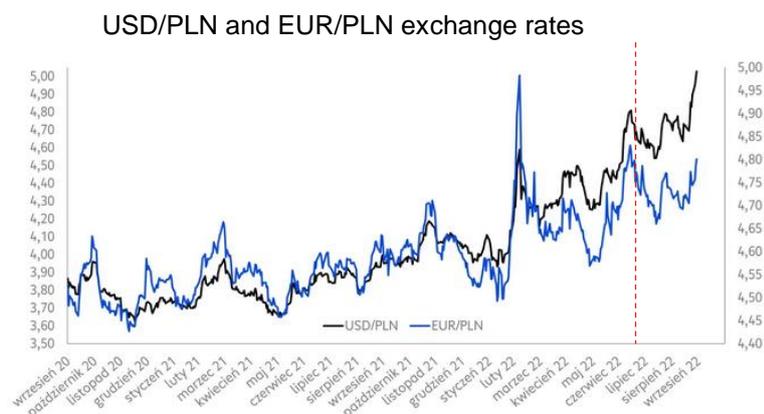
⁴ wgospodarce.pl, Zerwane łańcuchy dostaw – jak odbijają się na firmach, 13.09.2022, g. 08:30.

⁵ Strefabiznesu.pl, Przerwane łańcuchy dostaw. Problem dotyka niemal co drugiej firmy. Ekspert: Długoterminowo czeka nas wzrost cen towarów i usług, 13.09.2022, g.:13:28.

⁶ Gospoadrkamorska.co.uk, UNCTAD: Wojna na Ukrainie zakłóca globalne łańcuchy dostaw, 02.07.2022r., g.: 13:20.

⁷ www.forsal.pl, Surowcowa drożyzna. Jak zmieniły się ceny od czasu inwazji Rosji na Ukrainę, 15.06.2022r., g.: 06:44.

⁸ www.cinkciarz.pl, Kursy walut błyskawicznie wracają do wzrostów, kurs dolara przebił 5 zł, złoty i euro po podwójnym ciosie (komentarz z 28.09.2022), g. 9:15.



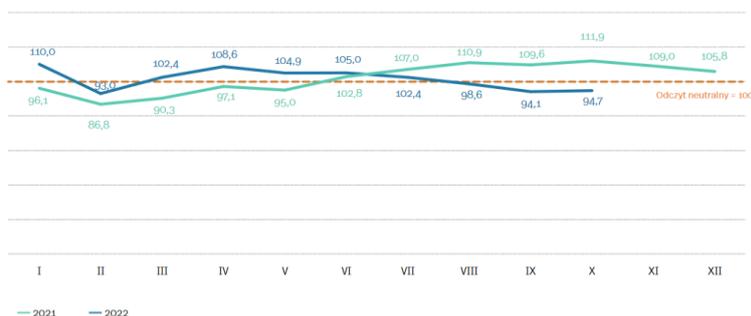
Changes in exchange rates affect the situation of Polish and European enterprises. Depreciation of the zloty and the unstable situation in the EUR/USD pair cause importers to lose a lot on the purchase of components priced in dollars, e.g. electronic components, which are usually priced in dollars, regardless of the settlement currency.

- **Poland's GDP**

The Central Statistical Office (Główny Urząd Statystyczny, GUS) reported that in the second quarter of 2022 Polish GDP increased by 5.3% compared to the second quarter of 2021, but decreased by 2.3% compared to the first quarter of 2022. This is the third such significant decline since 1995, when the statistics began to be kept, and the first quarterly decline since the second quarter of 2020. These results indicate large quarter-over-quarter fluctuations and ultimately weaker results than economic forecasts predicted as a consequence of the promising first quarter of 2022, when an increase of 8.5% year-over-year was recorded and an increase of 2.5% compared to the previous quarter, i.e. Q4 2021. In response to the data for Q2, analysts have lowered their annual forecasts for Poland for the entire 2022. For example, the Goldman Sachs forecast has fallen by 2 pps from the initial 5.9% to the current 3.9%. For the most part, analysts point out that GDP growth in the first quarter of 2022 and in the previous quarters was "inflated", i.e., companies produced to stock and filled their warehouses in fear of a slowdown and further problems with supply chains. We are currently experiencing an increasingly strong slowdown and a decrease in consumer willingness to spend. A serious recession in the form of a decline in GDP throughout 2022 has not been forecast, however a technical recession consisting in two quarters in a row with a decline in GDP is possible.

- Monthly Economic Outlook Index**

Monthly Economic Outlook Index



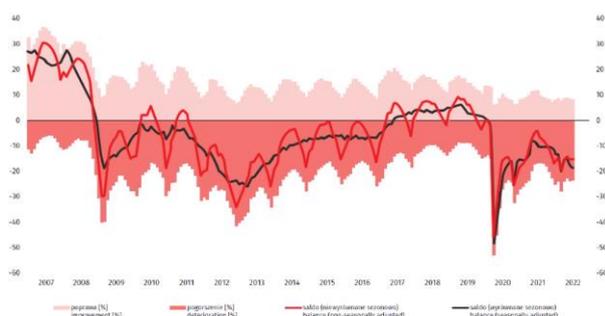
Source: Miesięczny Indeks Koniunktury, BGK 2022

Monthly Economic Outlook Index (Miesięczny Indeks Koniunktury, MIK) examining sentiments among 500 Polish enterprises classified according to industry and size, reached the level of 94.7 points in October (+0.6 points month-over-month and -17.2 points year-over-year), which means that negative sentiment among entrepreneurs predominates.

In the October reading, five out of seven observed components (sales value, new orders, employment, production capacity, investments) are below the neutral level (100.0). The deteriorating economic situation of companies and rising operating costs are forcing companies to take actions aimed at optimizing costs, including those related to employment, while so far companies have tried to maintain the number of employees and the level of salaries.⁹

- Overall economic climate in the construction industry**

Overall economic climate in the construction industry



Source: The Central Statistical Office (Główny Urząd Statystyczny, GUS)

In October 2022 the index of the overall economic climate in the construction industry was at minus 22.1 (a month earlier it was minus 19.1). 6.5% enterprises reported an improvement in the economic situation, while deterioration – 28.6% (a month earlier 6.7% and 25.7%, respectively). Other enterprises reported their situation had not changed.

Current portfolio of orders and construction and assembly production on the domestic market, as well as diagnoses and forecasts regarding the financial situation, continue to be assessed as unfavorable. An increase in payment delays for construction and assembly works has been reported, at the same time reduction of employment and an increase in prices of construction and assembly works are forecast.¹⁰

- Construction production**

Construction output rose by 0.3% in September year-over-year compared to 6.1% in August year-over-year. Contrary to market expectations, next year may bring a significant decline in construction. Sectoral economic indicators for October saw a serious deterioration in expectations. Recent signals about the possible withholding of cohesion funds for Poland by the EU may affect the launch of public

⁹ mik.pie.net.pl Miesięczny Indeks Koniunktury. Październik 2022 – PIE, BGK, październik 2022 r.

¹⁰ Koniunktura w przetwórstwie przemysłowym, budownictwie, handlu i usługach 2000-2022, GUS, Warszawa, październik 2022 r

investments next year, causing additional negative impact on the production of the construction sector. Experts estimate that the average decline in production dynamics in the construction industry will exceed 5% in 2023, with the risk of a significantly worse result.¹¹

3.2 Lighting industry

The war in Ukraine has exacerbated and accelerated the energy crisis in Europe, and rising electricity prices are just the beginning. The energy crisis and the associated electricity prices are stimulating the demand for energy-saving lighting, which the issuer has observed in particular in the segment of infrastructural lighting and the activity of local government units that have been joining lighting infrastructure modernization projects. The industry and retail sectors are also suffering from rising energy costs due to inefficient and energy-intensive lighting systems. The space for debate on energy-saving lighting systems has been created, giving an opportunity to educate end users on that.¹²

Characteristics of the lighting industry

The lighting industry is globally diverse and complex, and its products are used in many different areas. As a mature segment, it is distinguished by a stable market of recipients in which products are mainly distributed by specialized electrotechnical wholesalers or directly sold for investments. The European lighting sector employs over 150,000 people and its revenues constitute about 30% of the industry's global revenues. The sector features a high level of innovation and high fragmentation – in addition to a number of entities with a significant position on a global scale, it includes several thousand enterprises from the SME sector, which operate primarily in the area of distribution of lighting fittings. The increasing demand for energy-saving lighting solutions, the need to reduce electricity costs, growing investments in infrastructure, including roads, offices, residential complexes, parks, hotels, etc. are the main drivers of the increase in the value of the European LED lighting market. It is all connected with population growth, progressing urbanization and climate change stimulating the need for energy efficiency and respect for the natural environment. The trends also determine the dynamic development of the industry on the Polish market. Because of the occurrence of new needs, the demand for modern lighting solutions is growing, including, above all, LED technology and intelligent lighting management systems. The LUG brand products effectively meet these needs both in Poland and around the world.

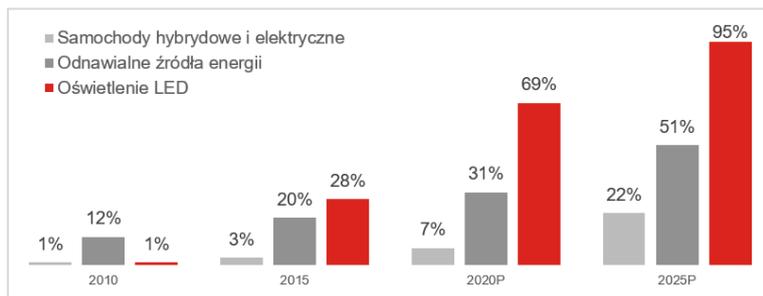
There are three main segments within the entire lighting market:

- backlighting (lighting used, among others, in LCD technology),
- automotive lighting (lighting used in the automotive industry) and
- general lighting (the segment of LUG's operations).

¹¹ Komentarz ekonomiczny Santander, Polska Gospodarka i Rynki Finansowe, autorzy: Marcin Luziński, Grzegorz Ogonek, 21.10.2022 r.

¹² www.isbtech.pl, Kryzys energetyczny w nie najlepszym świetle, 1.08.2022r.

LED lighting is a technology with the highest market penetration rate among environmentally friendly



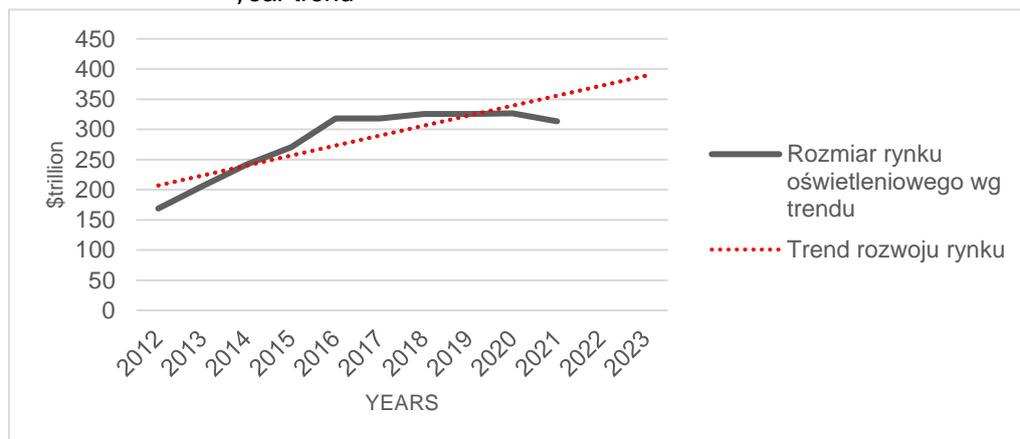
Source: Golden Sachs Global Investments Research report

Solid-state (LED) lighting continues to be the most popular technology on the market. It is based on light-emitting semiconductor materials that convert electrical energy into light (LED and OLED lighting). LED lighting is the fastest growing lighting segment and also stands out as the technology with the highest market penetration rate among environmentally friendly solutions.

The LUG S.A. Capital Group is a significant, international entity operating in the lighting industry both in Poland and abroad. It targets the general lighting segment focused around the production of lighting fittings for professional customers. The added value of LUG that builds its competitive position are the company's comprehensive design services and the provision of complete lighting solutions, as well as customization, i.e. adapting ready-made solutions to the needs of individual customers.

The Plimsoll Insights report published in January 2022 showed 525 entities with market shares, of which the largest companies dominate the European lighting market with the ten largest entities controlling as much as 69% of it.¹³

Size of the lighting market according to the 10-year trend



Source: Plimsoll Industry Insight

In 2021, the total sales value of all surveyed entities in the lighting industry amounted to USD 313.55 billion, which shows a decrease of 4% compared to USD 326.6 billion achieved in 2020. If the trend forecast by experts continues, in 2022 the European lighting market is predicted to grow by 18.8%.¹⁴

According to a report of The Business Research Company, in 2020 the smart lighting market was worth USD 11.06 billion, with annual growth of 12.1%. It is estimated that in 2025 the value of this sector will amount to USD 22.7 billion with the CAGR of 15.3%, and in 2030 USD 43.9 billion with an increase in the CAGR of 14.3%. According to analysts, the factors hindering the development of the smart lighting sector are high costs, unstable metal prices and a shortage of electronic components.¹⁵

¹³ Plimsoll Insight, Market Size&Share, styczeń 2022r.

¹⁴ Plimsoll Industry Insight – Lighting Manufacturers (European), styczeń 2022r.

¹⁵ www.elektronikab2b.pl, W 2025 roku wartość rynku inteligentnego oświetlenia przekroczy 22 mld dolarów, 15.07.2021r.

As a counterbalance, in the forecast period the smart lighting sector will be driven by a rapid increase in investments in infrastructural solutions characterized by higher energy efficiency. In 2020, the European Investment Bank approved a EUR 4.9 billion investment in renewable energy, zero-emission transport and high-speed communication, as well as in medical and educational infrastructure around the world. It is expected that such investments will stimulate the development and sales of energy-saving devices, with smart lighting fittings among them.¹⁶

Polish lighting market

The professionally organized lighting market in Poland, like other markets in Central and Eastern Europe, features high fragmentation. There is a wide range of lighting suppliers, ranging from small family-owned businesses specializing in home lighting, through large domestic companies with a well-established position and a wide assortment (including the LUG S.A. Capital Group), and ending with the largest international corporations.

LED lighting continues to be the leader on the market, which is the result of, among others, its high development potential and energy efficiency constantly exceeding the previously set limits. Facing the need to increase the energy efficiency of lighting fittings, the intensive development of LED technology and the automation of available services, the leading trends include:

- cost optimization;
- looking for savings with LED technology;
- smart and economical management of street lighting;
- progressive automation.

In addition to the need for efficiency, over the years there has also been a significant increase in awareness among societies that not only care about noticeable savings and undeniable quality of lighting, but also the natural environment and fully consciously want to use products and services that have a positive impact on climate change.

Energy-saving lighting is growing more and more popular and forecast increases in electricity prices lead manufacturers of professional lighting to offer customers increasingly advanced systems that not only provide convenient control thanks to remote control, but also return the investment costs within a few years. Managers seeking savings first find them in the lighting installation. Although the investment in modern LED technology is initially much higher than in the case of traditional light sources, it pays off faster, not only in the form of real savings, but also convenience and longer life of lighting fittings. Available LED lighting fittings can replace traditional light sources in a 1:1 ratio, which generates profits of up to 50-70% compared to conventional lighting.

IoT (Internet of Things) solutions are also gaining in popularity and are successfully used in smart cities. Apart from offering a number of advanced services (i.e., detecting crimes and vandalism attacks, monitoring vibrations and wear levels of building materials or bridges), IoT also improves lighting control by adapting it to the time of day, user presence or current weather conditions. Modern LED lighting fittings designed for street lighting not only are equipped with communication modules that allow you to connect them with other systems, but also feature advanced optical technology that increases road safety. At night or in difficult weather conditions, LED technology eliminates the phenomenon of unpleasant glare that blinds road users. Street lighting modernization can be financed from state funds. It is encouraged by the trend to use urban infrastructure ecologically and improve the energy efficiency of external lighting systems. Thanks to LED lighting, municipalities are able to save up to 70% on electricity costs.

¹⁶ Ibidem.

Manufacturers of lighting systems increasingly often decide to offer ESCO funding to modernize lighting. Lighting modernization with this kind of funding involves reorganization that reduces the operating costs resulting from the lighting of the space. The ESCO service reduces the costs related to equipment maintenance and the system failure rate, as well as guarantees maximum efficiency. Both private entrepreneurs and local government units can take advantage of such a solution. The solution foundation is a cashless lighting upgrade. The user covers the cost of the investment in monthly installments which are generated by the savings resulting from the operation of the upgraded system. This trend is a continuation of the energy-saving idea of LED lighting, which guarantees real profits for investors.

Suitable lighting is primarily to serve people and improve their comfort of life and everyday functioning. The modernization of the workspace goes hand in hand with the development of Human Centric Light (HCL), whose technology takes into account the effect of light on the human body and psyche. Nowadays, we spend more time in artificially lit spaces with limited access to natural light, which often leads to dysregulation of the natural circadian rhythm. This results in insomnia, problems with concentration or chronic fatigue. Noticing the diseases of civilization and their importance, LED lighting manufacturers have been developing a technology that will make it easier for employees to function in spaces with limited natural light. The result of their work is the HCL configuration, which resembles daylight in the most accurate way possible. The concept combines stimulating blue light with a warmer, more pleasant color. Automating this technology has allowed the creation of light that follows people and adjusts to their circadian rhythm. When used individually, it allows the consumer to turn the light on when feeling less energetic or drowsy.

At the beginning of 2020, the Covid-19 pandemic created new market needs and led to a dynamic development of another segment of lighting. UV-C lighting, as confirmed by independent studies, has become an effective tool to fight the virus. UV-C radiation eliminates the coronavirus and microorganisms that are in the air and on the surfaces of objects, thanks to which it successfully prevents the transmission of the virus and the further spread of the pandemic. The LUG Group quickly developed the technology and adapted the production line to be able to meet the society's needs on an ongoing basis.

3.3 Market trends

The LED lighting market was valued at USD 75.81 billion in 2020 and is forecast to reach USD 160.03 billion by 2026, with a CAGR of 14.25% over the forecast period 2021-2026. The need to conserve energy is growing all over the world, creating new opportunities for the market. By turning to energy-saving LED lighting, an estimated USD 18 million can be saved on electricity and more than 160 million tons of carbon dioxide emissions can be avoided annually. Lighting accounts for nearly 10% of electricity consumption in households and 18-40% in commercial premises. The transition to energy-efficient lighting is expected to reduce global electricity demand for lighting by 30-40% in 2030.¹⁷ In addition to the visible savings, this will translate into a reduction of the carbon footprint and will help to prevent climate change.

The main factors driving the lighting market are the increasing use of energy-saving lighting solutions, falling costs of light-emitting diodes, intensive activity in the field of infrastructure development, increasing consumer awareness of climate change and the sustainability of light sources, and government regulations on energy efficiency. Countries around the world use LED lighting widely, and smart lighting products based on it that collect information about pollution, humidity, noise

¹⁷ www.mordorintelligence.com, LED Lighting Market – Growth, Trends, COVID-19 Impact, and Forecasts (2022-2027), <https://www.mordorintelligence.com/industry-reports/led-lighting-market>, 19.04.2022r.

and the environment in general are also being implemented. Smart lighting is expected to be the future of LED lighting.¹⁸

According to a report prepared by the analytical agency The Business Research Company, in 2020 the smart lighting market was valued at USD 11.06 billion, with an annual growth of 12.1% recorded since 2015. Analysts estimate that in 2025 its value will amount to USD 22.7 billion with a CAGR of 15.3%. Forecasting from 2025, in 2030 the value will reach USD 43.9 billion with a CAGR of 14.3%. The market development is hindered by factors such as high costs, unstable metal prices and a shortage of electronic components.

However, despite the limitations caused by the pandemic and the war, the factors that positively stimulate the development of the lighting market still hold.

Regulatory, environmental and social factors:

- EU targets to increase energy efficiency;
- Approximately 75% of lighting installations in Europe are older than 25 years, which further stimulates the process of widespread replacement of lighting with energy-saving solutions;
- Pressure to reduce electricity costs to the benefit of building and infrastructure maintenance;
- Energy security priority;
- Capital expenditures on infrastructure, which contribute to the creation of new roads, parks, office buildings, apartment buildings, hotels and other facilities;
- The EU financial perspective and the availability of EU funds being a factor stimulating the level of investment in the entire European Union.

Technological factors:

- Development of LED technology leading to increasingly better parameters in terms of efficiency and sustainability, with a simultaneous decrease in the prices of LED light sources;
- IoT concept development;
- Development of new business models based on the development of new technologies;
- Human Centric Lighting
- Services automation.

The offer of the global lighting industry is evolving from stressing the issue of energy efficiency related to the use of LED lighting to the continuation of the existing main development trends related to the digitization of LED lighting systems. The trends related to lighting that responds to human needs (Human Centric Lighting) and Li-Fi technology, a technology for transmitting data via lighting, continue to develop.¹⁹

Digitization and stressing energy efficiency are the most popular trends among industries offering solutions for commercial facilities. The lighting sector shows intensive development of LED products and automation of the proposed services. Looking for savings thanks to the use of LED technology, intelligent and economical management of street lighting or progressive automation are among the main trends. Increases in electricity prices force manufacturers of professional lighting to offer their customers increasingly advanced systems that not only provide convenient control thanks to remote control, but also return the investment costs within a maximum of few years.²⁰ Energy-saving lighting is constantly gaining in popularity, and entrepreneurs more often decide to replace the traditional system with LED lighting.

The development of the industry is stimulated by megatrends and phenomena observed on a global scale:

¹⁸ Ibidem.

¹⁹ Najważniejsze trendy w branży oświetlenia profesjonalnego w 2018, www.lighting.pl, M.Kołodowski, 06.02.2018 r.

²⁰ „Oświetlenie profesjonalne: 5 wiodących trendów w 2019 roku”, polskiprzemysl.com.pl, 22.01.2019 r.

- ❑ dynamic population growth, especially in developing countries, and an increase in its income making it more willing to spend more money on lighting:
According to publications, the human population has increased from 6.9 billion in 2010 to 7.7 billion in 2020. The issuer also observes a trend that higher income in developed countries stimulates demand for lighting products, especially sophisticated design and energy-saving solutions.

- ❑ progressing urbanization, which ensures an increase in demand for lighting:
Publications demonstrate that the global economy grew by 3-4% in 2010-2020. The largest increases (approximately 60% of the global GDP value) are driven by cities that directly stimulate the increase in demand for lighting, in particular in the general lighting segment. The demand for lighting is definitely greater in urban areas than in rural areas, therefore cities are an important driver of the lighting industry growth. Apart from Asia, the strongest urbanization is observed in South America, Eastern Europe and Central Asia, the Middle East and North Africa, and Sub-Saharan Africa.

- ❑ irreversible climate change
Climate change and scarcity of resources, including limited electricity resources, make turning to energy-saving products a global trend that leads to a gradual shift away from the cheapest solutions in favor of more expensive, but energy-efficient lighting. It is important that, unlike other methods of reducing CO₂ emissions, the replacement of energy-intensive lighting with energy-efficient solutions does not have a negative impact on the global economy, on the contrary, it stimulates it positively.

- ❑ significant increases in electricity prices
The trend of increasing electricity prices observed continuously since 2018 translates into an increase in energy prices, especially given the energy crisis caused by the war in Ukraine. Analysts emphasize that due to the increasing prices of CO₂ emission allowances, the trend is unlikely to change. On the other hand, up to 40% of the energy consumed by local government units is spent on public lighting.

Activities of the LUG S.A. Capital Group in the third quarter of 2022

- significant activities and events
- development prospects



3Q2022



4.1 Significant activities and events

Selected lighting projects implemented in the third quarter of 2022:

Polish market projects (TOP 3)	Foreign markets projects (TOP 3)
Modernization of street lighting in municipalities: Lidzbark, Iława and Pasłęk	Lighting for the Bürogebäude office building, Grossmann Straße, Jena, Germany
Bricomarche store chain lighting	Lighting for the slopes of Ruka Ski Resort, Kuusamo, Finland
Lighting for the outdoor area and a parking lot at the Sports and Entertainment Arena (Hala Sportowo-Rekreacyjna CRS) in Zielona Góra	Modernization of power plant lighting for the Van Phong BOT Thermal Power Plant Project, Khánh Hoa, Vietnam

The most important events in the period from the beginning of the third quarter of 2022 to the date of publication of the report affecting the situation of the LUG S.A. Capital Group and its individual subsidiaries:

❑ **Acquisition of shares in a company affiliated with the issuer: ESCOLIGHT Sp. z o.o.**

On July 13, 2022, LUG S.A. concluded an agreement to purchase shares in the affiliated entity ESCOLIGHT Sp. z o.o. The shares were purchased from Mr. Marek Krzyżanowski, the majority shareholder of the company. Pursuant to the signed agreement, the issuer purchased 300 shares of ESCOLIGHT Sp. z o.o. with a nominal value of PLN 50.00 each. The acquired shares constitute 15% of the company's share capital. After concluding the transaction, the issuer holds 900 shares with a total nominal value of PLN 45,000.00 constituting 45% of the share capital of ESCOLIGHT Sp. z o.o. and entitling it to the same share in the share capital and votes at the general meeting of shareholders of the company. ESCOLIGHT Sp. z o.o. was established for an unlimited period. The object of its activity is the provision of lighting management services - Light-as-a-Service, consisting in comprehensive project support including preparation, financing, implementation and servicing of lighting investments.

❑ **Acquisition of shares in BIOT Sp. z o.o.**

On August 12, 2022, LUG S.A. acquired 735 shares in BIOT Sp. z o.o (the issuer's subsidiary) as a result of failure to exercise the pre-emptive right to acquire these shares by the other shareholder of BIOT. The basis for this transaction is the resolution of the extraordinary shareholders' meeting of BIOT sp. z o.o. of June 2, 2022 on increasing the company's share capital by PLN 300,000.00 by creating 6,000 new shares with a nominal value of PLN 50.00 each. As a result of this change, the share capital of BIOT sp. z o.o. has amounted to PLN 700,000.00 and has been divided into 14,000 shares with a nominal value of PLN 50.00 each. The existing shareholders of the company, including LUG S.A., gained the pre-emptive right to acquire new shares. LUG exercised it and acquired 5,265 new shares with a nominal value of PLN 50.00 each. The other shareholder did not exercise the pre-emptive right within the prescribed period, and therefore the shares were offered to LUG which acquired another 735 new shares with a nominal value of PLN 50.00 each and a total value of PLN 36,750.00. The shares were acquired at their nominal value and fully paid by LUG in cash. As a result of the transaction, LUG S.A. currently holds 13,020 shares with a value of PLN 50.00 each, with a total nominal value of PLN 651,000.00, which gives a 93% share in the share capital of BIOT sp. z o.o.

❑ **LUG winning the title of the Leader of Innovation of the Lubuskie voivodeship**

On September 12, the Lubuskie Voivodeship Business Leader Gala was held at the Gorzów Philharmonic. It was organized by the Western Chamber of Commerce and Industry (Zachodnia Izba

Przemysłowo-Handlowa). This year, 40 companies competed to win the statuettes, LUG Light Factory Sp. z o.o. once again won the title of the Leader of Innovation of the Lubuskie voivodeship. The aim of the competition was to select and reward the best enterprises in the region.

❑ **Economic Award of the Marshal of the Lubuskie Voivodeship 2022**

On October 13, 2022, during the official gala of the Economic Congress of the Lubuskie voivodeship 2021 held in the Lubuskie Theater in Zielona Góra, Jakub Wtorkowski, the Director of Strategic Finance and Risk, collected the Economic Award of the Marshal of the Lubuskie Voivodeship for the LUG Group being the second award in the category of large enterprises. The award honors over 33 years of LUG's activity in its home region, where the company is constantly developing while respecting the needs of the local community.

❑ **The Best Annual Report 2021**

On October 13, 2022, during a ceremonial gala at the headquarters of the Warsaw Stock Exchange, the LUG Group for the seventh time received the main award in the "The Best Annual Report" competition in the category of companies from the NewConnect market. The event organized by the Institute of Accounting and Taxes for the 17th time aims to distinguish the best annual reports prepared for shareholders and investors to be a reliable source of information about the company.

4.2 Impact of the COVID-19 pandemic on operations

The third quarter did not bring another wave of COVID-19 infections. Instead, there was a significant increase in cases of seasonal flu across the country. The issuer's Management Board continuously monitors information on the development of the pandemic in the world and in Poland. The current assessment of the risk related to the impact of the pandemic on the issuer's operating activities classifies the risk as not threatening the functioning of the LUG Group and the processing of customer orders.

LUG's plants currently take the following preventive measures to counteract the spread of COVID-19:

- ongoing voluntary access to disinfectants and protective masks,
- thermal imaging body temperature measurement system,
- disinfection system integrated with the access control system,
- partitions separating workplaces.

According to the Management Board, the implemented preventive measures help to reduce the risk of infection among employees, and thus secure the continuity of the company's operations. The company is prepared for the possibility of further tightening of regulations and reintroduction of restrictions.

In the third quarter of 2022 and until the date of publication of the report, the issuer's plants were not subject to quarantine or downtime.

4.3 The impact of the armed conflict in Ukraine on the activities of the LUG S.A. Capital Group

In view of the war started by Russia in Ukraine on February 24, 2022, the Management Board of LUG S.A. constantly monitors the dynamically changing situation at the eastern border of the country and its impact on the environment and activities of the LUG Group.

The LUG S.A. Capital Group does not have assets in Ukraine or Russia, and the activity of the subsidiary LUG T.O.W Ukraina has been suspended for many years. Owing to the geographical diversification

of the LUG Group's sales revenues, the sales targets set for the Ukrainian market for 2022 were shifted to other markets without significant consequences for the sales budget of the entire organization.

Due to the lack of direct activity in Ukraine, Belarus and Russia, the issuer's Management Board expects that the impact of the armed conflict on the activities of the LUG S.A. Capital Group will be indirect and limited. However, members of the Management Board and the management staff of subsidiaries perform increased monitoring of risk levels in all aspects of operation. The assessment of the possible impact of the war in Ukraine on individual areas of activity is as follows:

Economic environment

The further course and consequences of the armed conflict caused by Russia's aggression against Ukraine are difficult to predict and quantify. In the issuer's Management Board opinion, the implications of the armed conflict are noticeable in the economies of Western Europe. The negative impact of economic sanctions on Russia and Belarus, as well as Ukraine's economic difficulties, is evident, but a precise assessment of the possible losses of these economies is not possible. The fact is that in 2022, the LUG Group operates in an environment characterized by worse economic indicators than those forecast by economists before the outbreak of the war. Examples include lower economic growth, higher inflation, higher interest rates, lower investment levels and high volatility of exchange rates. Recession looms over Europe, which can be seen in the readings of macroeconomic indicators. There is a risk of this situation translating into a significant decrease in investments and, consequently, a decrease in demand for lighting fittings.

Component availability

The issuer, having already taken into account the unpredictable situation of the pandemic, diversified part of its suppliers to alleviate the risk of possible disruptions and tensions in the supply chain. The economic sanctions imposed on Russia and Belarus and the potential collapse of these economies will translate into a reduction in the supply of commodities, including energy commodities. This may result in the need to continue seeking alternative suppliers, and may translate into a further increase in the prices of components and in the profitability of previously contracted orders from customers. Moreover, the increase in the prices of energy carriers and the weakening of the zloty may cause further increases in interest rates and, consequently, an increase in debt servicing costs. The issuer's Management Board considered an increase in interest rates in 2022 in its analyses of the results and it takes appropriate measures to limit its impact on the Group's financial result in the area not covered by the analyses.

Transport costs

Due to the significant instability and disruption of transit through Ukraine, disturbances in the functioning of the supply chain of components from the East may occur. The main trends in the transport sector include, among others, outflow of Ukrainian drivers, as well as dynamic increases in fuel costs. Currently, the transport risk has been alleviated, and the issuer does not suffer any extraordinary difficulties related to transit through the war-torn area.

Financial liquidity

In the opinion of the issuer's Management Board, the financial condition of the companies in the LUG Group is stable, but is influenced by geopolitical trends of future periods. The issuer manages liquidity risk and monitors its impact on the Group's operating activities.

IT security

The issuer's Management Board analyzed the risk of cyber attacks. It ordered internal analyzes of the organization's resistance to various types of cyber attacks and introduced additional security measures commensurate with the potential increase in the aforementioned risk. Until the date of publication of this report, all IT systems of the LUG Group have operated correctly and have been

subject to increased security tests. Special protection has been provided for backup copies of critical LUG systems.

Staffing

LUG employs citizens of Ukraine. Despite the outbreak of the armed conflict, the Management Board of LUG Light Factory assesses the risk of increased absenteeism, and thus an increase in staffing problems, as low. Moreover, the company is open to employing qualified citizens of Ukraine, e.g. in programming, engineering or warehouse positions.

Humanitarian crisis

The situation of the civilian population in the areas attacked by Russia is critical. Since the beginning of the war, the Management Board of LUG and its employees have not been indifferent to the tragic and unprecedented situation of Ukrainian citizens fleeing the war and its consequences, and the aid is provided to two different groups: the first group are employees and collaborators of Ukrainian origin and their families, the second group are those who need help regardless of the lack of connection with our organization.

The war in Ukraine does not affect the items presented in the financial statement as of the balance sheet date, nor the recognition and measurement of items as of the date of publication of this report.

4.4 Description of the progress of activities and investments

In the third quarter of 2022, the issuer did not take any actions to achieve the issuance goals indicated in the Information Document. The last issue of LUG S.A. shares took place in 2010, and the issuance goals were achieved.

Capital expenditures in Q3 2022 amounted to PLN 2.46 million (-70.9% year-over-year). Cumulatively, over the last twelve months, the issuer allocated PLN 13.16 million for investments, compared to PLN 11.91 million in the comparable period of the previous year (+10.5% year-over-year). In the third quarter of 2022, the issuer invested the most in hardware and software, i.e., PLN 1.15 million. Other items of capital expenditure in the analyzed quarter include development works (PLN 0.82 million) and machinery and equipment (PLN 0.46 million).

Research and development activities in individual companies belonging to the LUG S.A. Capital Group in the third quarter of 2022 were performed, among others, through the continuation of two projects co-financed from EU funds and national funds of the National Center for Research and Development:

- R&D project entitled "Industrial research and experimental development works on the development of lighting solutions in the field of lighting personalization possible to implement in innovative lighting fixtures, taking into account chronobiology"
- R&D project entitled "The use of UV-C technology to reduce the transmission of the SARS-CoV-2 virus and the transmission of infections in hospitals"

On September 22, 2022, the second stage of the competition organized by the Lubuskie Voivodeship Board for the selection of key areas to be a part of the Lubuskie Smart Specializations was resolved. The project led by BIOT Sp. z o.o. and partnered by LUG Light Factory Sp. z o.o. entitled "Smart City and IoT - intelligent management of resources in the economy" was recommended by the competition commission to conclude an agreement with the Marshal's Office regarding the development of the established partnership within the selected key area. Conclusion of the above agreement is expected in the fourth quarter of this year.

LUG Light Factory Sp. z o.o. has been a member of the "North-South" Logistics and Transport Cluster since November 2021 and as part of its membership participates in the project entitled "ESS - Export support services for innovative companies and products of the "North-South" Logistics and Transport Cluster". The funds received from the Polish Agency for Enterprise Development under the Smart Growth Operational Programme 2014-2020 are allocated to the promotion of innovative lighting products and solutions at international fairs. The next event of this type financed from the ESS project will be the LIGHT 2022 fair, which will take place in London on November 22-23 this year.

At the same time, LUG is a member of and actively participates in the meetings of the Lubuskie Forum of Innovation. The LFI is an advisory and consulting body operating at the Marshal of the Lubuskie voivodeship, whose mission is to support the voivodeship local government and institutions involved in the creation and implementation of innovations.

Capital expenditures for research and development works are crucial for LUG due to the dynamic technological development in the lighting industry and related areas. The Group's goal is to achieve long-term development prospects thanks to expenditures allocated to R&D.

4.5 Development prospects

The deteriorating economic situation and economic uncertainty affected the level of profitability of the LUG Capital Group in the first 9 months of 2022. Inflationary pressure caused by the risk of an energy crisis results in an increase in the production costs of products, goods and materials sold, and consequently affects the profitability of the entire organization. Changes in the prices of commodities do not lead to a decrease in production costs due to contracting supplies several months in advance 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 pays. Another factor negatively affecting the level of organizational costs is 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 translated into an increase in 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 upcoming months will consist in maintaining a sense of security among the stakeholders of the LUG Group. On the one hand, the declining economic situation in Poland and Europe, rising costs of electricity and gas, record-breaking inflation and unstable supply chains have a negative impact on operating conditions, however, on the other hand, rising energy prices are a market opportunity stimulating demand for the LUG Group's products. The key is to maintain market vigilance and effective communication with end users of products.

Both the development of the pandemic and the armed conflict in Ukraine are monitored on an ongoing basis by the issuer's Management Board and the current situation shows that the financial situation and continuity of the organization's operations remain unthreatened. The economic environment is monitored by a dedicated team within the issuer's structures and the current level of risk is estimated, which depends primarily on the duration and severity of the armed conflict, as well as the successively imposed sanctions on Russia and Belarus. These factors may directly affect demand and supply changes in the area of commodities, transport and human resources. The Management Board of LUG S.A. also carefully analyzes other risk factors, of which the most important are those related to the collection of receivables and the settlement of liabilities.

General lighting is invariably the largest and fastest growing segment of the global lighting industry and this is where the LUG S.A. Capital Group operates. This segment accounts for over 75% of the market.

Forecasts by Frost & Sullivan, prepared before the outbreak of the virus pandemic, indicated that in 2020 the share of LED lighting in the global lighting market would exceed 80% and in 2026 it would reach 98% of the total market value²¹. The LEDinside report published at the end of 2018 showed that in the years 2018-2023 the size of the LED lighting market would gradually increase to finally reach USD 56.6 billion in 2023, with a CAGR of 9%.²² In the face of new circumstances caused by the pandemic, any forecasts made so far may be subject to significant adjustments.

In addition to macroeconomic factors, the global pandemic of the COVID-19 virus and the aftermath of the war in Ukraine, the development of the lighting industry will still be determined by legal regulations in the area of limiting the industry's impact on the natural environment and in the area of increasing the energy efficiency of buildings and infrastructure facilities. In this matter, LED technology is key and it is currently the most innovative widespread technology on the market. Solid-state lighting involves light-emitting semiconductor materials that convert electrical energy into light. LED lighting is the fastest growing segment of the lighting industry.

In Poland, a particularly important factor is also the increase in energy prices, strongly affecting local governments and large industrial plants. In December 2021 Poland's Energy Regulatory Authority approved new energy tariffs causing an average energy bill to increase by 24%.²³ The remedy to that is the replacement of lighting with energy-saving LEDs, which allows to reduce the cost of energy for lighting by at least 50%. Further significant savings can be obtained by the implementation of an intelligent lighting management system. Despite this, only 10% of public lighting in Poland is LED lighting. Only 2% is controlled by smart lighting systems²⁴.

Europe is the largest market for LED lighting. It accounts for 23% of the global LED market²⁵. An important segment of the European lighting market is the smart street lighting market. The intensive development of the international lighting industry continues invariably, based on the continuation of the current trends related to the generally understood digitization of lighting systems: Smart Lighting, Smart City, Human Centric Lighting, Li-Fi and others.

The commercial lighting industry is developing dynamically and meets the market demand for efficient and intelligent space lighting devices more effectively. The greatest development and milestone can be seen primarily in LED technology, whose energy efficiency and pro-ecological focus has taken over most of the professional lighting market, driven by population growth, climate change and progressive urbanization. Therefore, over the next few years, professional lighting manufacturers who prioritize solutions that take into account the aforementioned changes will strengthen their position on the market.²⁶

Bearing in mind that the construction sector, in which the issuer operates, always reacts to economic shocks with a delay, the issuer's Management Board monitors the most important industry and economic indicators and conducts a number of activities to alleviate the consequences of turmoil on the investment market, including increases in prices of LUG products.

The Management Board assesses the condition of the LUG S.A. Capital Group in future periods as stable, however, the dynamically changing economic, political and social environment requires extreme caution in formulating expectations for the following quarters.

²¹ "Global LED Lighting Market Update, 2017" Frost & Sullivan

²² „2019 Light LED and LED Lighting Market Outlook”, „2019 Global LED Lighting Market Trend- Cross-Industry to Create Business Opportunities”, www.ledinside.com (23.10.2018)

²³ Codziennik Santander, Ceny gazu i prądu podbijają inflację, 20.12.2021r.

²⁴ „Rekordowe ceny energii uderzają w samorządy. Pomoże wymiana oświetlenia na LED.”, Lighting.pl, 05.11.2018r.

²⁵ www.lednews.pl/swiatowy-rynek-oswietlenia-led-2015

²⁶ „Oświetlenie profesjonalne: 5 wiodących trendów w 2019 roku”, polskiprzemysl.com.pl, 22.01.2019r.

Overview of Q3 2022 results

- revenues
- investment costs
- balance sheet
- cash flow statement
- share
- indicators



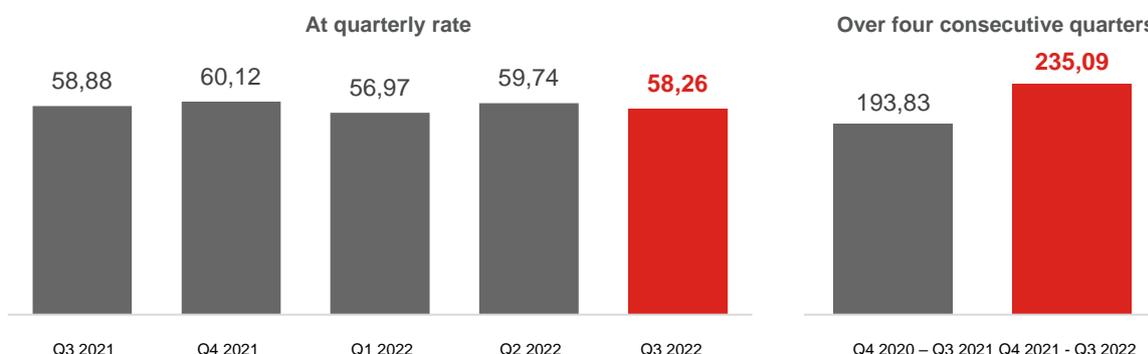
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The Management Board of LUG S.A. has not published forecasts regarding the results of LUG S.A. or forecasts of the consolidated results of the LUG S.A. Capital Group in 2022.

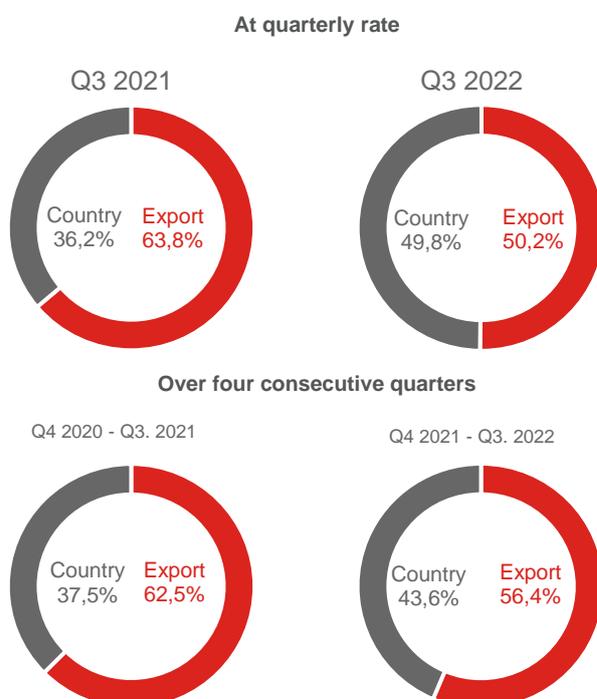
5.1 Revenues

Sales revenues [PLN million]



Consolidated revenues of the LUG S.A. Capital Group in Q3 2022 amounted to PLN 58.26 million and were 1.1% lower year-over-year and 2.5% lower at quarterly rate. Maintaining revenues at a level similar to the previous quarter was the result of the execution of contracts concluded in previous periods and intensive sales activities despite the deterioration of the global economic situation. Over the last four quarters, revenues increased by 21.3% to the level of PLN 235.09 million. The revenues of the analyzed period include revenues from the lighting modernization project for the Capital City of Warsaw, which in the third quarter of this year amounted to approximately PLN 5.7 million, and cumulatively throughout 2022 to PLN 11.4 million.

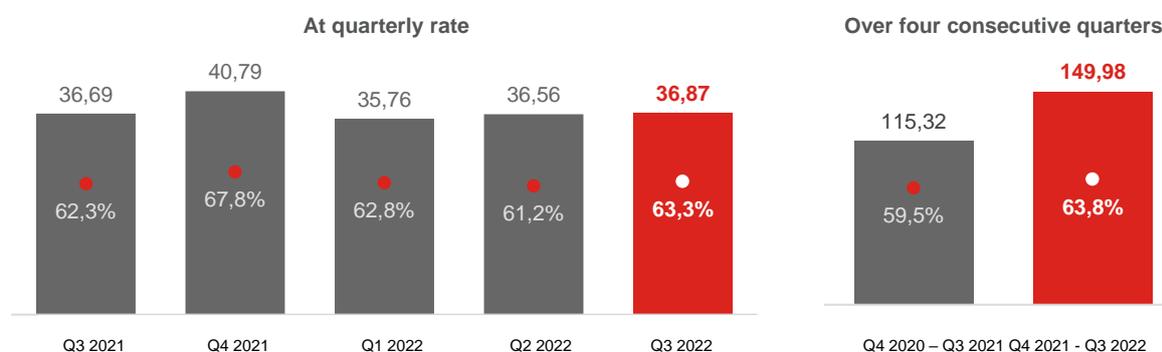
Geographical structure of sales revenues [%]



In the third quarter of 2022, revenues came from domestic and export sales in almost equal proportions. The decrease in export revenues (by 22.2% year-over-year and 19.1% quarter-over-quarter) to PLN 29.24 million is the result of a deterioration of the global economy indirectly dependent on the war in Ukraine and the energy crisis. The dynamic increase in domestic revenues (by 36.2% year-over-year and 22.9% quarter-over-quarter) to PLN 29.02 million is, in turn, the result of the execution of contracts for the modernization of infrastructural lighting for local government units. Over the last four quarters, the share of export revenues amounted to 56.4%. The increase in total export revenues amounted to 9.4% to PLN 132.52 million, and domestic revenues to 41.2% to PLN 102.57 million.

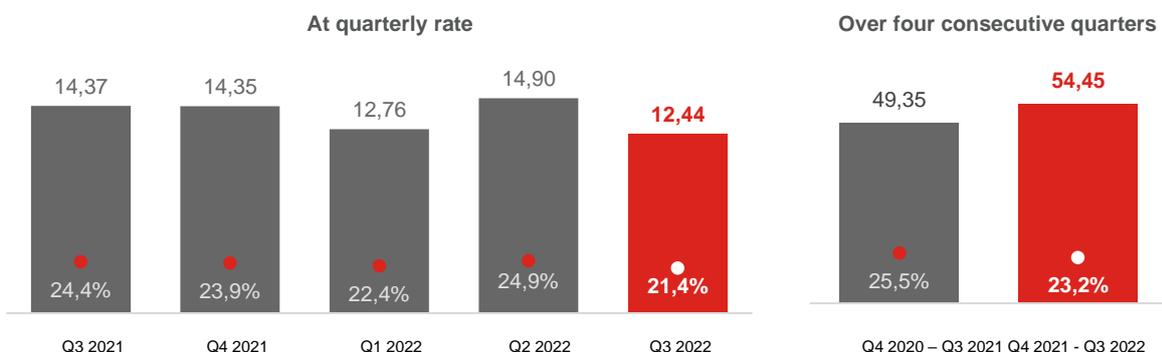
5.2 Costs and investments

Cost of products, goods and materials sold [PLN million, %]



Cost of products, goods and materials sold in Q3 2022 amounted to PLN 36.87 million and increased by 0.8% quarter-over-quarter and by 0.5% year-over-year. The share of these costs in sales revenues in Q3 2022 alone increased by 2.1 pps to 63.3%. Over four consecutive quarters, the costs of products, goods and materials sold increased by 30.1% to PLN 149.98 million, and their share in revenues increased to 63.8%, i.e., by 4.3 pps. This confirms the increase in the prices of components and the functioning of the organization in the deteriorating economic environment reported by the issuer's Management Board.

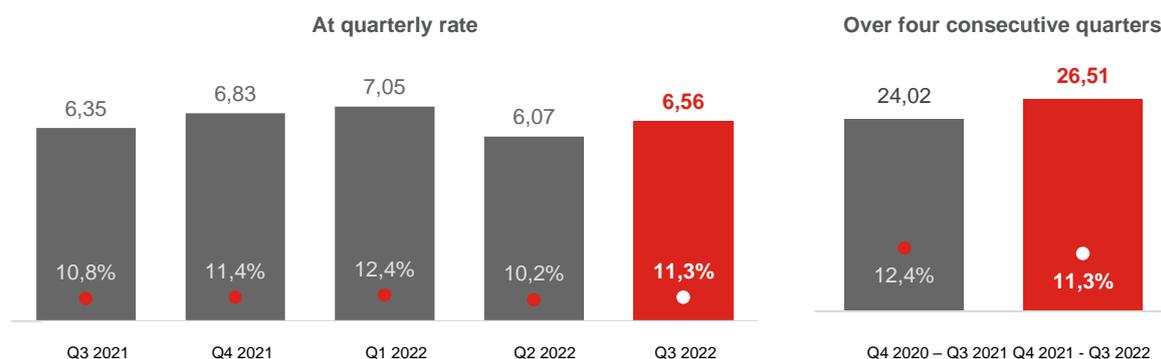
Sales costs [PLN million, %]



Cost of sales in Q3 2022 amounted to PLN 12.44 million and was 13.4% lower year-over-year and 16.5% lower quarter-over-quarter. The ratio of sales costs to revenues decreased to 21.4%, which is the second lowest level in the history of the LUG Group. This is the result of optimization activities in the field of sales processes conducted in the previous several quarters.

Over the last four quarters, sales costs increased by 10.3% to PLN 54.45 million, i.e., their growth dynamics was more than twice lower than the growth dynamics of sales revenues. The ratio of sales costs to revenues on a cumulative basis decreased by 2.3 pps to the level of 23.2%.

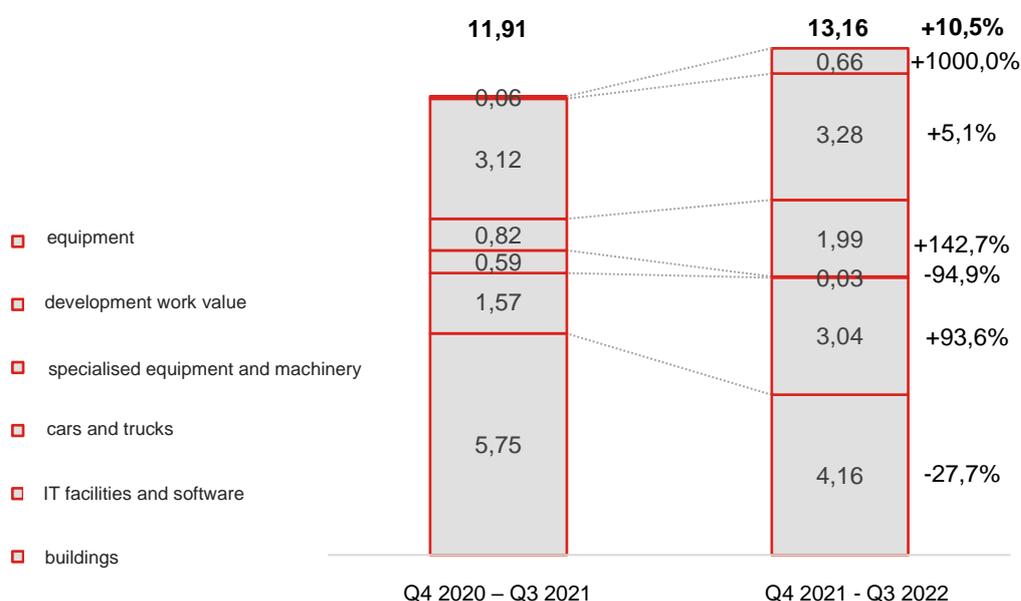
General administration costs [PLN million, %]



General administration costs in the third quarter of 2022 amounted to PLN 6.56 million, i.e., they increased by 8.1% quarter-over-quarter and by 3.3% year-over-year. The level of general administration costs has remained in the relatively stable range of PLN 6-7 million per quarter, as observed for a year and a half. The ratio of general administration costs to sales revenues increased by 0.5 pps year-over-year and by 1.1 pps quarter-over-quarter, reaching 11.3%.

Over the last four quarters, general administration costs increased by 10.4%, i.e., at a rate twice lower than the growth rate of revenues, and amounted to PLN 26.51 million. The ratio of general administration costs to revenues amounted to 11.3% and was 1.1 pps lower year-over-year.

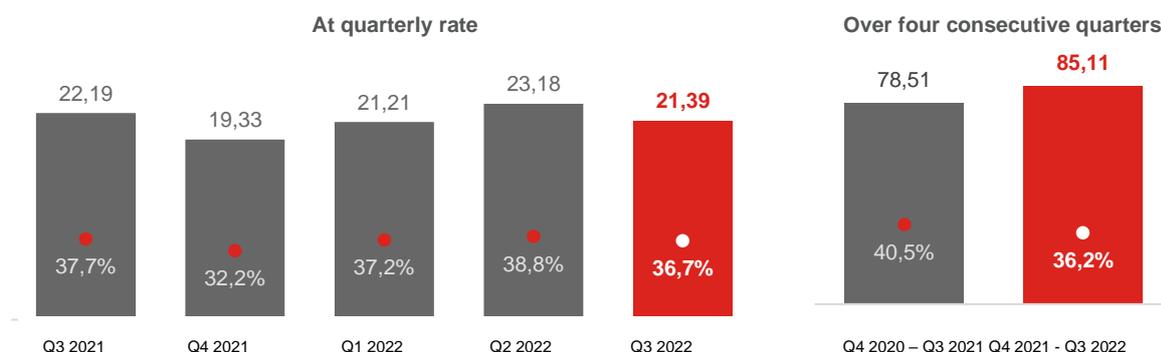
Investments in Q4 2021 - Q3 2022 and year-over-year [PLN million, %]



Investments in the last four quarters amounted to PLN 13.16 million and were over 10% higher than in the previous year. Expenditures on the expansion of the Research and Development Center in Nowy Kisielin continued to be the largest item in investments and they were incurred, among others, in the last quarter of the previous year and in the first quarter of 2022. The value of development works increased by 5.1% to the level of PLN 3.28 million, and expenditure on machinery and specialized equipment more than doubled (increase by 142.7% to PLN 1.99 million). An almost two-fold increase (by 93.6% to the level of 3.04) was also recorded for IT hardware and software.

5.3 Retained

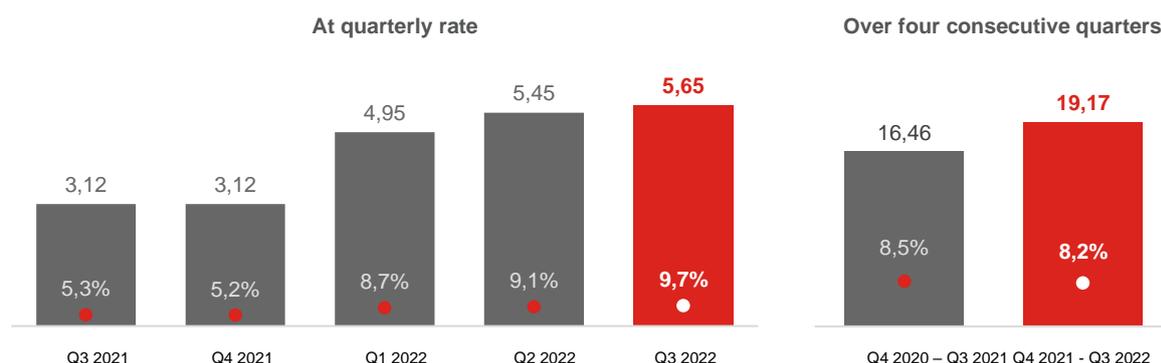
Profit and gross margin on sales [PLN million, %]



Gross profit on sales in the third quarter of 2022 amounted to PLN 21.39 million and was 7.7% lower than in the record-breaking previous quarter and 3.6% lower year-over-year. The gross margin on sales reached 36.7%, i.e., was 2.1 pps lower quarter-over-quarter and 1.0 pps lower year-over-year.

Over the last four quarters, gross profit on sales increased by 8.4% to PLN 85.11 million. The gross margin on sales amounted to 36.2%, which was 4.3 pps lower year-over-year. The LUG S.A. Capital Group processes orders in the environment of increasing transport costs, weakening zloty, tensions in supply chains, rising prices of components and existing payment gridlocks. This situation has a negative impact on profitability and requires continuous optimization activities to maintain margins on the observed level. The issuer's Management Board 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 seeking cost optimization. The measures taken made it possible to limit the decline in the margin and maintain the return on sales at a safe level.

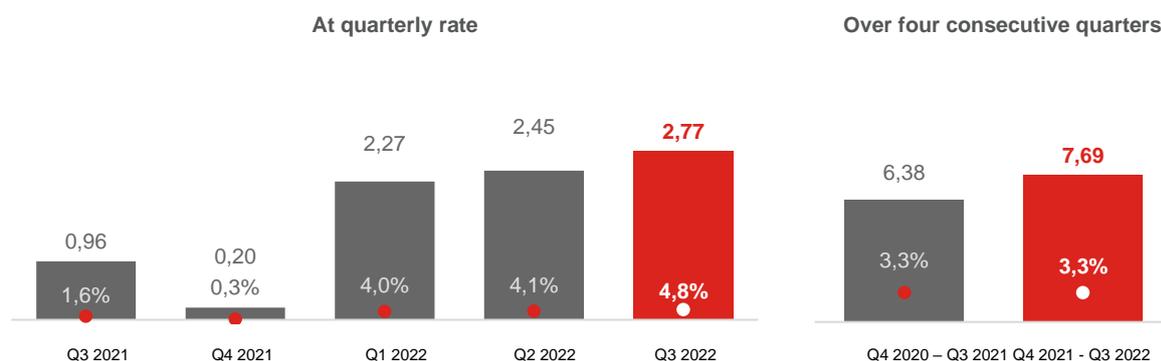
EBITDA profit and margin [PLN million, %]



The EBITDA profit in Q3 2022 amounted to PLN 5.65 million, which was the third highest quarterly result in the history of the LUG Group. It was 3.7% higher quarter-over-quarter and 81.1% higher year-over-year. The EBITDA margin increased by 0.6 pps quarter-over-quarter and by 4.4 pps year-over-year to 9.7%.

Over the last four quarters, the EBITDA profit amounted to PLN 19.17 million and was 16.5% higher than in the previous period. The EBITDA margin was 8.2%, which shows a decrease of 0.3 pps year-over-year.

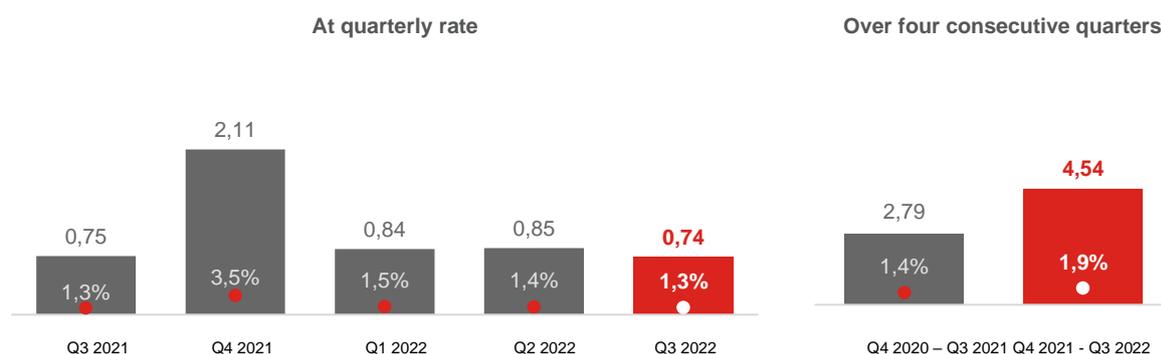
Operating profit and margin [PLN million, %]



Operating profit in the third quarter of 2022 amounted to PLN 2.77 million and increased by 13.1% quarter-over-quarter and by 188.5% year-over-year. The operating margin increased to 4.8% (by 0.7 pps quarter-over-quarter and by 3.2 pps year-over-year).

Over the last four quarters, the operating profit amounted to PLN 7.69 million, which was 20.5% higher than in the previous period. The operating margin was maintained at 3.3%.

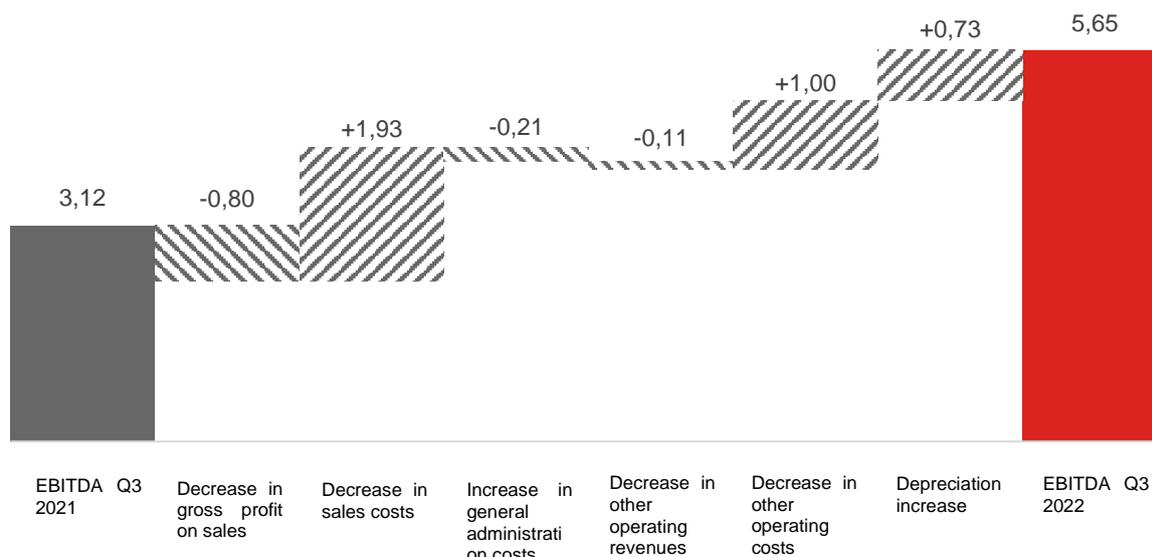
Net profit and margin attributable to the parent company's shareholders [PLN million, %]



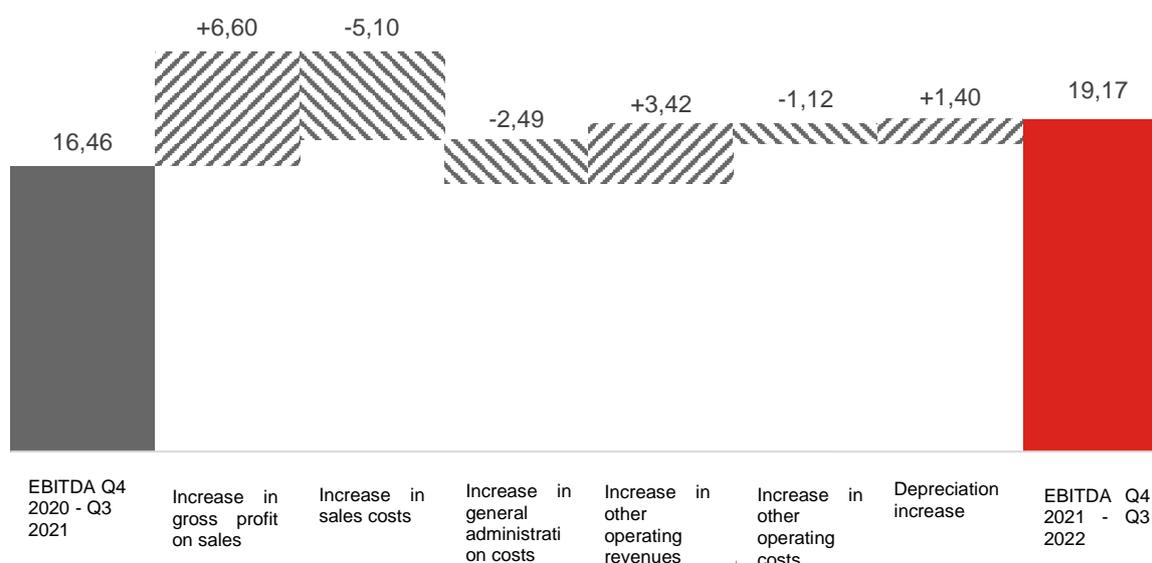
The net profit for the parent company's shareholders in Q3 2022 amounted to PLN 0.74 million and remained at the level almost unchanged year-over-year (decrease by 1.3%) and decreased by 12.9% quarter-over-quarter. The net profit margin remained unchanged year-over-year at 1.3% and decreased by 0.1 pp quarter-over-quarter. Higher costs of servicing financial liabilities resulting from historically high interest rates, as well as cost-intensive manufacturing processes and high prices of electronic components had key impact on the net margin level.

Over the last four quarters, the net profit amounted to PLN 4.54 million with a net margin of 1.9%, which shows an increase in net profit by 62.7% and net margin by 0.5 pp.

Composition of EBITDA in Q3 2022 [PLN million]



Composition of EBITDA in the last four quarters [PLN million]

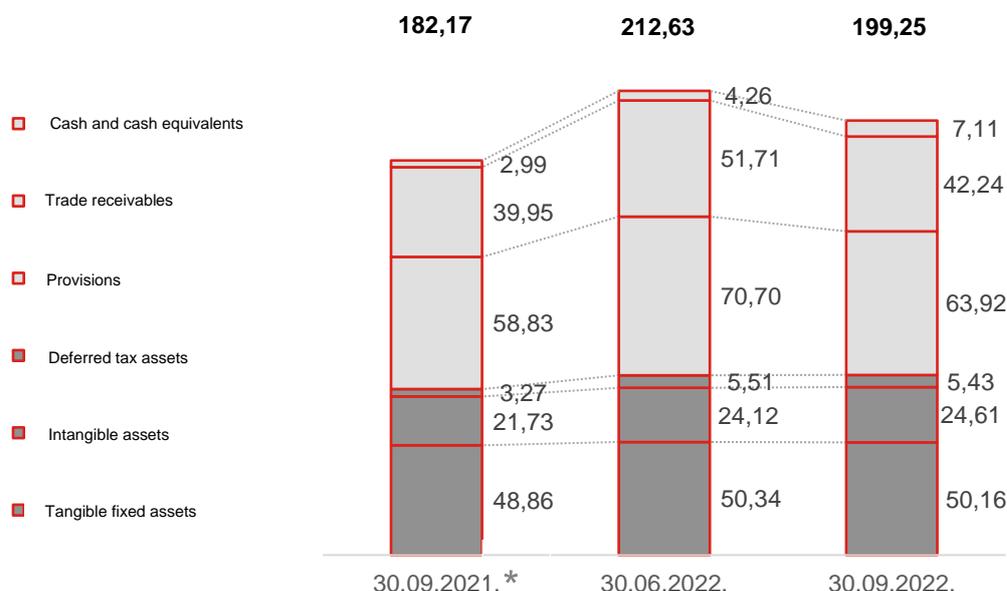


The EBITDA in Q3 2022 increased by 81.1% year-over-year and amounted to PLN 5.65 million. Despite the decrease in gross profit on sales by PLN 0.80 million, a significant reduction in sales costs (by PLN 1.93 million) combined with a reduction in other operating costs by PLN 1.00 million and an increase in depreciation by PLN 0.73 million, allowed for significant improvement in EBITDA. An increase in general administration costs by PLN 0.21 million and a decrease in other operating revenues by PLN 0.11 million had a smaller impact on EBITDA.

Over the last four quarters, the EBITDA increased by 16.5% to the level of PLN 19.17 million. This was mainly due to an increase in gross profit on sales by PLN 6.60 million, other operating revenues by PLN 3.42 million and depreciation by PLN 1.40 million. The negative impact, in turn, was mainly due to an increase in sales costs by PLN 5.10 million, general administration costs by PLN 2.49 million and other operating costs by PLN 1.12 million.

5.4 Balance sheet

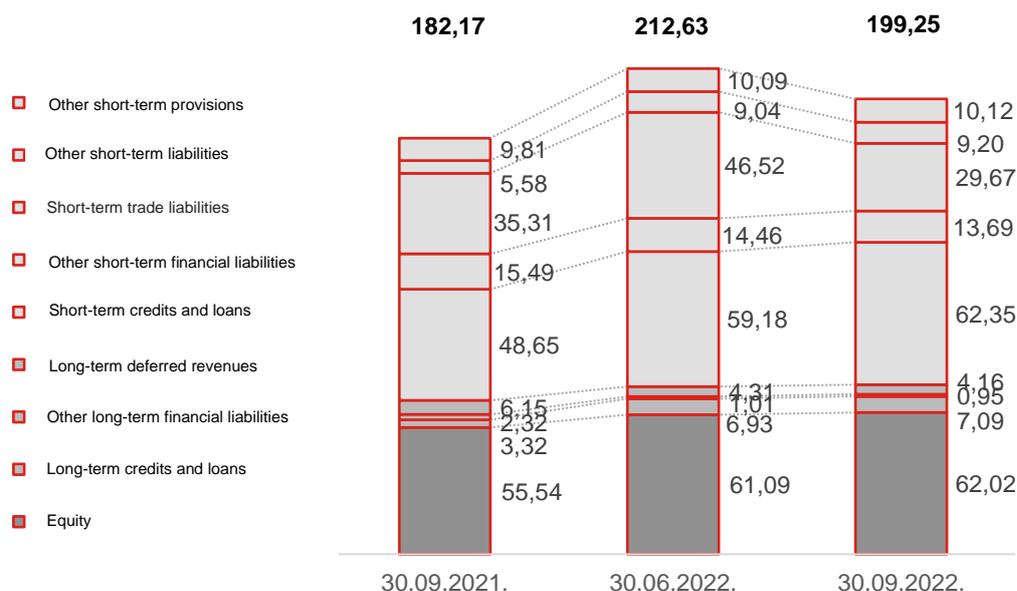
Selected assets items [PLN million]



Comparable data as of September 30, 2021 include the correction of the Report of the LUG S.A. Capital Group for the fourth quarter of 2021 published on May 12, 2022 with report RO-K 5/2022. The correction was made as a result of presentation changes proposed by the expert auditor in relation to the change in the method of presenting capitalized development costs.

In the structure of assets, the decrease in inventories over the last quarter is noticeable (by 9.6% to PLN 63.92 million). The quarter-over-quarter decrease in trade receivables (by 18.3% to PLN 42.24 million) is the result of the reception of payments for projects for local government units completed in the previous months.

Selected liabilities items [PLN million]



The balance sheet total as of September 30, 2022 amounted to PLN 199.25 million and increased by 9.4% year-over-year and decreased by 6.3% quarter-over-quarter. The book value per share was PLN 8.62. What is primarily noticeable in the third quarter of 2022, compared to the previous year, is an increase in long-term credits and loans to PLN 7.09 million, which is related to the use of an investment loan to finance the expansion of the Research and Development Center in Nowy Kisielin. The increase in short-term credits and loans over the last year (by 28.2% to PLN 62.35 million) is related to the increase in the scale of the LUG Group's operations, including the increase in the number of lighting modernization projects for local government units. A significant reduction (by 16.0% year-over-year and as much as 36.2% quarter-over-quarter) of short-term trade receivables was possible due to the inflow from repaid receivables.

5.5 Cash flow statement

Cash flows [PLN million]

	Q3 2022	Q4 2021 - Q3. 2022
Cash and cash equivalents at the beginning of the period	4.26	2.99
Net cash flows from operating activities	+5.96	+11.73
Net cash flow from investment activities	-3.26	-17.13
Net cash flow from financial activities	+0.15	+9.51
Cash at the end of the period	7.11	7.11

In the third quarter of 2022, the LUG Group once again recorded positive net cash flows from operating activities in the amount of PLN +5.96 million. Together with small positive cash flows from financial activities (PLN +0.15 million), they allowed to finance investment activities (PLN -3.26 million) and increase the value of cash and cash equivalents at the end of the period to PLN 7.11 million. In the structure of cash flows from financial activities, high values of receipts (PLN 13.86 million) and expenditures (PLN 13.71 million) are related to the conversion of the loan from PLN to EUR. Over the last four quarters, positive cash flows from operating activities (PLN +11.73 million) together with increased debt (PLN +9.51 million cash flows from financial activities) financed high investments worth PLN 17.13 million.

5.6 Indicators

Basic indicators

	Q3 2021	Q2 2022	Q3 2022	change QOQ	change YOY
Gross profitability on sales	37.7%	38.8%	36.7%	-2.1 pps	-1.0 pp
EBITDA profitability	5.3%	9.1%	9.7%	+0.6 pp	+4.4 pp
Operating profitability	1.6%	4.1%	4.8%	+0.7 pp	+3.1 pps
Net profitability	1.3%	1.4%	1.3%	-0.1 pp	no change
Return on equity (ROE)	6.4%	8.7%	8.5%	-0.2 pp	+2.1 pps
Return on assets (ROA)	1.9%	2.5%	2.7%	+0.2 pp	+0.8 pp
Total liquidity ratio	93.7%	94.4%	94.2%	-0.2 pp	+0.5 pp
Total debt ratio	69.5%	71.3%	68.9%	-2.4 pps	-0.6 pp
Net debt/ EBITDA	4.06	4.65	4.02	-0.63	-0.04
EV/ EBITDA (end of period)	7.26	6.95	6.21	-0.74	-1.05

In the third quarter of 2022, the profitability ratios deteriorated for gross profitability on sales and almost did not change for net profitability. At the same time, the EBITDA profitability increased (+0.6 pp quarter-over-quarter and +4.4 pps year-over-year), as did operating profitability (increase by 0.7 pp over the quarter and 3.1 pps over the year). Return on equity increased by 2.1 pps year-over-year, but decreased by 0.2 pp quarter-over-quarter. Return on assets increased by 0.2 pp over the last quarter and by 0.8 pp over the last year. Total liquidity and total debt ratios decreased quarter-over-quarter; total liquidity ratio also increased by 0.5 pp year-over-year, and total debt ratio increased by 0.6 pp year-over-year. In the third quarter of 2022, the net debt to EBITDA ratio decreased by 0.63 quarter-over-quarter, and the EV/EBITDA ratio decreased by 0.74.

Explanation of the ratios:

Gross profitability on sales

Formula: gross result on sales/sales revenues

Description: determines the level of basic margin obtained from the sale of services and products

EBITDA profitability

Formula: (result on operating activity + depreciation)/sales revenues

Description: measures the effectiveness of conversion of revenues into profit from continuous activity, against interest on loans taken, taxes, depreciation and amortization cost and before deduction of the cost of any exceptional items

Operating profitability

Formula: result on operating activity/sales revenues

Description: determines how much net profit (after tax) is assigned to 1 PLN of company revenues

Net profitability

Formula: net result/sales revenues

Description: informs investors what percentage of sales revenues is net profit

Return on equity (ROE)

Formula: net result for the last four quarters/equity, where equity = total assets – liabilities (short and long-term)

Description: determines the profitability rate on the equity invested in the company

Return on assets (ROA)

Formula: net result for the last four quarters/total assets

Description: informs about the profitability of all company assets in relation to the profits generated by them, or, in other words, how much net profit is brought by every 1 PLN spent on financing the assets

Total liquidity ratio

Formula: current assets/short-term liabilities

Description: informs about the company ability to settle liabilities based on all current assets

Total debt ratio

Formula: total liabilities/total assets

Description: informs about the share of debt and liabilities in the financing of the company assets

Net debt/EBITDA

Formula: net debt/EBITDA, where net debt = total liabilities (short and long-term) – cash

Description: informs about the company ability to repay the debt with operating profits

EV/EBITDA

Formula: enterprise value/EBITDA, where: enterprise value = capitalization (number of shares X share price on a given day) + total liabilities (short and long-term) + minority interest - cash, with capitalization determined according to the share price on the last day of a given quarter

Description: informs about the profit coverage by the company value and, as a dynamic indicator (depending on the company's share price), it indicates how much investors are ready to pay for a unit of this kind of profit

Basic information about the company and the Capital Group

- basic information
- shares
- organization of the Capital Group
- market and scope of activity
- human resources



6.1 Basic information

The parent company of the LUG S.A. Capital Group ("group", "capital group") is the LUG S.A. company ("company", "issuer").

Country of residence	Poland
Registered office of the company	Zielona Góra
Legal form	Joint-stock company (spółka akcyjna, S.A.)
Law	Polish law, in accordance with the Code of Commercial Companies
Registered office address:	ul. Gorzowska 11, 65-127 Zielona Góra
Telecommunications numbers	tel. (068) 45 33 200, fax. (068) 45 33 201
E-mail:	lug@lug.com.pl
Website	www.lug.com.pl
Basic business activity	consultancy of central companies (head offices) and consultancy related to management (according to PKD 2007 – 70)
National Business Registry Number (REGON)	080201644
Tax Identification Number (NIP)	9291672920
National Court Register Number (KRS)	The company is registered in the Register of Entrepreneurs of the National Court Register kept by the District Court in Zielona Góra, 8th Commercial Division of the National Court Register under KRS number 0000287791.
Duration of the capital group	The parent company LUG S.A. and other entities of the Capital Group were established for an indefinite period.

6.2 Shares

No shares are privileged.

All LUG S.A. shares are admitted to listing in the NewConnect Alternative Trading System, run by the Warsaw Stock Exchange S.A.

Index	NCIndex (index share: 0.57%)
Segment	NC Focus
Sector	EKD (70.10) Activities of head offices and holding companies, excluding financial holding companies
ISIN	PLLUG0000010
Ticker	LUG
Date of first listing	20/11/2007

The structure of the share capital of LUG S.A. as of the date of publication of the report, i.e., November 9, 2022

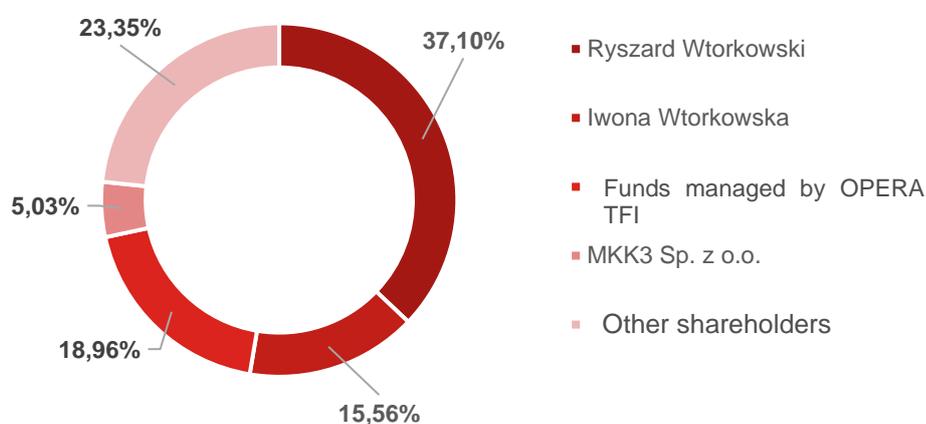
	Number of shares (pcs.)	Share in share capital (%)	Number of votes	Share in the total number of votes (%)
A series	4,320,000	60.01%	4,320,000	60.01%
B series	1,438,856	19.99%	1,438,856	19.99%
C series	1,439,714	20.00%	1,439,714	20.00%
Total	7,198,570	100%	7,198,570	100.00%

LUG S.A. shareholding structure as of the date of publication of the report, i.e., November 9, 2022

Name and surname/name	Share series	Share number	Share in the share capital	Share in the number of votes at the AGM
Ryszard Wtorkowski	A, C	2,670,610	37.10%	37.10%
Iwona Wtorkowska	A	1,120,000	15.56%	15.56%
Funds managed by OPERA TFI	A, B, C	1,365,049	18.96%	18.96%
MKK3 Sp. z o.o.	B,C	362,334	5.03%	5.03%
Other shareholders	B, C	1,680,577	23.35%	23.35%
TOTAL	A,B,C	7,198,570	100.00%	100.00%

Source: The issuer²⁷

LUG S.A. shareholding structure by % share in the number of shares and votes



²⁷The shareholding structure was determined based on:

- Ryszard Wtorkowski - list of persons entitled to participate in the OGM of LUG S.A. on June 27, 2022 (June 11, 2022 - date of registration of participation in the OGM of LUG S.A.);
- Iwona Wtorkowska - list of persons entitled to participate in the OGM of LUG S.A. on June 27, 2022 (June 11, 2022 - date of registration of participation in the OGM of LUG S.A.);
- Funds managed by OPERA TFI - correction of the notification of May 19, 2022 regarding the notification of May 10, 2022 on reducing the share in the total number of votes at the General Meeting by NOVO Fundusz Inwestycyjny Otwarty managed by OPERA TFI S.A.. - RB ESPI 9/2022;.
- MKK3 Sp. z o. o – notice of September 23, 2021 regarding the hitherto held direct share by increasing above 5% the total number of votes - RB ESPI 11/2021.

6.3 Organization of the Capital Group

Composition of the governing bodies of the parent company as at the date of publication of the report, i.e., November 9, 2022

Management Board of LUG S.A.

Name and surname	Function
Ryszard Wtorkowski	President of the Management Board
Mariusz Ejsmont	Vice-President of the Management Board
Małgorzata Konys	Member of the Management Board

The current term of office of the Management Board began on April 29, 2021, based on the adoption of resolutions no. 1/04/2021, no. 2/04/2021 and no. 3/04/2021 of the Supervisory Board, appointing the existing members of the Management Board for the next term of office.

Supervisory Board of LUG S.A.

Name and surname	Function
Iwona Wtorkowska	Chairperson of the Supervisory Board
Renata Baczańska	Member of the Supervisory Board
Zygmunt Ćwik	Member of the Supervisory Board
Eryk Wtorkowski	Member of the Supervisory Board
Szymon Ziolo	Member of the Supervisory Board

The current term of office of the Supervisory Board of LUG S.A. began on June 27, 2022, i.e., on the day of the meeting of the General Meeting of LUG S.A. and the adoption of resolutions no. 16-20, appointing the existing members of the Supervisory Board for the next term of office. The current term of office of the Supervisory Board of LUG S.A. ends on June 26, 2025.

Companies included in the Capital Group as of the date of publication of the report, i.e., November 9, 2022

Company name	Registered office	Registration data	Object of activity	Share capital	Percentage of equity	Percentage of voting rights
 LUG Light Factory Sp. z o.o.	Zielona Góra, ul. Gorzowska 11	KRS 0000290498 NIP 9291785452 Regon 080212116	Manufacture of electric lighting equipment and electric lamps	PLN 29,000,000.00	100%	100%
 LUG GmbH	Konrad Zuse Strasse 4 12489 Berlin-Adlershof	KRS HRB12835 NIP 262127740	Manufacture, distribution and installation of electrical equipment	EUR 25,000.00	100%	100%
 LUG	ul. Diehtariwska 62A, 03040 Kijów	KRS 107410200001 5470	Wholesale and retail trade in lighting equipment	UAH 160,233.00	100%	100%

T.O.W LUG Ukraina (activity suspended)		NIP 34190214	Design and production of lighting equipment			
 LUG do Brazil Ltda	Al. Santos, 2480 Cj.51 - Cerqueira César, São Paulo	CNPJ/MF 15.805.349/0001-78	Wholesale and retail trade in lighting equipment Design and production of lighting equipment	BRL 500,000.00	65%	65%
 LUG Lighting UK Ltd.	Unit 11 Northam Business Centre, Princes Street, Southampton	KRS 08580097 NIP 171766096	Wholesale and retail trade in lighting equipment Design and production of lighting equipment	GBP 5,000.00	100%	100%
 LUG Argentina SA	Calle 62 y 239 Paraje Nemesio Parma, Parque Industrial Posadas, CP 3300 Posadas, Misiones, Argentina	registered by La Inspección General de Justicia (IGJ) under number 17573 of the book no. 85 of Joint-stock Companies (RPC)	Production, processing, installation and assembly of lighting fittings, commercial activity and consulting in the field of lighting technology.	ARS 28,700,000.00	50%	50%
 BIOT Sp. z o.o.	ul. Nowy Kisielin – Nowa 7, 66-002 Zielona Góra	KRS 0000695926 NIP 9731045329 Regon 368312639	Activities related to software and consultancy in the field of information technology and technology	PLN 700,000.00	93%	93%
 LUG AYDINLATMA SISTEMLERİ ANONİM ŞİRKETİ (LUG Turkey)	Anadolu Hisari, Ruzgarli Bahce Mahallesi, Cumhuriyet Caddesi, Feragat Sokak, Demir Plaza, No:3/A Beykoz, Istanbul	Istanbul Trade Registry under number 150668-5 (mersis number: 060908488200001)	Commercial and consulting activities in the field of professional lighting solutions	50,000.00 TRY	66.8%	66.8%
 ESCOLIGHT Sp. z o.o.	ul. Mickiewicza 3A, 65-053 Zielona Góra	KRS 0000816193 NIP 9292024347 Regon 384949838	Comprehensive project support including preparation, financing, implementation and service of lighting investments	100,000.00 PLN	45%	45%
 LUG Services Sp. z o.o.	ul. Gorzowska 11 65-127 Zielona Góra	KRS 0000828305 NIP 9731069933 Regon 385524029	Design and construction of lighting installations and integration of software elements cooperating with installations	50,000.00 PLN	97%	97%

Source: LUG S.A..

The Capital Group has no associates. The companies of the LUG S.A. Capital Group are subject to consolidation using the full method, except for ESCOLIGHT Sp. z o.o. which is subject to consolidation using the equity method, and T.O.W LUG Ukraine which is not consolidated as its activity is suspended (it does not generate any results).

Lawyers:

- ❑ Kancelaria Adwokatów i Radców Prawnych Baczańska, Szarata Spółka Partnerska, Al. Konstytucji 3 Maja 1, 65-805 Zielona Góra
- ❑ Kamil Bytniewski, Radca Prawny, ul. Chełmońskiego 75, 65-140 Zielona Góra

Banks:

- ❑ Santander Bank Polska S.A. Centrum Bankowości Korporacyjnej Poznań, 61-894 Poznań, pl. Andersa 5
- ❑ Bank Pekao S.A. Centrum Korporacyjne w Zielonej Górze, 65-213 Zielona Góra, ul. Podgórna 9a
- ❑ ING Bank Śląski S.A. Centrum Bankowości Biznesowej w Poznaniu, 61-825 Poznań, ul. B. Kryszewicza 2.
- ❑ Bank Gospodarstwa Krajowego, Oddział Zielona Góra, 00-955 Warszawa, Al. Jerozolimskie 7
- ❑ Bank BGŻ BNP Paribas S.A. Oddział Zielona Góra, 00-844 Warszawa, ul. Grzybowska 78.

6.4 Market and scope of activity

The LUG S.A. Capital Group is one of the leading manufacturers of lighting fittings and solutions in Poland and Europe. The business model of the companies belonging to the group is based on the use of professional knowledge and over 33 years of experience to comprehensively advise clients, develop individual solutions for them and produce innovative and energy-saving lighting. The group's offer includes a wide range of outdoor fittings: from the illumination of buildings, through lighting of streets, parking lots, sports and indoor facilities, to the lighting of large-format shopping malls, retail chains, offices, cultural and public facilities. Several years ago, anticipating market trends, LUG started the investment process in LED technology, owing to which it is now one of the leaders in the production of high-quality LED lighting. The technology is used both in indoor and outdoor fittings and in the third quarter of 2022 it accounted for 100% of LUG's sales. Since 2020, the LUG product portfolio has also included a family of PURELIGHT LUG air and surface disinfection fittings.

LUG fittings combine modern design with functionality and excellent lighting parameters, meeting the requirements of individual markets and satisfying the tastes of users around the world. This is proven by the LUG Light Factory winning the tender for the modernization of lighting in Warsaw, the largest in Poland and one of the largest projects of this type in Europe, or by the company being awarded the internationally prestigious iF Design Award 2022 for two fittings: Artera LED and Frame.

LUG products are designed for the following application segments:

- ❑ "Urban" segment - urban lighting, including Smart City solutions,
- ❑ "Architecture" segment - customized and personalized solutions dedicated to the lighting of architectural objects,
- ❑ "Industrial" segment - effective solutions that combine high lighting parameters and distinctive design.

In 2017, the LUG Capital Group, using its over 33 years of experience in the field of lighting, established the technological company BIOT Sp. z o.o. which has been developing its own URBAN intelligent lighting control system since its inception. The proprietary LMS (lighting management system) class system has been designed and created to monitor and manage infrastructure lighting and sensors

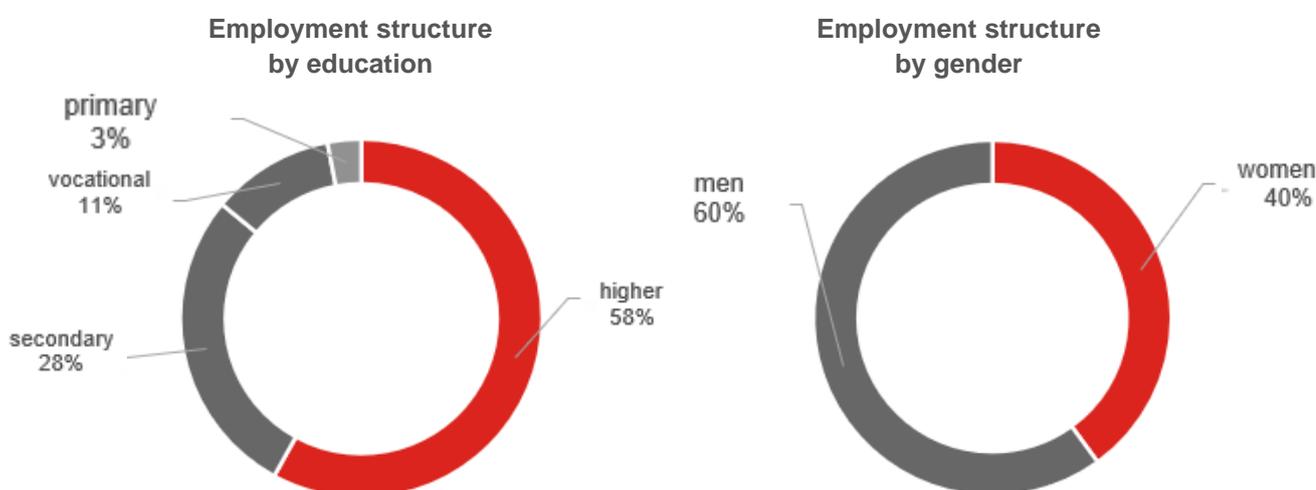
connected to it. Through a number of functions in the area of managing lighting schedules and service works, or precise measurement of electrical parameters, it allows local government units to generate additional significant savings and, last but not least, to increase the efficiency of operational activities. The URBAN system organizes wireless communication and power supply for other smart city verticals, owing to which it is the foundation for the development of smart cities. Open API and proven readiness to work with other subsystems and fittings from other manufacturers make URBAN a flexible ecosystem that prepares cities and towns for the challenges of the future. The system, which already successfully supports the management of the lighting infrastructure of the Poznań Motorway Bypass or the Warsaw Southern Bypass and many other locations in Poland and abroad, allows better use of the full potential of LED technology, extends the life of the infrastructure and increases its safety and reliability.

6.5 Human Resources

As of September 30, 2022, the LUG S.A. Capital Group employed 470 people full-time compared to 475 people at the same time in the previous year (decrease by 1%). The change is due to the natural fluctuation of the number of employees.

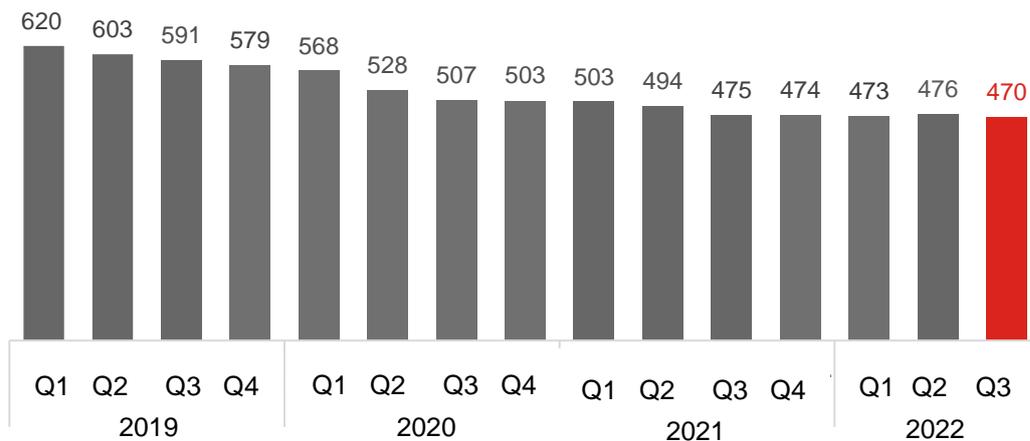
Human resources of the LUG S.A. Capital Group in the third quarter of 2022

Detailed List	LUG S.A. Capital Group
Number of employees (full-time)	470
Number of employees (part-time)	4
Other forms of employment	33
Average age of employees	40 years 3 months



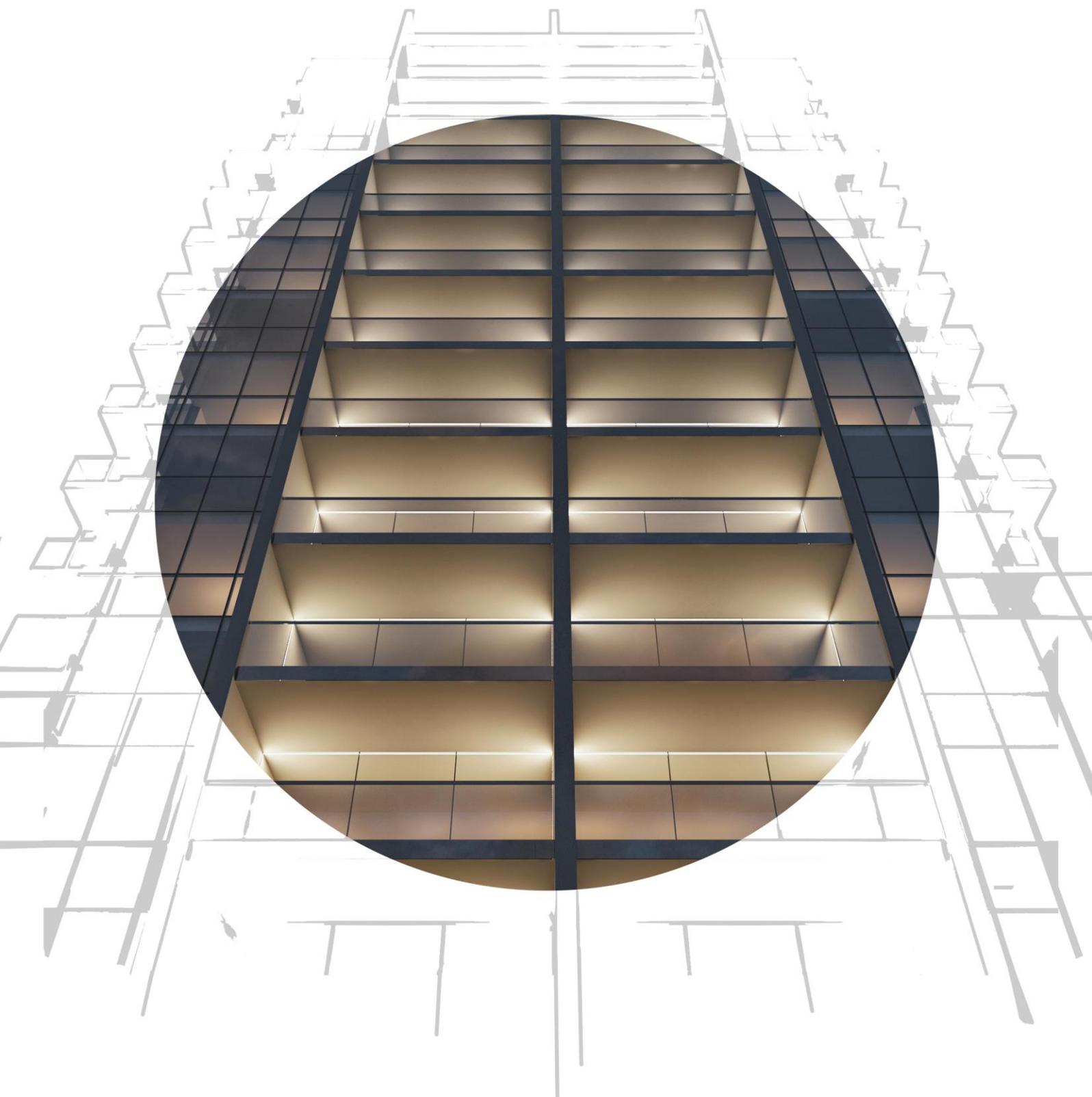


Employment level in the LUG S.A. Capital Group in the years 2019-2022 at quarterly rate (full-time based on an employment contract)



Condensed quarterly financial statement

- selected financial data
- condensed consolidated financial statement of the LUG S.A. Capital Group
- condensed individual financial statement of LUG S.A.



3Q2022



7.1 General information

I Details of the parent company

Name:	LUG S.A.
Legal form:	spółka akcyjna [Polish joint-stock company]
Registered office:	ul. Gorzowska 11, 65-127 Zielona Góra
Country of registration:	Poland
Primary business objects:	Main business objects: <input type="checkbox"/> of the Group's Parent Company are the activities of head offices and management consulting, <input type="checkbox"/> of the Group is the manufacture and sale of industrial and decorative lighting fixtures.
Registering authority:	District Court in Zielona Góra, VIII [8th] Commercial Division of KRS [National Court Register] – KRS no. 0000287791
REGON [Statistical ID] number:	080201644
NIP [Tax Identification Number]:	9291672920

II Duration of the capital group:

The parent company LUG S.A. and other entities of the Capital Group were established for an indefinite period.

III Composition of the parent company's governing bodies as of September 30, 2022:

Management Board:

Management Board – function	Full name
President of the Management Board	Ryszard Wtorkowski
Vice-President of the Management Board	Mariusz Ejsmont
Member of the Management Board	Małgorzata Konys

Supervisory Board

Supervisory Board – function	Full name	Changes
Chairperson of the Supervisory Board	Iwona Wtorkowska	none
Member of the Supervisory Board	Eryk Wtorkowski	none
Member of the Supervisory Board	Renata Baczańska	none
Member of the Supervisory Board	Zygmunt Ćwik	none
Member of the Supervisory Board	Szymon Ziolo	none

Changes in the composition of the company's Management Board and Supervisory Board:

In the period covered by the report, there were no changes in the composition of the company's Management Board and Supervisory Board.

IV Lawyers:

- ❑ Kancelaria Adwokatów i Radców Prawnych Baczańska, Szarata Spółka Partnerska
Al. Konstytucji 3 Maja 1, 65-805 Zielona Góra
- ❑ Kamil Bytniewski, Radca Prawny, ul. Chełmońskiego 75, 65-140 Zielona Góra

V Banks:

- ❑ Santander Bank Polska S.A. Centrum Bankowości Korporacyjnej Poznań, 61-894 Poznań, pl. Andersa 5
- ❑ Bank Pekao S.A. Centrum Korporacyjne w Zielonej Górze, 65-213 Zielona Góra, ul. Podgórna 9a
- ❑ ING Bank Śląski S.A. Centrum Bankowości Biznesowej w Poznaniu, 61-825 Poznań, ul. B. Krysiewicza 2
- ❑ Bank Gospodarstwa Krajowego, Oddział Zielona Góra, 00-955 Warszawa, Al. Jerozolimskie 7
- ❑ Bank BGŻ BNP Paribas S.A. Oddział Zielona Góra, 00-844 Warszawa, ul. Grzybowska 78.

VI Periods presented

The condensed consolidated financial statement of the LUG Capital Group contains data for the period from January 1, 2022 to September 30, 2022.

Comparative data are presented:

- ❑ as of December 31, 2021 for the consolidated statement of financial position,
- ❑ for the period from January 1, 2021 to September 30, 2021 for the consolidated income statement, consolidated statement of other comprehensive income, condensed consolidated statement of cash flows and the consolidated statement of changes in equity.

The quarterly financial result may not fully reflect the achievable financial result for the financial year.

VII Significant shareholders of the parent company:

As of September 30, 2022, the shareholders holding over 5% of votes at the General Meeting of Shareholders were:

Shareholders	Series of shares	Number of shares	Nominal value of shares (PLN)	Percentage of share capital	Number of votes	Percentage of voting rights at the General Meeting
Ryszard Wtorkowski	A, C	2 670 610	667 652,50	37,10%	2 670 610	37,10%
Iwona Wtorkowska	A	1 120 000	280 000,00	15,56%	1 120 000	15,56%
Fundusze Inwestycyjne OPERA	A, B, C	1 365 049	341 262,25	18,96%	1 365 049	18,96%
MKK3 Sp. z o.o.	B, C	362 334	90 583,50	5,03%	362 334	5,03%
Other shareholders	B, C	1 680 577	420 144,25	23,35%	1 680 577	23,35%
Total	A, B, C	7 198 570	1 799 642,50	100,00%	7 198 570	100,00%

The capital structure is as follows:

Series	Number of individual shares	Percentage of share capital	Number of votes	Percentage of voting rights
A	4 320 000	60,01%	4 320 000	60,01%

B	1 438 856	19,99%	1 438 856	19,99%
C	1 439 714	20,00%	1 439 714	20,00%
Total	7 198 570	100,00%	7 198 570	100,00%

No shares are privileged.

VIII Subsidiaries and associates:

As of 30 September, 2022

Name	Registered office	Registration data	Business objects	Share capital	Percentage of share capital (%)	Percentage of voting rights
 LUG Light Factory Sp. z o.o.	ul. Gorzowska 11, 65-127 Zielona Góra	KRS [National Court Register] No. 0000290498 NIP [Tax Identification Number] 9291785452 Regon [Statistical ID] No. 080212116	Manufacture of electric lighting equipment and electric lamps	PLN 29,000,000.00	100%	100%
 LUG GmbH	Konrad-Zuse-Str. 6 ^a 12489 Berlin-Adlershof	Company number: HRB12835	Manufacture, distribution and installation of electrical equipment	EUR 25,000.00	100%	100%
 T.O.W. LUG UKRAINA	ul. Diehtiarivska 62A, 03040 Kiev	Company number: 10741020000015470	Wholesale and retail of lighting equipment. Design and manufacture of lighting equipment	UAH 160,233.00	100%	100%
 LUG do Brazil Ltda.	Al. Santos, 2480 Cj. 51 Cerqueira Cesar Sao Paulo-SP Brasil	CNPJ/MF 15.805.349/0001-78	Wholesale and retail of lighting equipment. Design and manufacture of lighting equipment	BRL 500,000.00	65%	65%
 LUG Lighting UK Ltd.	Unit 11, Northam Business Centre, Princes Street, Southampton	Company number: 8580097	Wholesale and retail of lighting equipment. Design and manufacture of lighting equipment	GBP 5,000.00	100%	100%
 LUG Argentina SA	Calle 62 y 239 Nemesio Parma, CP 3300, Posadas - Misiones, Argentina	Registered by La Inspección General de Justicia (IGJ) in Register no. 85 of Joint-Stock Companies (RPC) under number 17573	Manufacturing, processing, installation and assembly of luminaires, sales, and consultancy in lighting technology	ARS 28,700,000.00	50%	50%
 BIOT Sp. z o.o.	ul. Nowy Kisielin – Nowa 7, 66-002 Zielona Góra	KRS [National Court Register] No. 0000695926 NIP [Tax Identification Number] 9731045329 REGON	Activities related to software, consultancy and related activities	PLN 700,000.00	93%	93%

		[Statistical ID] No. 368312639				
 LUG AYDINLATMA SİSTEMLERİ ANONİM ŞİRKETİ (LUG Turkey)	Anadolu Hisari, Ruzgarli Bahce Mahallesi, Cumhuriyet Caddesi, Feragat Sokak, Demir Plaza, No: 3/A Beykoz, Istanbul	Istanbul Trade Registry number: 150668-5 (MERSIS number: 0609084882000001)	Sales and consulting activities with regard to professional lighting solutions	TRY 50,000.00	66,80%	66,80%
 ESCOLIGHT Sp. z o.o.	ul. Mickiewicza 3A, 65-053 Zielona Góra	KRS [National Court Register] No. 0000816193 NIP [Tax Identification Number] 9292024347 REGON [Statistical ID] No. 384949838	Comprehensive project implementation services including preparation, financing, implementation and maintenance of lighting projects	PLN 100,000.00	45%	45%
 LUG Services Sp. z o.o.	ul. Gorzowska 11, 65-127 Zielona Góra	KRS [National Court Register] No. 0000828305 NIP [Tax Identification Number] 9731069933 REGON [Statistical ID] No. 385524029	Design and implementation of lighting installations and integration of collaborative software components	PLN 50,000.00	97%	97%

BIOT Sp. z o.o.

- On June 2, 2022 EGM of BIOT Sp. z o.o. adopted a resolution on increasing the company's share capital. Pursuant to the resolution, the share capital was increased by PLN 300,000 to PLN 700,000 by establishing 6,000 new shares with a nominal value of PLN 50.00 each. As of September 30, 2022, LUG S.A. holds 13,020 shares with a total value of PLN 651,000, which gives 93% of shares in the share capital of BIOT Sp. z o.o.
- On July 13, 2022 LUG S.A. acquired shares in ESCOLIGHT Sp. z o.o. The shares were purchased from Mr. Marek Krzyżanowski, the majority shareholder of the company. Pursuant to the signed agreement, the issuer purchased 300 shares of ESCOLIGHT Sp. z o.o. with a nominal value of PLN 50.00 each. The acquired shares constitute 15% of the company's share capital. After the purchase transaction, LUG S.A. holds 900 shares with a total nominal value of PLN 45,000.00, constituting 45% of the share capital of ESCOLIGHT Sp. z o.o.

IX Graphic presentation of the Group:

LUG S.A. Capital Group as of September 30, 2022

Parent company



Companies within the LUG S.A. Capital Group



*The activity of T.O.W. Ukraina is suspended indefinitely.

X Statement of the Management Board:

The condensed consolidated financial statement has been prepared in accordance with IAS 34 "Interim Financial Reporting" in the form approved by the EU and with the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information provided by issuers of securities and the conditions for recognizing as equivalent information required by the law of a non-member state (Journal of Laws of 2018, items 512 and 685) ("Regulation").

The Management Board of the parent company declares that, to the best of its knowledge, the condensed consolidated quarterly financial statement and comparative data have been prepared in accordance with the accounting principles applicable to the group and that they truly, reliably and clearly reflect the property and financial situation of the LUG S.A. Capital Group and its financial result.

XI Approval of financial statement

The condensed consolidated quarterly financial statement was prepared and approved for publication by the Management Board of the parent company on November 9, 2022.

7.2 Selected financial data

Introduction

The selected financial information contains basic figures (in thousands of PLN and converted into EUR) summarising the financial situation of the LUG S.A. Capital Group.

The tables on the following pages present the consolidated results of the LUG S.A. Capital Group for the period from January 1 to September 30, 2022 together with comparative data from January 1 to September 30, 2021.

Comparative data for items resulting from the statement of financial position are given as at 31/12/2021.

The results presented in this report for the above-mentioned periods were not subject to review by the statutory auditor. Financial information as at 31/12/2021 was subject to audit by a statutory auditor.

Applied exchange rates

The items of the statement of financial position were converted at the average exchange rate of the euro announced by the National Bank of Poland as at the balance sheet date.

The items of the income statement were converted at the average exchange rate of the euro, which is the arithmetic mean of the average exchange rates of the euro announced by the National Bank of Poland and in force on the last day of each completed month.

The following table shows the euro exchange rates used to convert the data of this report:

EUR/PLN exchange rate	30/09/2022 unaudited	31.12.2021	30/09/2021 unaudited
- for the data of the statement of financial position	4,8698	4,5994	4,6329
- for profit and loss account data	4,6880	4,5775	4,5585

Detailed list	01/01/2022 – 30/09/2022 unaudited		01/01/2021 – 30/09/2021 unaudited	
	PLN	EUR	PLN	EUR
PROFIT AND LOSS ACCOUNT				
Net revenue from sales of products, goods and materials	174 969	37 323	143 802	31 546
Cost of sales	109 191	23 292	85 566	18 771
Profit (loss) on operating activities	7 493	1 598	4 149	910
Gross profit (loss)	2 977	635	1 317	289
Net profit (loss)	2 429	518	2 298	504
Number of individual shares	7 198 570	7 198 570	7 198 570	7 198 570
Net profit (loss) per ordinary share (PLN/EUR)	0,34	0,07	0,32	0,07
Detailed list	30/09/2022 unaudited PLN		30/09/2021 unaudited PLN	
STATEMENT OF FINANCIAL POSITION				
Fixed assets	81 469	16 729	74 562	16 094
Current assets	117 781	24 186	107 613	23 228
Equity	62 021	12 736	55 540	11 988
Long-term liabilities	12 199	2 505	11 791	2 545
Short-term liabilities	125 030	25 675	114 843	24 789
Book value per share (PLN/EUR)	8,62	1,77	7,72	1,67
Detailed list	01/01/2022 – 30/09/2022 unaudited		01/01/2021 – 30/09/2021 unaudited	
	PLN	EUR	PLN	EUR
STATEMENT OF CASH FLOWS				
Net cash flows from operating activities	4 117	878	-993	-218
Net cash flows from investment activities	-9 716	-2 073	-11 358	-2 492
Net cash flows from financial activities	4 602	982	9 331	2 047

7.3 Condensed consolidated financial statement of the LUG S.A. Capital Group

Consolidated profit or loss account of the LUG S.A. Capital Group

Detailed list	01/01/2022 – 30/09/2022 unaudited	01/01/2021 – 30/09/2021 unaudited	01/07/2022 – 30/09/2022 unaudited	01/07/2021 – 30/09/2021 unaudited
Sales revenues	174 969	143 802	58 259	58 884
Revenue from the sale of products and services	170 585	137 186	56 977	56 964
Revenue from the sale of goods and materials	4 384	6 616	1 282	1 920
Costs of products, goods and materials sold	109 191	85 566	36 869	36 701
Manufacturing costs of products and services sold	106 214	81 107	35 848	35 155
Value of goods and materials sold	2 977	4 459	1 021	1 546
Gross profit (loss) on sales	65 778	58 236	21 390	22 183
Other operating revenues	2 550	2 102	995	1 098
Sales costs	40 095	36 342	12 437	14 369
General management costs	19 679	17 836	6 561	6 343
Impairment of contractual receivables and assets	0	0	0	0
Other operating expenses	1 061	2 011	615	1 604
Profit (loss) on operating activities	7 493	4 149	2 772	965
Financial revenues	152	28	-197	21
Financial costs	4 653	2 841	1 749	967
Share in net profit (loss) of undertakings valued under the equity method	-15	-19	-15	-6
Profit (loss) before tax	2 977	1 317	811	13
Income tax	321	186	-66	-226
Net profit (loss) from continued operations	2 656	1 131	877	239
Net profit (loss) from discontinued operations	0	0	0	0
Profit/(loss) attributable to non-controlling shares	227	-1 167	141	-507
Net profit (loss) attributable to shareholders of the parent company	2 429	2 298	736	746
Net profit (loss) per share (in PLN):				
Basic for the financial period	0,34	0,32	0,10	0,10
Diluted for the financial period	0,34	0,32	0,10	0,10
Net profit (loss) per share from continued operations (in PLN)				
Basic for the financial period	0,34	0,32	0,10	0,10
Diluted for the financial period	0,34	0,32	0,10	0,10
Net profit (loss) per share from discontinued operations (in PLN)				
Basic for the financial period	0	0	0	0
Diluted for the financial period	0	0	0	0

Consolidated statement of other comprehensive income of the LUG S.A. Capital Group

Detailed list

	01/01/2022 – 30/09/2022 unaudited	01/01/2021 – 30/09/2021 unaudited	01/07/2022 – 30/09/2022 unaudited	01/07/2021 – 30/09/2021 unaudited
Net profit (loss)	2 656	1 131	877	239
Actuarial gains (losses) from defined benefit plans	0	0	0	0
Foreign exchange differences on valuation of entities operating abroad	-454	1 550	22	413
Income tax related to items of other comprehensive income	0	0	0	0
Total comprehensive income	2 202	2 681	899	652
Total comprehensive income allocated to non-controlling shareholders	-470	-1 541	-42	-723
Total comprehensive income attributable to the parent company	2 672	4 222	941	1 375

Consolidated statement of the financial position of the LUG S.A. Capital Group (balance sheet assets)

ASSETS	30/09/2022 unaudited	31.12.2021	30/09/2021 unaudited
Fixed assets	81 469	80 743	74 562
Tangible fixed assets*	50 163	51 058	48 863
Intangible assets**	24 611	23 146	21 727
Investments in associates and joint ventures	0	0	0
Deferred tax assets	5 429	5 792	3 271
Long-term receivables	36	34	51
Long-term investments	1 230	713	650
Long-term prepayments and accruals	0	0	0
Current assets	117 781	124 572	107 613
Inventory assets**	63 916	64 532	58 826
Trade receivables	42 241	45 699	39 946
Receivables due to current income tax	742	706	52
Other receivables	1 800	2 905	3 248
Other financial assets	344	372	239
Short-term prepayments and accruals	1 626	2 249	2 312
Cash and cash equivalents	7 112	8 109	2 990
Assets classified as held for sale	0	0	0
TOTAL ASSETS	199 250	205 315	182 175

*Assets due to the right to use premises (recognised as part of the implementation of IFRS 16) are presented in the consolidated statement of financial position as an element of tangible fixed assets.

**Presentation change as of September 30, 2021 concerns the presentation of capitalized expenditures for development works related to the development of the Urban lighting management system (as intangible assets instead of the previous presentation as inventories)

Consolidated statement of the financial position of the LUG S.A. Capital Group (balance sheet liabilities)

LIABILITIES	30/09/2022 unaudited	31.12.2021	30/09/2021 unaudited
Equity	62 021	59 782	55 540
<i>Equity of shareholders of the parent company</i>	63 110	60 692	57 525
Share capital	1 800	1 800	1 800
Supplementary capital from sale of shares above nominal price	23 815	23 815	23 815
Other capital	24 809	20 569	20 536
Exchange rate differences from translation	-150	-393	-1 018
Retained earnings from previous years	10 407	10 494	10 094
Net profit (loss) attributable to shareholders of the parent company	2 429	4 407	2 298
<i>Capital of non-controlling shareholders</i>	-1 089	-910	-1 985
Long-term liabilities and provisions	12 199	12 841	11 791
Credits and loans	7 089	5 983	3 317
Other financial liabilities	948	1 699	2 323
Other long-term liabilities	0	0	0
Provisions for deferred income tax	91	89	116
Accruals and deferred income	1 270	2 675	3 788
Provision for employee entitlements	396	396	371
Other provisions	2 405	1 999	1 876
Short-term liabilities and provisions	125 030	132 692	114 843
Credits and loans	62 347	52 619	48 654
Other financial liabilities	13 687	14 844	15 485
Trade liabilities	29 674	49 536	35 308
Current income tax liabilities	2	99	0
Other short-term liabilities	9 202	5 673	5 576
Accruals and deferred income	2 286	435	1 156
Provision for employee entitlements	1 464	2 971	618
Other provisions	6 368	6 515	8 046
Liabilities directly related to assets classified as held for sale	0	0	0
TOTAL LIABILITIES	199 250	205 315	182 175
Book value per share (in PLN)	8,62	8,30	7,72

Consolidated statement of changes in equity of the LUG S.A. Capital Group

Detailed list	Share capital	Supplementary capital from sale of shares above nominal price	Other capital	Exchange rate differences from translation	Retained earnings from previous years	Financial result for the current period	Total equity	Capital of non-controlling shareholders	Total equity
01/01/2022 - 30/09/2022									
Equity as at 01/01/2022	1 800	23 815	20 569	-393	14 901	0	60 692	-910	59 782
Changes in accounting principles (policy)	0	0	0	0	0	0	0	0	0
Corrections due to fundamental errors	0	0	0	0	0	0	0	0	0
Equity after adjustments as at 01/01/2022	1 800	23 815	20 569	-393	14 901	0	60 692	-910	59 782
Issue of shares	0	0	0	0	0	0	0	37	37
Cost of issuing shares	0	0	0	0	0	0	0	0	0
Distribution of net profit	0	0	4 240	0	-4 240	0	0	0	0
Other changes	0	0	0	0	-254	0	-254	254	0
Total comprehensive income	0	0	0	243	0	2 429	2 672	-470	2 202
Equity as at 30/09/2022	1 800	23 815	24 809	-150	10 407	2 429	63 110	-1 089	62 021

Detailed list	Share capital	Supplementary capital from sale of shares above nominal price	Other capital	Exchange rate differences from translation	Retained earnings from previous years	Financial result for the current period	Equity of shareholders of the parent company	Capital of non-controlling shareholders	Total equity
01/01/2021 - 31/12/2021									
Equity as at 01/01/2021	1 800	23 815	14 919	-2 568	15 704	0	53 670	-1 622	52 048
Changes in accounting principles (policy)	0	0	0	0	0	0	0	0	0
Corrections due to fundamental errors	0	0	0	0	0	0	0	0	0
Equity after adjustments as at 01/01/2021	1 800	23 815	14 919	-2 568	15 704	0	53 670	-1 622	52 048
Issue of shares	0	0	0	0	0	0	0	412	412
Cost of issuing shares	0	0	0	0	0	0	0	0	0
Distribution of net profit	0	0	5 617	0	-5 617	0	0	0	0
Other changes	0	0	33	0	351	0	384	384	768
Total comprehensive income	0	0	0	2 175	56	4 407	6 638	-84	6 554
Equity as at 31/12/2021	1 800	23 815	20 569	-393	10 494	4 407	60 692	-910	59 782



Detailed list	Share capital	Supplementary capital from sale of shares above nominal price	Other capital	Exchange rate differences from translation	Retained earnings from previous years	Financial result for the current period	Equity of shareholders of the parent company	Capital of non-controlling shareholders	Total equity
01/01/2021 - 30/09/2021									
Equity as at 01/01/2021	1 800	23 815	14 919	-2 568	15 704	0	53 670	-1 622	52 048
Changes in accounting principles (policy)	0	0	0	0	0	0	0	0	0
Corrections due to fundamental errors	0	0	0	0	0	0	0	0	0
Equity after adjustments as at 01/01/2021	1 800	23 815	14 919	-2 568	15 704	0	53 670	-1 622	52 048
Issue of shares	0	0	0	0	0	0	0	423	423
Cost of issuing shares	0	0	0	0	0	0	0	0	0
Distribution of net profit	0	0	5 617	0	-5 617	0	0	0	0
Other changes	0	0	0	0	7	0	7	7	14
Total comprehensive income	0	0	0	1 550	0	2 298	3 848	-793	3 055
Equity as at 30/09/2021	1 800	23 815	20 536	-1 018	10 094	2 298	57 525	-1 985	55 540

Consolidated condensed statement of cash flows of the LUG S.A. Capital Group

Detailed list	01/01/2022 – 30/09/2022 unaudited	01/01/2021 – 30/09/2021 unaudited	01/07/2022 – 30/09/2022 unaudited	01/07/2021 – 30/09/2021 unaudited
OPERATING ACTIVITIES				
Profit/loss before tax	2 977	1 317	811	13
Total adjustments:	1 140	-2 310	5 153	2 408
Income tax (paid) / refunded	-141	377	31	905
Depreciation	8 559	7 330	2 883	2 147
Profit (loss) due to exchange rate differences	326	2 286	353	692
Interest and shares in profits (dividends)	3 425	984	1 621	390
Profit (loss) from investment activities	282	-47	304	-43
Change in provisions	-1 248	4 483	-583	3 738
Change in inventories*	617	-18 057	6 787	-1 734
Change in receivables	4 564	-7 371	9 707	-10 615
Change in liabilities, excluding loans and credits	-16 333	6 325	-16 579	5 630
Change in accruals and deferred income	1 070	1 361	616	1 292
Change in other assets (equity method)	15	19	15	6
Other adjustments from operating activities	4	0	-2	0
A. Net cash flows from operating activities	4 117	-993	5 964	2421
INVESTMENT ACTIVITIES				
Inflows	417	80	130	55
Disposal of intangible assets and tangible fixed assets	117	76	48	55
Interest received	0	0	0	0
Repayment of long-term loans granted	50	0	0	0
Other investment inflows/subsidies	250	4	82	0
Expenditure	10 133	11 438	3 390	5174
Acquisition of intangible assets and tangible fixed assets*	9 380	11 438	3 314	5174
Expenditure on financial assets	15	0	15	0
Granting of long-term loans	516	0	61	0
Other investment expenditure	222	0	0	0
B. Net cash flow from investment activities	-9 716	-11 358	-3 260	-5119
FINANCIAL ACTIVITIES				
Inflows	25 465	9 331	13 863	2 980
Net inflows from issue of shares and other equity instruments and capital surcharges	0	267	0	-156
Credits and loans	25 465	9 064	13 863	3 136
Other financial inflows	0	0	0	0
Expenditure	20 863	0	13 711	0
Repayments of credits and loans	15 134	0	11 017	0
Repayment of lease liabilities	2 110	0	657	0
Interest	3 476	0	1 648	0
Other financial expenditure	143	0	389	0
C. Net cash flow from financial activities	4 602	9 331	152	2 980
D. Total net cash flow (A+B+C)	-997	-3 021	2 856	282
E. Balance sheet change in cash, including:	-997	-3 021	2 856	282
- change in cash due to exchange differences	0	0	0	0

F. Cash and cash equivalents at the beginning of the period	8 109	6 011	4 256	2 708
G. Cash at the end of the period	7 112	2 990	7 112	2 990

**The change concerns the presentation of capitalized expenditures for development works related to the development of the Urban lighting management system (as intangible assets instead of the previous presentation as inventories).*

ADDITIONAL NOTES AND EXPLANATIONS TO THE CONDENSED CONSOLIDATED QUARTERLY FINANCIAL STATEMENT

I. Compliance with International Financial Reporting Standards

The condensed consolidated financial statement has been prepared in accordance with IAS 34 "Interim Financial Reporting" in the form approved by the EU and with the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information provided by issuers of securities and the conditions for recognizing as equivalent information required by the law of a non-member state (Journal of Laws of 2018, items 512 and 685) ("Regulation").

EU IFRS include standards and interpretations approved by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC), approved for use in the EU and effective as of September 30, 2022.

The condensed consolidated quarterly financial statement does not include all information and disclosures required in the annual financial statement and should be read in conjunction with the group's consolidated financial statement for the year ended December 31, 2021.

Information on the principles adopted in the preparation of the report

The same accounting principles and calculation methods have been applied in the report as in the last annual consolidated financial statement.

II. Assumption of continuity in operations and comparability of financial statements

The condensed consolidated quarterly financial statement has been prepared on the assumption of continuity in operations by the group for 12 months after the last balance sheet date, i.e., September 30, 2022. As of the date of signing the report, the Management Board of the parent company does not find any facts or circumstances that would indicate any threats to the ability to continue operations for 12 months after the balance sheet date as a result of intentional or forced discontinuation or significant limitation of the current activity.

Until the date of preparation of the condensed consolidated quarterly financial statement for the period from January 1, 2022 to September 30, 2022, there were no events that were not, but should be, included in the accounting books for the reporting period.

At the same time, there are no significant events relating to previous years in the financial statement.

III. Consolidation rules

In the nine-month period ended September 30, 2022, the composition of the group compared to December 31, 2021 saw the following changes:

- ❑ On June 2, 2022. EGM of BIOT Sp. z o.o. adopted a resolution on increasing the company's share capital. Pursuant to the resolution, the share capital was increased by PLN 300,000 to PLN 700,000 by establishing 6,000 new shares with a nominal value of PLN 50.00 each. As of September 30, 2022, LUG S.A. holds 13,020 shares with a total value of PLN 651,000, which gives 93% of shares in the share capital of BIOT Sp. z o.o.
- ❑ On July 13, 2022 LUG S.A. acquired shares in ESCOLIGHT Sp. z o.o. The shares were purchased from Mr. Marek Krzyżanowski, the majority shareholder of the company. Pursuant to the signed agreement, the issuer purchased 300 shares of ESCOLIGHT Sp. z o.o. with a nominal value of PLN 50.00 each. The acquired shares constitute 15% of the company's share capital. After the purchase transaction, LUG S.A. holds 900 shares with a total nominal value of PLN 45,000.00, constituting 45% of the share capital of ESCOLIGHT Sp. z o.o.

IV. Description of the adopted accounting principles (policy), including methods of valuation of assets and liabilities as well as revenues and costs

The condensed consolidated quarterly financial statement has been prepared on the historical cost basis, except for derivative financial instruments measured at fair value (financial assets measured at fair value through financial result).

The condensed consolidated quarterly financial statement is presented in Polish zlotys ("PLN"), and all values, unless indicated otherwise, are presented in PLN thousand.

A description of the significant accounting principles applied by the issuer can be found in the financial statements for the financial years ended on December 31, 2021.

The accounting principles (policy) used to prepare the condensed consolidated quarterly financial statement are consistent with those used to prepare the issuer's financial statement for the year ended December 31, 2021.

As of the date of approval of this report, taking into account the ongoing process of introducing IFRS standards in the EU in terms of the accounting principles applied by the group, there is no difference between the IFRS standards that came into force and the IFRS standards approved by the EU, except for:

- Amendments to IAS 1, IAS 12 and IFRS 17, the implementation of which for use in the EU has been postponed until 2023 (the approval process has not been completed as of the date of publication of the quarterly report),
- IFRS 14 and amendments to IFRS 10 and IAS 28, the implementation of which for use in the EU has been postponed indefinitely.

Impact of new standards and interpretations on the financial statement

The accounting principles (policies) applied in the preparation of the financial statement are consistent with those applied in the preparation of the group's financial statement for the year ended 31 December 2021, except for the application of new or amended standards and interpretations applicable to annual periods beginning on January 1, 2022 and later:

- Amendments to IFRS 3, IAS 16, IAS 37 and amendments resulting from the review of IFRS 2018-2020 (published on May 14, 2020) – applicable to annual periods beginning on January 1, 2022 or later.

These changes do not affect the reporting of the LUG Group.

New standards and amendments to existing standards that have already been published by the IASB but are not yet effective

Listed below are the standards and interpretations that have been published by the International Accounting Standards Board, but have not yet entered into force. In the opinion of the Management Board, they would not have a significant impact on the financial statement if they were applied by the group as of the balance sheet date.

- Amendments to IAS 1 and Practice Statement 2: Disclosure of information on accounting principles (policy) (published on February 12, 2021) – applicable to annual periods beginning on January 1, 2023 or later,
- Amendments to IAS 8: Definition of accounting estimates (published on February 12, 2021) – applicable to annual periods beginning on January 1, 2023 or later,
- IFRS 17 insurance contracts (published on May 18, 2017) including amendments to IFRS 17 (published on June 25, 2020) – applicable to annual periods beginning on January 1, 2023 or later,
- Amendments to IAS 1: Presentation of financial statements – distribution of liabilities into current and long-term and distribution of liabilities into current and long-term – deferral of the effective date (published on January 23, 2020 and July 15, 2020, respectively) – until the date of approval of the financial statement not approved by the EU – applicable for annual periods beginning on January 1, 2023 or later,
- Amendments to IAS 12: Deferred tax on assets and liabilities arising from a single transaction (published on May 7, 2021) – not approved by the EU until the date of approval of the financial statement – applicable to annual periods beginning on January 1, 2023 or later,
- IFRS 17: First application of IFRS 17 and IFRS 9: Comparative data (published on December 9, 2021) – not approved by the EU until the date of approval of the financial statement - applicable to annual periods beginning on January 1, 2023 or later,
- IFRS 14: Regulatory prepayments and accruals (published on January 30, 2014) – in accordance with the decision of the European Commission, the process of approving the standard in the preliminary version will not be initiated before the release of the standard in the final version – not approved by the EU until the date of approval of the financial statement – applicable to annual periods beginning on January 1, 2016 or later,
- Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture (published on September 11, 2014) – work leading to the approval of these amendments has been postponed by the EU indefinitely – the effective date has been postponed by the IASB for an indefinite period.

Effective dates are the dates resulting from the content of the standards announced by the International Financial Reporting Council. The dates of application of standards in the European Union may differ from the dates of application resulting from the content of the standards and are announced at the time of approval for use by the European Union.

The group is currently analyzing how the introduction of the above standards and interpretations may affect the financial statement and the accounting principles (policy) applied by the group.

V. Material values based on professional judgment and estimates

In the condensed consolidated quarterly financial statement, significant judgments made by the Management Board regarding the accounting principles applied by the company and the main sources of uncertainty estimation were the same as described in the consolidated financial statement for 2021, section "Explanatory notes to the consolidated financial statement, point II. Description of the most important accounting principles applied".

VI. Changes in accounting principles (policy)

The group intends to adopt the amendments to IFRS published but not effective as of the date of publication of the condensed consolidated financial statement, in accordance with their effective date.

ADDITIONAL NOTES AND EXPLANATIONS TO THE CONSOLIDATED FINANCIAL STATEMENT

Note 1. SALES REVENUES

Detailed list	01/01/2022 – 30/09/2022 unaudited	01/01/2021 – 30/09/2021 unaudited
Continued operations		
Sales of products and services	170 585	137 186
Sales of goods and materials	4 384	6 616
TOTAL sales revenue	174 969	143 802
Other operating revenues	2 550	2 102
Financial revenues	152	28
TOTAL revenue from continued operations	177 671	145 932
Discontinued operations		
TOTAL revenue from discontinued operations	0	0
TOTAL revenue	177 671	145 932

Note 2. OPERATING SEGMENTS

Presenting geographically (not constituting geographical segments), the group distinguished four areas of activity:

- domestic market (Poland);
- European market (excluding Poland);
- Middle East and Africa market;
- other countries.

Geographical areas for the period January 1, 2022-September 30, 2022 and comparative data for the period January 1, 2021-September 30, 2021

Detailed list	01/01/2022 – 30/09/2022 unaudited		01/01/2021 – 30/09/2021 unaudited	
	PLN k	%	PLN k	%

Domestic	75 105	42,92%	55 500	38,59%
Export, including:	99 864	57,08%	88 302	61,41%
Europe	69 980	40,00%	68 043	47,32%
Middle East and Africa	19 571	11,19%	7 856	5,46%
Other	10 313	5,89%	12 403	8,63%
Total revenue	174 969	100,00%	143 802	100,00%

Geographical areas for the period January 1, 2022-September 30, 2022

Detailed list	Poland	Other countries in total	Europe	Middle East and Africa	Other
Sales to external customers	75 105	99 864	69 980	19 571	10 313
Fixed assets other than financial instruments	73 230	1 544	16	0	1 528
Capital expenditure on fixed and intangible assets	9 364	16	6	0	10
Depreciation	8 340	219	6	0	213
Deferred tax assets	5 129	300	0	0	300

Geographical areas for the period January 1, 2021-September 30, 2021

Detailed list	Poland	Other countries in total	Europe	Middle East and Africa	Other
Sales to external customers	55 500	88 302	68 043	7 856	12 403
Fixed assets other than financial instruments	68 975	1 615	21	0	1 594
Capital expenditure on fixed and intangible assets	11 142	296	14	0	282
Depreciation	7 082	248	9	0	239
Deferred tax assets	3 271	0	0	0	0

Note 3. DEFERRED TAX

As a result of cooperation with the expert auditor during the audit of the financial statement of the LUG S.A. Capital Group for 2015, the Management Board of the parent company decided that the effects of granting an investment premium in accordance with the economic nature of the transaction are best illustrated by the form of presentation in accordance with NAS 2. Thus, in addition to investment relief assets (under deferred tax assets), deferred revenue was also recognised for the received investment premium. Settlement of deferred tax assets related to the use of the relief is recognized in the income statement under "income tax". At the end of each financial year, the entity checks whether the capitalized amount of investment relief is available for use and updates the value of deferred tax.

Due to operating in the Kostrzyn-Słubice Special Economic Zone based on permit no. 152 of November 7, 2007, LUG Light Factory Sp. z o.o. recognized a premium (investment relief) to be used in the form of a reduction in the tax base. As of December 31, 2021, the parent company assessed the likelihood of using the investment relief and, based on the provisions of IAS 12.34-36, recognized an additional amount of relief in correspondence with the financial result of PLN 4,515 thousand for the financial year ended December 31, 2021.

Note 4. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the period attributable to the group's ordinary shareholders by the weighted average number of ordinary shares issued during the period.

Diluted earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders (net of interest on redeemable preference shares convertible into ordinary shares) by the weighted average number of ordinary shares issued during the period (adjusted for the effect of dilutive options and redeemable preference shares convertible into ordinary shares).

Operations continued and discontinued

Detailed list of earnings per share – assumptions	01/01/2022 – 30/09/2022 unaudited	01/01/2021 – 30/09/2021 unaudited
Net profit from continued operations	2 429	2 298
Loss from discontinued operations	0	0
Net profit attributable to ordinary shareholders used in the calculation of diluted earnings per share	2 429	2 298
Dilutive effect	not applicable	not applicable
Profit reported for the purpose of calculating diluted earnings per share	2 429	2 298
Weighted average number of individual shares reported for the purpose of calculating basic earnings per share	7 198 570	7 198 570
Dilutive effect with regard to the number of ordinary shares	not applicable	not applicable
Earnings per share	0,34	0,32
Number of potential subscription warrants	0	0
Number of potential shares issued at market price	0	0
Adjusted weighted average number of ordinary shares used in the calculation of diluted earnings per share	7 198 570	7 198 570
Diluted earnings per share	0,34	0,32

Nota 5. DIVIDENDS PROPOSED OR RESOLVED UP TO THE DATE OF APPROVAL OF THE FINANCIAL STATEMENT

No dividend was paid in 2022 and 2021.

Note 6. TANGIBLE FIXED ASSETS

Tangible fixed assets include own fixed assets and fixed assets used under lease and rental agreements.

Detailed list	30/09/2022 unaudited	31.12.2021
Own fixed assets	44 807	44 014
Fixed assets used under lease agreements	4 708	5 997
Assets under the right to use premises (tenancy agreements)	648	1 047
Total tangible fixed assets*	50 163	51 058

Own fixed assets	Land	Buildings and structures	Machinery and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Total
Gross carrying amount as at 01/01/2022	2 002	28 680	32 120	3 268	5 692	8 979	80 741
Increases, due to:	0	10 037	4 552	130	625	0	15 344
- acquisitions of fixed assets	0	10 037	1 572	0	611	0	12 220
- inflation conversion and exchange rate differences from translation in the subsidiary in Argentina	0	0	0	0	0	0	0
- buyout of leased assets	0	0	2 980	130	14	0	3 124
- other	0	0	0	0	0	0	0
Decreases, due to:	0	0	591	422	0	8 365	9 378
- sale and liquidation	0	0	591	418	0	0	1 009
- settlement and other changes	0	0	0	4	0	8 365	8 369
Gross carrying amount as at 30/09/2022	2 002	38 717	36 081	2 976	6 317	614	86 707
Redemption as at 01/01/2022	0	5 768	23 475	3 172	4 312	0	36 727
Increases, due to:	0	659	4 300	152	398	0	5 509
- depreciation	0	659	2 156	40	393	0	3 248
- inflation conversion and exchange rate differences from translation in the subsidiary in Argentina	0	0	0	0	0	0	0
- buyout of leased assets	0	0	2 144	112	5	0	2 261
- other	0	0	0	0	0	0	0
Decreases, due to:	0	0	239	414	0	0	653
- liquidation and sale	0	0	239	414	0	0	653
- other	0	0	0	0	0	0	0
Redemption as at 30/09/2022	0	6 427	27 536	2 910	4 710	0	41 583
Write-downs as at 01/01/2022	0	0	0	0	0	0	0
Write-downs as at 30/09/2022	0	15	257	0	5	40	317
Net carrying amount as at 30/09/2022	2 002	32 275	8 288	66	1 602	574	44 807

Own fixed assets	Land	Buildings and structures	Machinery and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Total
Gross carrying amount as at 01/01/2021	2 002	28 746	26 159	2 252	5 094	404	64 657
Increases, due to:	0	129	6 247	1 522	598	8 575	17 071
- acquisitions of fixed assets	0	68	1 816	59	100	8 475	10 518
- inflation conversion and exchange rate differences from translation in the subsidiary in Argentina	0	61	436	0	19	100	616
- buyout of leased assets	0	0	3 995	1 463	479	0	5 937
- other	0	0	0	0	0	0	0
Decreases, due to:	0	195	286	506	0	0	987
- sale and liquidation	0	195	286	506	0	0	987
- settlement and other changes	0	0	0	0	0	0	0
Gross carrying amount as at 31/12/2021	2 002	28 680	32 120	3 268	5 692	8 979	80 741
Redemption as at 01/01/2021	0	5 090	19 499	2 168	3 593	0	30 350
Increases, due to:	0	678	4 261	1 510	720	0	7 169
- depreciation	0	648	2 334	164	504	0	3 650
- inflation conversion and exchange rate differences from translation in the subsidiary in Argentina	0	30	221	0	9	0	260
- buyout of leased assets	0	0	1 706	1 346	207	0	3 259
- other	0	0	0	0	0	0	0
Decreases, due to:	0	0	285	506	1	0	792
- sale and liquidation	0	0	285	506	1	0	792
- other	0	0	0	0	0	0	0
Redemption as at 31/12/2021	0	5 768	23 475	3 172	4 312	0	36 727
Write-downs as at 01/01/2021	0	0	0	0	0	0	0
Write-downs as at 31/12/2021	0	0	0	0	0	0	0
Net carrying amount as at 31/12/2021	2 002	22 912	8 645	96	1 380	8 979	44 014

Under lease agreements, the group uses technical equipment, cars and other fixed assets. Lease agreements were concluded for periods of 2-5 years, depending on the lease agreement (24-60 monthly installments). The fixed assets constitute a security for lease liabilities. In connection with the lease agreements, the group issued promissory notes as collateral.

Fixed assets used under lease agreements	Machinery and equipment	Means of transport	Other fixed assets	Total
Gross carrying amount as at 01/01/2022	9 786	939	242	10 967
Increases, due to:	378	0	0	378
- other	378	0	0	378
Decreases, due to:	2 980	130	14	3 124
- buyout of leased assets	2 980	130	14	3 124
- other	0	0	0	0
Gross carrying amount as at 30/09/2022	7 184	809	228	8 221
Redemption as at 01/01/2022	4 508	383	79	4 970
Increases, due to:	642	135	27	804
- depreciation	642	135	27	804
Decreases, due to:	2 144	112	5	2 261
- buyout of leased assets	2 144	112	5	2 261
- other	0	0	0	0
Redemption as at 30/09/2022	3 006	406	101	3 513
Write-downs as at 01/01/2022	0	0	0	0
Write-downs as at 30/09/2022	0	0	0	0
Net carrying amount as at 30/09/2022	4 178	403	127	4 708
Fixed assets used under lease agreements	Machinery and equipment	Means of transport	Other fixed assets	Total
Gross carrying amount as at 01/01/2021	13 485	2 265	716	16 466
Increases, due to:	296	137	5	438
- other	296	137	5	438
Decreases, due to:	3 995	1 463	479	5 937
- buyout of leased assets	3 995	1 463	479	5 937
- other	0	0	0	0
Gross carrying amount as at 31/12/2021	9 786	939	242	10 967
Redemption as at 01/01/2021	4 780	1 536	246	6 562
Increases, due to:	1 434	193	40	1 667
- depreciation	1 434	193	40	1 667
Decreases, due to:	1 706	1 346	207	3 259
- buyout of leased assets	1 706	1 346	207	3 259
- other	0	0	0	0
Redemption as at 31/12/2021	4 508	383	79	4 970
Write-downs as at 01/01/2021	0	0	0	0
Write-downs as at 31/12/2021	0	0	0	0
Net carrying amount as at 31/12/2021	5 278	556	163	5 997

In the table of movements in fixed assets, a presentation change was made for the years 2021 and 2020 for fixed assets in use (before the entry into force of IFRS 16) under lease agreements (in accordance with IAS 17). The assets were presented together with own fixed assets in the table of fixed assets movements. The presentation change consisted in presenting changes in fixed assets used under lease agreements separately from changes in own fixed assets.

In addition, a change was made to the presentation of the effects of revaluation due to inflation translation in the subsidiary in Argentina. From 2021, the effects of revaluation have not been presented

separately in the table of movements in fixed assets, but have been included in the gross carrying amounts and accumulated depreciation of fixed assets.

Under the concluded lease agreements, the group has the right to use premises.

Assets under the right to use premises	Leased premises	Total
Gross carrying amount as at 01/01/2022	3 125	3 125
Increases, due to:	0	0
- other	0	0
Decreases, due to:	0	0
- other	0	0
Gross carrying amount as at 30/09/2022	3 125	3 125
Redemption as at 01/01/2022	2 078	2 078
Increases, due to:	399	399
- depreciation	399	399
Decreases, due to:	0	0
- other	0	0
Redemption as at 30/09/2022	2 477	2 477
Write-downs as at 01/01/2022	0	0
Write-downs as at 30/09/2022	0	0
Net carrying amount as at 30/09/2022	648	648

Assets under the right to use premises	Leased premises	Total
Gross carrying amount as at 01/01/2021	3 125	3 125
Increases, due to:	0	0
- other	0	0
Decreases, due to:	0	0
- other	0	0
Gross carrying amount as at 31/12/2021	3 125	3 125
Redemption as at 01/01/2021	1 375	1 375
Increases, due to:	703	703
- depreciation	703	703
Decreases, due to:	0	0
- other	0	0
Redemption as at 31/12/2021	2 078	2 078
Write-downs as at 01/01/2021	0	0
Write-downs as at 31/12/2021	0	0
Net carrying amount as at 31/12/2021	1 047	1 047

In 2021 and 2020, assets from rights to use premises (recognized as part of the entry into force of IFRS 16) were presented separately from tangible fixed assets in the statement of financial position. After the presentation change, the assets were recognized as part of tangible fixed assets.

Other information

In the reporting period, there were no indications of impairment of tangible fixed assets.

In the reporting period, the group did not capitalize external financial costs.

The subsidiary LUG Light Factory Sp. o.o. has mortgages established on real estate located in the Kostrzyn - Słubice Special Economic Zone in Zielona Góra as collateral for loans taken from Santander

Bank Polska S.A. and Bank Pekao S.A. The subsidiary LUG Light Factory Sp. z o.o. also has a pledge on the S-4/P-4 production line to the benefit of Santander Bank Polska S.A.

Pledges on other fixed assets of Santander Bank Polska S.A.: subject of the pledge: production line for punching and bending Salvagnini S4.30+P4-222 – value: PLN 1,670 thousand as of September 30, 2014 – pledgee: Santander Bank Polska S.A. subject of the pledge: production line for punching and bending Salvagnini S4.30+P4-222 – value: 2,444 thousand PLN as of August 31, 2012 – pledgee: Santander Bank Polska S.A.

As the result of the conclusion on April 10, 2017 of an agreement for the construction of an industrial building with Parque Industrial Posadas S.A.P.E.M. in Argentina, the company was obliged to purchase the property together with the building (approximately 1,600 m²) after 3 years of use for a price including tax of EUR 1,500,000.00 for the building and EUR 65,708.00 for the plots (area of 7,885 m²). Due to the current situation related to the COVID-19 pandemic, the decision to purchase the property has been postponed to a later date.

Note 7. INTANGIBLE ASSETS

Information on intangible assets is presented in the tables below:

Detailed list	Completed development work	Self-developed computer software	Other computer software	Development work in progress	Computer software in development	Total
Gross carrying amount as at 01/01/2022	21 565	8 765	5 584	2 046	0	37 960
Increases, due to:	1 390	179	262	856	2 382	5 069
- acquisition	1 390	179	262	856	2 382	5 069
- other	0	0	0	0	0	0
Decreases, due to:	0	0	17	0	0	17
- liquidation and sale	0	0	17	0	0	17
- other	0	0	0	0	0	0
Gross carrying amount as at 30/09/2022	22 955	8 944	5 829	2 902	2 382	43 012
Redemption as at 01/01/2022	11 624	0	3 190	0	0	14 814
Increases, due to:	2 624	596	381	0	0	3 601
- depreciation	2 624	596	381	0	0	3 601
- other	0	0	0	0	0	0
Decreases, due to:	0	0	14	0	0	14
- liquidation and sale	0	0	14	0	0	14
- other	0	0	0	0	0	0
Redemption as at 30/09/2022	14 248	596	3 557	0	0	18 401
Write-downs as at 01/01/2022	0	0	0	0	0	0
Write-downs as at 30/09/2022	0	0	0	0	0	0
Net carrying amount as at 30/09/2022	8 707	8 348	2 272	2 902	2 382	24 611

Detailed list	Completed development work	Self-developed computer software	Other computer software	Development work in progress	Computer software in development	Total
Gross carrying amount as at 01/01/2021	18 945	5 968	4 744	2 338	0	31 995
Increases, due to:	2 620	2 797	840	0	0	6 257
- acquisition	2 620	2 797	840	0	0	6 257
- other	0	0	0	0	0	0
Decreases, due to:	0	0	0	292	0	292
- liquidation and sale	0	0	0	0	0	0
- other	0	0	0	292	0	292
Gross carrying amount as at 31/12/2021	21 565	8 765	5 584	2 046	0	37 960
Redemption as at 01/01/2021	8 116	0	2 961	0	0	11 077
Increases, due to:	3 508	0	229	0	0	3 737
- depreciation	3 508	0	229	0	0	3 737
- other	0	0	0	0	0	0
Decreases, due to:	0	0	0	0	0	0
- liquidation and sale	0	0	0	0	0	0
- other	0	0	0	0	0	0
Redemption as at 31/12/2021	11 624	0	3 190	0	0	14 814
Write-downs as at 01/01/2021	0	0	0	0	0	0
Write-downs as at 31/12/2021	0	0	0	0	0	0
Net carrying amount as at 31/12/2021	9 941	8 765	2 394	2 046	0	23 146

In 2021 and 2020, a presentation change was made to capitalized expenditures incurred by the subsidiary BIOT Sp. z o.o. for development work related to the development of the Urban lighting management system. These expenditures are presented as intangible assets instead of presenting them as inventories.

Moreover, in the tables containing information on intangible assets:

- the computer software created in-house was separated from software purchased from outside
- intangible assets items in the process of being created as of the balance sheet date were separated.

Note 8. INVENTORIES

Information on the reporting value of inventories is presented in the table below:

Detailed list	30/09/2022 unaudited	31.12.2021
Materials for production	39 477	41 133
Semi-finished products and work-in-progress products	13 996	12 528
Finished products	11 752	13 199
Goods	2 149	1 832
Gross inventories	67 374	68 692
Write-down on inventories	3 458	4 160
Net inventories	63 916	64 532

Inventories were shown in the consolidated statement of financial position in net value, i.e., less revaluation write-downs in the amount of PLN 3,458 thousand.

In 2022, write-downs on inventories in the total amount of PLN 702,000 were reduced.

The subsidiary LUG Light Factory Sp. z o.o. has a pledge on inventories:

- As of September 30, 2022 and December 31, 2021 for ING Bank Śląski S.A.
- As of September 30, 2022 and December 31, 2021 for Bank Gospodarstwa Krajowego.

Note 9. TRADE RECEIVABLES

Detailed list	30/09/2022 unaudited	31.12.2021
Trade receivables	42 241	45 699
- from affiliated entities	6	9
- from other entities	42 235	45 690
Write-downs due to expected losses	983	926
- from affiliated entities	0	0
- from other entities	983	926
Gross trade receivables	43 224	46 625

Detailed list	30/09/2022 unaudited		31.12.2021	
	Gross value	Write-down	Gross value	Write-down
Non-matured	31 041	0	38 671	0
1-90 days overdue	8 719	0	6 516	85
91-180 days overdue	1 647	0	695	114
181-365 days overdue	1 418	621	109	93
More than 1 year overdue	399	362	634	634
Total trade receivables	43 224	983	46 625	926

Note 10. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS SINCE THE END OF THE LAST FINANCIAL YEAR

Guarantees and sureties granted:

Detailed list	Company	Guarantee / surety for	Currency	30.09.2022	31.12.2021
Guarantee of proper performance of the agreement	LUG Light Factory Sp. z o.o.	Bank Pekao S.A.	EUR	77	73
Guarantee of proper performance of the agreement	LUG Light Factory Sp. z o.o.	Bank Pekao S.A.	PLN	380	850
Guarantee of proper performance of tenancy agreement	LUG Light Factory Sp. z o.o.	Bank Pekao S.A.	PLN	92	92
Tender guarantee in a non-public tender	LUG Light Factory Sp. z o.o.	Bank Pekao S.A.	EUR	X	690
Guarantee of payment of penalties during the warranty period	LUG Light Factory Sp. z o.o.	Bank Pekao S.A.	PLN	322	384
Tender guarantee in a public tender	LUG Light Factory Sp. z o.o.	Santander Bank Polska S.A.	PLN	X	50
Guarantee of proper performance of the agreement, warranty and quality guarantee	LUG Light Factory Sp. z o.o.	Santander Bank Polska S.A.	PLN	2 156	2 354
Advance payment guarantee	LUG Light Factory Sp. z o.o.	Santander Bank Polska S.A.	EUR	X	413
Guarantee of proper performance of the agreement, warranty and quality guarantee	LUG Services Sp. z o.o.	Santander Bank Polska S.A.	PLN	1 036	617
Tender guarantee – public tender	LUG Services Sp. z o.o.	Santander Bank Polska S.A.	PLN	X	335
Tender guarantee – public tender	LUG Services Sp. z o.o.	KUKE S.A.	PLN	50	X
Tender guarantee – public tender	LUG Light Factory Sp. z o.o.	KUKE S.A.	PLN	833	X
Guarantee of proper performance of the agreement	LUG Services Sp. z o.o.	Cash	PLN	147	X
Warranty and quality guarantee	LUG Services Sp. z o.o.	Cash	PLN	40	X
Guarantee of proper performance of the agreement and warranty for defects or guarantee	LUG Light Factory Sp. z o.o.	Cash	PLN	6	X
			Total	5 139	5 858

Note 11. FINANCIAL LIABILITIES

Detailed list	30/09/2022 unaudited	31.12.2021
Secured credits and loans	69 436	58 602
Lease liabilities	2 881	4 646
Reverse factoring liabilities	11 599	11 742
Liabilities arising from the valuation of financial instruments	155	155
Total financial liabilities, of which:	84 071	75 145
- long-term	8 037	7 682

- short-term	76 034	67 463
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Note 12. CURRENT AND OTHER LIABILITIES

Detailed list	30/09/2022 unaudited	31.12.2021
Budgetary liabilities (related to taxes, customs duties, social security and similar contributions, except corporate income tax)	6 477	3 050
Pay-roll liabilities	2 506	2 416
Deposits received	0	0
Other	219	207
Total other short-term liabilities	9 202	5 673

Note 13. PROVISIONS FOR EMPLOYEE BENEFITS

Detailed list	30/09/2022 unaudited	31.12.2021
Provisions for retirement and disability severance payments	429	429
Provisions for long service awards	0	0
Provisions for annual leaves	1 431	2 938
Provisions for other employee entitlements	0	0
Total provisions for employee entitlements, of which:	1 860	3 367
- long-term	396	396
- short-term	1 464	2 971

Note 14. OTHER PROVISIONS

Information on other short-term provisions is presented in the table below:

Detailed list	30/09/2022 unaudited	31.12.2021
Provisions for warranty repairs and reimbursements	3 189	2 783
Provision for sales costs and sales bonuses	4 737	5 256
Provision for studies and consultancy services	43	52
Other provisions	804	423
Total other provisions, of which:	8 773	8 514
- long-term	2 405	1 999
- short-term	6 368	6 515

Note 15. CAPITALS AND TRANSACTIONS WITH AFFILIATED ENTITIES COVERED AND NOT COVERED BY CONSOLIDATION

Shares held by non-controlling shareholders include non-group shares in companies covered by consolidation.

The capital belonging to non-controlling shareholders is determined as the value of net assets of the affiliated entity attributable to shareholders from outside the Capital Group as of the acquisition date.

This value decreases/increases by increases/decreases in equity attributable to the value of shares belonging to non-controlling shareholders.

These consolidated financial statements for the periods ended September 30, 2022 and December 31, 2021 cover the following group entities:

Detailed List	Share in the total number of votes (%)	
	September 30, 2022 unaudited	31/12/2021
LUG S.A.	Parent company	
LUG LIGHT FACTORY Sp. z o. o.	100.00%	100.00%
LUG GmbH	100.00%	100.00%
LUG do Brasil Ltda.	65.00%	65.00%
LUG Lighting UK Ltd	100.00%	100.00%
LUG Argentina S.A.	50.00%	50.00%
BIOT Sp. z o.o.	93.00%	87.75%
LUG AYDINLATMA SISTEMLERİ ANONİM ŞİRKETİ (LUG Turkey)	66.80%	66.80%
ESCOLIGHT Sp. z o.o.	45.00%	30.00%
LUG Services Sp. z o.o.	97.00%	97.00%

The subsidiary T.O.W LUG Ukraina, in which the parent company holds 100% of shares, is not covered by consolidation. The operations of the subsidiary in Ukraine remain suspended.

In 2022, transactions with affiliated entities were conducted on a commercial basis.

Affiliated entity	Sales to affiliated entities	Purchases from affiliated entities	Receivables from affiliated entities	Liabilities towards affiliated entities
Parent company	January 1, 2022- September 30, 2022 unaudited	January 1, 2022- September 30, 2022 unaudited	September 30, 2022 unaudited	September 30, 2022 unaudited
LUG SA	1,224	307	302	343
Subsidiaries:	11,228	12,145	12,349	12,308
LUG Light Factory Sp. z o.o.	7,555	4,866	9,903	2,574
LUG GmbH	1,399	142	643	144
LUG do Brasil Ltda.	28	0	0	748
LUG Lighting UK Ltd.	585	17	249	17
LUG Argentina S.A.	0	1,070	0	3,538
BIOT Sp. z o.o.	222	116	0	52
LUG Turkey	0	0	0	166
LUG Services Sp. o.o.	229	5,925	260	5,063
ESCOLIGHT Sp. z o. o.	1,001	0	1,231	0
Luna Sp. z o. o.	208	8	63	6
Luna Sp. z o.o. Sp. K.	0	1	0	0

In addition, LUG S.A. granted the following loans:

- to BIOT Sp. z o.o. in the amount of PLN 1,400 thousand (of which the paid-up capital as of September 30, 2022 amounted to PLN 1,265 thousand)
- to ESCOLIGHT Sp. z o.o. in the amount of PLN 726 thousand (capital paid in full).

LUG Light Factory Sp. z .o.o. granted the following loans:

- to BIOT Sp. z o.o. in the amount of PLN 7,970 thousand
- to LUNA Sp. z o.o Sp. K. in the amount of PLN 500 thousand (of which PLN 50 thousand was repaid)
- To LUG Services Sp. z o.o. in the amount of PLN 335 thousand (of which PLN 200 thousand was repaid).

Data on transactions with affiliated entities and information on unsettled balances for 2021 are presented in the table below:

Affiliated entity	Sales to affiliated entities	Purchases from affiliated entities	Receivables from affiliated entities	Liabilities to affiliated entities
Parent company	01/01/2022 – 30/09/2022 unaudited	01/01/2022 – 30/09/2022 unaudited	30/09/2022 unaudited	30/09/2022 unaudited
LUG S.A.	1 224	307	302	343
Subsidiaries:	11 228	12 145	12 349	12 308
LUG Light Factory Sp. z o.o.	7 555	4 866	9 903	2 574
LUG GmbH	1 399	142	643	144
LUG do Brazil Ltda.	28	0	0	748
LUG Lighting UK Ltd.	585	17	249	17
LUG Argentina S.A.	0	1 070	0	3 538
BIOT Sp. z o.o.	222	116	0	52
LUG Turkey	0	0	0	166
LUG Services Sp. z o.o.	229	5 925	260	5 063
ESCOLIGHT Sp. z o.o.	1 001	0	1 231	0
Luna Sp. z o.o.	208	8	63	6
Luna Sp. z o.o. Sp. k.	0	1	0	0

In addition, as of December 31, 2021, LUG S.A. granted BIOT Sp. z o.o. a loan in the amount of PLN 800,000. The company LUG Light Factory Sp. z o.o. granted BIOT Sp. z o.o. a loan in the amount of PLN 5,030,000.

Nota 16. CORRECTION OF SIGNIFICANT ERRORS

In the period from January 1, 2022 to September 30, 2022, no corrections of significant errors were made.

Nota 17. SETTLEMENTS OF COURT CASES

In the period covered by the financial information, until the date of publication of the report there were no significant court proceedings pending against the companies of the Capital Group.

Nota 18. INFORMATION ON THE SEASONALITY OR CYCLICALITY OF ACTIVITIES IN THE INTERIM PERIOD

As part of the activities conducted by the LUG Group, there are no significant seasonal or cyclical phenomena.

Nota 19. INFORMATION ON UNUSUAL EVENTS DUE TO THEIR TYPE, SIZE OR FREQUENCY

There were no unusual events other than those described in the financial statement.

Nota 20. SIGNIFICANT EVENTS AFTER THE END OF THE QUARTERLY PERIOD NOT REFLECTED IN THE FINANCIAL STATEMENT

Covid-19 pandemic

The impact of the pandemic on the functioning of the group is described in more detail in 4.2 on page 20 of the report.

War in Ukraine

The impact of the armed conflict between Russia and Ukraine on the economic situation and condition of the LUG S.A. Capital Group is described in 4.3 on pages 20-22 of the report.

Statement of the Management Board

The Management Board of the parent company declares that, to the best of its knowledge, the consolidated financial statement and comparative data have been prepared in accordance with the accounting principles applicable to the group and that they truly, reliably and clearly reflect the property and financial situation of the Capital Group and its financial result.

The consolidated financial statement has been prepared using the accounting principles in accordance with the International Financial Reporting Standards as approved by the European Union.

The condensed consolidated financial statement of the LUG Capital Group contains data for the period from January 1, 2022 to September 30, 2022.

Comparative data are presented:

- ❑ as of December 31, 2021 for the consolidated statement of financial position,
- ❑ for the period from January 1, 2021 to September 30, 2021 for the consolidated income statement, consolidated statement of other comprehensive income, condensed consolidated statement of cash flows and the consolidated statement of changes in equity for the 12 months ended December 31, 2021.

The statement was approved on November 9, 2022 by the Management Board composed of:

Name and surname	Function
Ryszard Wtorkowski	President of the Management Board
Mariusz Ejsmont	Vice-President of the Management Board
Małgorzata Konys	Member of the Management Board

7.4 Condensed individual financial statement of LUG S.A.

Individual income statement of LUG S.A.

Detailed List	January 1, 2022- September 30, 2022 unaudited	January 1, 2021- September 30, 2021 unaudited	July 1, 2022- September 30, 2022 unaudited	July 1, 2021- September 30, 2021 unaudited
Revenue from the sale of products and services	1180	1180	580	580
Revenue from the sale of goods and materials	0	0	0	0
Cost of products, goods and materials sold	0	0	0	0
Manufacturing costs of products and services sold	0	0	0	0
Value of goods and materials sold	0	0	0	0
Gross profit (loss) on sales	1180	1180	580	580
Other operating revenues	0	1	0	0
Sales costs	0	0	0	0
General management costs	1133	1018	460	354
Other operating expenses	25	10	3	0
Profit (loss) on operating activities	22	153	117	226
Financial revenues	498	67	463	32
Financial costs	11	0	11	3
Profit (loss) before tax	509	220	569	255
Income tax	0	0	0	0
Net profit (loss) from continued operations	509	220	569	255
Net profit (loss) from discontinued operations	0	0	0	0
Net profit (loss)	509	220	569	255
Net profit (loss) per share (in PLN)				
Basic for the financial period	0.07	0.03	0.08	0.04
Diluted for the financial period	0.07	0.03	0.08	0.04
Net profit (loss) per share from continued operations (in PLN)				
Basic for the financial period	0.07	0.03	0.08	0.04
Diluted for the financial period	0.07	0.03	0.08	0.04
Net profit (loss) per share from discontinued operations (in PLN)				
Basic for the financial period	0	0	0	0
Diluted for the financial period	0	0	0	0

Individual statement of other comprehensive income

Detailed List	January 1, 2022- September 30, 2022 unaudited	January 1, 2021- September 30, 2021 unaudited	July 1, 2022- September 30, 2022 unaudited	July 1, 2021- September 30, 2021 unaudited
Net profit (loss)	509	220	569	255
Other comprehensive income	0	0	0	0
Total comprehensive income	509	220	569	255

Individual statement of the financial position of LUG S.A. (balance sheet assets)

ASSETS	September 30, 2022 unaudited	31/12/2021	September 30, 2021 unaudited
Fixed assets	34,294	32,766	32,731
Tangible fixed assets	0	0	0
Intangible assets	0	0	0
Investments in subordinated entities	32,200	31,921	31,721
Other financial assets	2,049	800	959
Deferred tax assets	45	45	51
Long-term receivables	0	0	0
Long-term investments	0	0	0
Long-term prepayments and accruals	0	0	0
Current assets	2,224	3,192	2,872
Provisions	0	0	0
Trade receivables	144	874	648
Receivables due to current income tax	110	0	52
Other receivables	1,935	2,048	2,076
Other financial assets	0	213	0
Short-term prepayments and accruals	29	35	87
Cash and cash equivalents	6	22	9
Assets classified as held for sale	0	0	0
TOTAL ASSETS	36,518	35,958	35,603

Individual statement of the financial position of LUG S.A. (balance sheet liabilities)

PASYWA	September 30, 2022 unaudited	31/12/2021	September 30, 2021 unaudited
Equity	35,867	35,358	35,187
Share capital	1,800	1,800	1,800
Supplementary capital from sale of shares above nominal price	23,815	23,815	23,815
Other capital	9,328	8,937	8,937
Retained earnings from previous years	415	415	415
Net profit (loss) attributable to the parent company's shareholders	509	391	220
Long-term liabilities and provisions	25	25	51
Credits and loans	0	0	0
Other financial liabilities	0	0	0
Other long-term liabilities	0	0	19
Provisions for deferred income tax	25	25	32
Accruals and deferred income	0	0	0
Provision for employee benefits	0	0	0
Other provisions	0	0	0
Short-term liabilities and provisions	626	575	364
Credits and loans	0	0	0
Other financial liabilities	0	0	0
Trade liabilities	501	114	247
Current income tax liabilities	0	92	0
Other short-term liabilities	103	334	105
Accruals and deferred income	0	0	0
Provision for employee benefits	0	0	0
Other provisions	22	35	12
Liabilities directly related to assets classified as held for sale	0	0	0
TOTAL LIABILITIES	36,518	35,958	35,603
Book value per share (in PLN)	4.98	4.91	4.89



Individual statement of changes in the equity of LUG S.A.

Detailed List	Share capital	Supplementary capital from sale of shares above nominal price	Other capital	Retained earnings from previous years	Financial result for the current period	Total equity
January 1, 2022-September 30, 2022						
Equity as of January 1, 2022	1,800	23,815	8,937	806	0	35,358
Changes in accounting principals (policy)	0	0	0	0	0	0
Corrections due to fundamental errors	0	0	0	0	0	0
Equity after corrections as of January 1, 2022	1,800	23,815	8,937	806	0	35,358
Issue of shares	0	0	0	0	0	0
Dividend payment	0	0	0	0	0	0
Distribution of net profit	0	0	391	-391	0	0
Other changes	0	0	0	0	0	0
Total comprehensive income	0	0	0	0	509	509
Equity as of September 30, 2022	1,800	23,815	9,328	415	509	35,867

Detailed List	Share capital	Supplementary capital from sale of shares above nominal price	Other capital	Retained earnings from previous years	Financial result for the current period	Total equity
January 1, 2021-December 31, 2021						
Equity as of January 1, 2021	1,800	23,815	8,471	881	0	34,967
Changes in accounting principals (policy)	0	0	0	0	0	0
Corrections due to fundamental errors	0	0	0	0	0	0
Equity after corrections as of January 1, 2021	1,800	23,815	8,471	881	0	34,967
Issue of shares	0	0	0	0	0	0
Dividend payment	0	0	0	0	0	0
Distribution of net profit	0	0	466	-466	0	0



Other changes	0	0	0	0	0	0
Total comprehensive income	0	0	0	0	391	391
Equity as of December 31, 2021	1,800	23,815	8,937	415	391	35,358

Detailed List	Share capital	Supplementary capital from sale of shares above nominal price	Other capital	Retained earnings from previous years	Financial result for the current period	Total equity
January 1, 2021-September 30, 2021						
Equity as of January 1, 2021	1,800	23,815	8,471	881	0	34,967
Changes in accounting principals (policy)	0	0	0	0	0	0
Corrections due to fundamental errors	0	0	0	0	0	0
Equity after corrections as of January 1, 2021	1,800	23,815	8,471	881	0	34,967
Issue of shares	0	0	0	0	0	0
Dividend payment	0	0	0	0	0	0
Distribution of net profit	0	0	466	-466	0	0
Other changes	0	0	0	0	0	0
Total comprehensive income	0	0	0	0	220	220
Equity as of September 30, 2021	1,800	23,815	8,937	415	220	35,187

Condensed individual statement of cash flows of LUG S.A.

Detailed List	January 1, 2022- September 30, 2022 unaudited	January 1, 2021- September 30, 2021 unaudited	July 1, 2022- September 30, 2022 unaudited	July 1, 2021- September 30, 2021 unaudited
OPERATING ACTIVITIES				
Profit/loss before tax	509	220	569	255
Total adjustments:	530	333	-284	-111
Income tax paid/refunded	-202	-99	-42	-20
Depreciation	0	0	0	0
Profit (loss) due to exchange rate differences	0	0	0	0
Interest and shares in profits (dividends)	-498	-20	-464	-5
Profit (loss) from investment activities	0	0	0	0
Change in provisions	-14	-32	21	-2
Change in inventories	0	0	0	0
Change in receivables	843	425	20	-40
Change in liabilities, excluding loans and credits	395	24	167	-31
Change in accruals and deferred income	6	35	14	-13
Other corrections in operating activities	0	0	0	0
A. Net cash flows from operating activities	1,039	553	285	144
INVESTMENT ACTIVITIES				
Inflows	443	11	420	7
Disposal of financial assets	0	0	0	0
Dividends and interest received	443	11	420	7
Repayment of long-term loans granted	0	0	0	0
Other investment inflows/subsidies	0	0	0	0
Expenditure	1,498	557	704	157
Expenditure on financial assets	517	557	15	157
Granting long-term loans	981	0	689	0
Other investment expenditure	0	0	0	0
B. Net cash flow from investment activities	-1,055	-546	-284	-150
FINANCIAL ACTIVITIES				
Inflows	0	0	0	0
Net inflows from issue of shares and other equity instruments and capital surcharges	0	0	0	0
Credits and loans	0	0	0	0
Other financial inflows	0	0	0	0
Expenditure	0	0	0	0
Repayments of credits and loans	0	0	0	0
Interest	0	0	0	0
Other financial expenditure	0	0	0	0
C. Net cash flow from financial activities	0	0	0	0
D. Total net cash flow (A+B+C)	-16	7	1	-6
E. Balance sheet change in cash, including:	-16	7	1	-6
– change in cash due to exchange differences	0	0	0	0



F. Cash and cash equivalents at the beginning of the period	22	2	5	15
G. Cash at the end of the period	6	9	6	9

ADDITIONAL NOTES AND EXPLANATIONS TO THE CONDENSED INDIVIDUAL ENDED QUARTERLY FINANCIAL STATEMENT

BASIS FOR PREPARING THE STATEMENT

The condensed individual quarterly financial statement has been prepared in accordance with IAS 34 "Interim Financial Reporting" in the form approved by the EU and with the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information provided by issuers of securities and the conditions for recognizing as equivalent information required by the law of a non-member state (Journal of Laws of 2018, items 512 and 685) ("Regulation").

The condensed individual quarterly financial statement should be read together with the condensed consolidated quarterly financial statement approved for publication by the Management Board and published on the same day as the condensed individual quarterly financial statement in order to obtain full information about the property and financial situation of the LUG S.A. Capital Group as of September 30, 2022 and the financial result for the period from January 1 to September 30, 2022 in accordance with the International Financial Reporting Standards approved by the European Union.

The condensed individual quarterly financial statement does not include all information and disclosures required in the annual financial statement.

The values in the condensed individual financial statement are presented in PLN, and, unless indicated otherwise, are given in thousands (PLN thousand).

Comparative data include the statement of financial position as of December 31, 2021 for the income statement, the statement of other comprehensive income and the condensed statement of cash flows for the period of 9 months ended September 30, 2021 and the statement of changes in equity for the period of 12 months ended December 31, 2021.

The quarterly financial result may not fully reflect the achievable financial result for the financial year.

The presented financial data were not subject to review by the expert auditor.

In the preparation of the condensed individual quarterly financial statement, none of the published but not binding standards and interpretations of standards were applied.

The condensed quarterly financial statement for the period of 9 months ended September 30, 2022 has been prepared on the assumption of continuity in operations.

The same accounting principles and calculation methods have been applied in the condensed quarterly financial statement as in the last annual financial statement.

In the condensed quarterly financial statement, there were no significant changes in the estimated amounts presented in the previous quarters of the current financial year, nor changes in the estimated values presented in the previous financial years, which would have a significant impact on the current interim period.

CONDENSED INDIVIDUAL FINANCIAL STATEMENT

Note 1. SHARES IN SUBSIDIARIES AND ASSOCIATES

Change in investments in subsidiaries and associates

Detailed List	September 30, 2022 unaudited	31/12/2021	September 30, 2021 unaudited
Balance at the beginning of the period	31,921	31,390	31,390
Increases due to:	279	607	407
- capital increase in LUG Argentina S.A.	0	407	407
- capital increase in BIOT Sp. z o.o.	264	200	0
- purchase of shares in ESCOLIGHT Sp. z o.o	15	0	0
Decreases due to:	0	76	76
- sale of shares in LUG West Africa	0	76	76
- other changes	0	0	0
Balance at the end of the period	32,200	31,921	31,721

The increase in the value of investments in subsidiaries in 2022 concerned the acquisition of shares in BIOT Sp. z o.o. in the amount of PLN 264 thousand and the purchase of shares in ESCOLIGHT Sp. z o.o. in the amount of PLN 15 thousand.

The increase in the value of investments in subsidiaries in 2021 concerned the acquisition of shares in LUG Argentina S.A. (PLN 407 thousand) and the increase in capital in BIOT Sp. z o.o. in the amount of PLN 200 thousand. The decrease in value concerned the sale of all shares in LUG West Africa Ltd. in the amount of PLN 76 thousand.

Investments in subsidiaries as of September 30, 2022

Name of the company, legal form, city where the seat of the management board is located	Value of shares at purchase price	Value corrections	Carrying amount of shares	Percentage of shares owned	Percentage of votes held	Consolidation method
LUG Light Factory Sp. z o.o., Zielona Góra	29,000	0	29,000	100%	100%	full
T.O.W LUG Ukraina, Kijów	99	99	0	100%	100%	NA
LUG GmbH, Berlin	83	0	83	100%	100%	full
LUG do Brasil, Sao Paulo	509	509	0	65%	65%	full
LUG Lighting UK, Londyn	25	0	25	100%	100%	full
BIOT Sp. z o.o., Zielona Góra	2,183	0	2,183	93%	93%	full
LUG Argentina S.A., Buenos Aires	790	0	790	50%	50%	full
LUG Turkey, Istanbul	25	0	25	66.80%	66.80%	full
ESCOLIGHT Sp. z o.o., Zielona Góra	45	0	45	45%	45%	property rights
LUG Services Sp. z o.o., Zielona Góra	49	0	49	97%	97%	full
Total	32,808	608	32,200			

Investments in subsidiaries as of December 31, 2021

Name of the company, legal form, city where the seat of the management board is located	Value of shares at purchase price	Value corrections	Carrying amount of shares	Percentage of shares owned	Percentage of votes held	Consolidation method
LUG Light Factory Sp. z o.o., Zielona Góra	29,000	0	29,000	100%	100%	full
T.O.W LUG Ukraina, Kijów	99	99	0	100%	100%	NA
LUG GmbH, Berlin	83	0	83	100%	100%	full
LUG do Brasil Ltda., Sao Paulo	509	509	0	65%	65%	full
LUG Lighting UK Ltd., London	25	0	25	100%	100%	full
BIOT Sp. z o.o., Zielona Góra	1,920	0	1,920	87.75%	87.75%	full
LUG Argentina S.A., Buenos Aires	790	0	790	50%	50%	full
LUG Turkey, Istanbul	25	0	25	66.8%	66.8%	full
ESCOLIGHT Sp. z o.o., Zielona Góra	30	0	30	30%	30%	property rights
LUG Services Sp. z o.o., Zielona Góra	49	0	49	97%	97%	full
Total	32,530	608	31,921			

Condensed financial information about subsidiaries for the period from January 1 to September 30, 2022 and as of September 30, 2022 includes:

Legal form, city where the seat of the management board is located	Equity	Share capital	Other capital	Net profit / loss	Assets value	Fixed assets	Current assets	Liabilities value	Revenues value
LUG Light Factory Sp. z o.o., Zielona Góra	56,618	29,000	23,781	3,837	191,466	75,696	115,770	134,849	170,433
LUG GmbH, Berlin	362	83	279	1	763	52	710	401	1,402
LUG Lighting UK Ltd., London	264	25	213	26	327	0	327	63	585
LUG do Brasil Ltda., Sao Paulo	-6,237	677	-8,075	1,161	149	3	146	6,386	63
LUG Argentina S.A., Buenos Aires	2,448	1,541	756	150	8,209	1,825	6,384	5,761	3,711
BIOT Sp. z o.o., Zielona Góra	-1,285	700	-798	-1,188	11,043	10,740	303	12,329	222
LUG Turkey, Istanbul	-145	38	-135	-48	27	0	27	172	0
LUG Services Sp. z o.o., Zielona Góra	369	50	495	-176	7,640	591	7,049	7,272	8,562
ESCOLIGHT Sp. z o.o., Zielona Góra	-717	100	-600	-218	1,375	0	1,375	2,093	1,009

Condensed financial information about subsidiaries for the period from January 1 to December 31, 2021 and as of December 31, 2021 includes:

Legal form, city where the seat of the management board is located	Equity	Share capital	Other capital	Net profit / loss	Assets value	Fixed assets	Current assets	Liabilities value	Revenues value
LUG Light Factory Sp. z o.o., Zielona Góra	53,201	29,000	18,475	5,726	196,585	75,478	121,107	143,385	198,016
LUG GmbH, Berlin	341	83	246	12	424	52	372	83	1,462
LUG Lighting UK Ltd., London	235	25	180	30	259	0	259	24	942
LUG do Brasil Ltda., Sao Paulo	-5,927	677	-6,609	5	117	4	113	6,044	0
LUG Argentina S.A., Buenos Aires	2,669	1,541	1,185	-57	9,881	2,741	7,140	7,211	6,922
BIOT Sp. z o.o., Zielona Góra	-597	200	-111	-686	9,131	21	9,110	9,729	521
LUG Turkey, Istanbul	-112	38	-43	-107	27	0	27	139	0
LUG Services Sp. z o.o., Zielona Góra	545	50	122	373	3,173	5	3,168	2,627	3,867
ESCOLIGHT Sp. z o.o., Zielona Góra	-500	100	-38	-562	145	0	145	645	2



Condensed financial information about subsidiaries for the period from January 1 to September 30, 2021 and as of September 30, 2021 includes:

Legal form, city where the seat of the management board is located	Equity	Share capital	Other capital	Net profit / loss	Assets value	Fixed assets	Current assets	Liabilities value	Revenues value
LUG Light Factory Sp. z o.o., Zielona Góra	50,089	29,000	18,418	2,671	176,069	71,083	104,986	125,980	140,619
LUG GmbH, Berlin	366	83	249	34	506	56	450	140	1,199
LUG Lighting UK Ltd., London	231	25	175	31	245	0	245	14	872
LUG do Brasil Ltda., Sao Paulo	-5,958	677	-6,677	42	122	5	117	6,080	0
LUG Argentina S.A., Buenos Aires	1,960	1,541	452	-33	9,574	1,589	7,985	7,614	5,184
BIOT Sp. z o.o., Zielona Góra	-357	200	-111	-446	7,601	27	7,574	7,958	718
LUG Turkey, Istanbul	-96	38	-93	-41	37	0	37	133	0
LUG Services Sp. z o.o., Zielona Góra	183	50	122	11	2,032	5	2,027	1,849	1,621
ESCOLIGHT Sp. z o.o., Zielona Góra	-278	100	-38	-340	88	0	88	366	0

Note 2. OTHER LONG-TERM FINANCIAL ASSETS

Other long-term financial assets as of September 30, 2022 included loans granted to:

- subsidiary BIOT Sp. z o.o. in the amount of PLN 1,400 thousand (of which the paid-up capital as of September 30, 2022 amounted to PLN 1,265 thousand),
- to ESCOLIGHT Sp. z o.o. in the amount of PLN 726 thousand (capital paid in full).

Note 3. SHARE CAPITAL

Series/issue type of shares	Share privilege	Type of limitation of rights to shares	Share number	Unit value	Series/issue value at nominal value in PLN	Method of capital coverage	Registration date
A	NONE	NONE	4,320,000	0.25	1,080,000.00	Cash	2001
B	NONE	NONE	1,438,856	0.25	359,714.00	Public Issue	2007
C	NONE	NONE	1,439,714	0.25	359,928.50	Public Issue	2010
TOTAL			7,198,570		1,799,642.50		

Share capital – structure as of September 30, 2022

Shareholders	Share number (pcs.)	Shares value (PLN thousand)	Share in share capital (%)	Number of votes (pcs.)	Share in the number of votes at the AGM (%)
Ryszard Wtorkowski	2,670,610	668	37.10%	2,670,610	37.10%
Iwona Wtorkowska	1,120,000	280	15.56%	1,120,000	15.56%
Funds managed by OPERA TFI	1,365,049	341	18.96%	1,365,049	18.96%
MKK3 Sp. z o.o.	362,334	91	5.03%	362,334	5.03%
Other shareholders	1,680,577	420	23.35%	1,680,577	23.35%
Total	7,198,570	1,800	100.00%	7,198,570	100.00%

Note 4. SUPPLEMENTARY CAPITAL FROM ACQUISITION OF SHARES ABOVE THEIR NOMINAL VALUE

The supplementary capital was created from the surplus of the issue value over the nominal value, which was reduced by the share issue costs recognized as a decrease in the supplementary capital.

Detailed List	30/09/2022 Unaudited	31/12/2021
Excess of the issue price over the nominal value	25,754	25,754
Issuance costs	1,939	1,939
TOTAL	23,815	23,815

Note 5. CORRECTION OF SIGNIFICANT ERRORS

In the period from January 1, 2022 to September 30, 2022, no corrections of significant errors were made.

Note 6. SETTLEMENTS OF COURT CASES

In the period covered by the financial information, until the date of publication of the statement there were no significant court proceedings pending against the company.

Note 7. INFORMATION ON THE SEASONALITY OR CYCLICALITY OF ACTIVITIES IN THE INTERIM PERIOD

As part of the activities conducted by LUG S.A., there are no significant seasonal or cyclical phenomena.

Note 8. INFORMATION ON UNUSUAL EVENTS DUE TO THEIR TYPE, SIZE OR FREQUENCY

There were no unusual events other than those described in the financial statement.

Note 9. SIGNIFICANT EVENTS AFTER THE END OF THE QUARTERLY PERIOD NOT REFLECTED IN THE FINANCIAL STATEMENT

Covid-19 pandemic

The impact of the pandemic on the functioning of the group is described in more detail in 4.2 on page 20 of the report.

War in Ukraine

The impact of the armed conflict between Russia and Ukraine on the economic situation and condition of the LUG S.A. Capital Group is described in 4.3 on pages 20-22 of the report.

Statement of the Management Board

The Management Board of the parent company declares that, to the best of its knowledge, the condensed individual quarterly financial statement and comparative data have been prepared in accordance with the accounting principles applicable to the group and that they truly, reliably and clearly reflect the property and financial situation of the company and its financial result.

The condensed individual financial statement has been prepared using the accounting principles in accordance with the International Financial Reporting Standards as approved by the European Union.

The condensed individual financial statement contains data for the period from January 1, 2022 to September 30, 2022.

Comparative data are presented:

- ❑ as of December 31, 2021 for the statement of financial position,
- ❑ for the period from January 1, 2021 to September 30, 2021 for the income statement, statement of other comprehensive income, condensed statement of cash flows and the statement of changes in equity for the 12 months ended December 31, 2021.

The statement was approved on November 9, 2022 by the Management Board composed of:

Name and surname	Function
Ryszard Wtorkowski	President of the Management Board
Mariusz Ejsmont	Vice-President of the Management Board
Małgorzata Konys	Member of the Management Board

OTHER ADDITIONAL INFORMATION

1. Description of significant achievements or failures of LUG S.A. and its group in the period from January 1 to September 30, 2022 together with a list of the most important events concerning them.
Information on the above topics can be found in the chapter "Basic information about the company and the Capital Group".
2. Description of factors and events, in particular of an unusual nature, having a significant impact on the financial results in the period from January 1 to September 30, 2022.
Information on the above topics can be found in the chapter "Basic information about the company and the Capital Group".
3. Description of changes in the organization of the capital group, including as a result of a merger of entities, obtaining or losing control over subsidiaries and long-term investments, as well as division, restructuring or discontinuation of operations.
Information on the above topics can be found in the chapter "Basic information about the company and the Capital Group".
4. The position of the Management Board regarding the possibility of meeting previously published forecasts of results for 2022 in the context of the results presented in the report for the third quarter of 2022.
The Management Board of LUG S.A. did not publish forecasts of the financial results of the company or the LUG Capital Group for 2022.
5. Shareholders holding directly or indirectly 5% of votes at the General Meeting as of the date of submitting this report, together with an indication of changes that have occurred since the date of submitting the previous periodic report (report for the second quarter of 2022).
Information on the above topics can be found in the chapter "Basic information about the company and the Capital Group".
6. LUG S.A. shares held by managing and supervising persons as of the date of submitting the report, together with an indication of changes that have occurred since the date of submitting the previous periodic report (report for the second quarter of 2022).
Information on the above topics can be found in the chapter "Basic information about the company and the Capital Group".
7. Significant proceedings pending before a court, a body competent for arbitration proceedings or a public administration body.
In the period from January 1 to September 30, 2022, the issuer or the companies of the LUG Group were not parties to proceedings (individually or jointly), the value of which would exceed 10% of the issuer's equity.
8. Information on the conclusion by the company or its subsidiary of one or more transactions with affiliated entities, if individually or jointly they are significant and were concluded on terms other than market terms.
In the period from January 1 to September 30, 2022, LUG S.A. and its subsidiaries did not conclude any transaction agreements with affiliated entities on terms that differed from market and routine terms that would be significant for the group.

9. Information on granting credit or loan sureties and granting guarantees by LUG S.A. or its subsidiary – jointly to one entity or its subsidiary, the value of which exceeds 10% of LUG's equity.

In the period from January 1 to September 30, 2022, LUG S.A. did not grant sureties, credits, loans and guarantees whose value would exceed 10% of LUG S.A.'s equity.

10. Other information which, in the issuer's opinion, is important for the assessment of its personnel, property and financial situation, financial result, and their changes, and information which is significant for the assessment of the issuer's ability to meet its obligations.

As a consequence of the COVID-19 pandemic, from May 16 last year restrictions in Poland have been eased and the state of epidemic threat has entered into force. Another important phenomenon is the war in Ukraine and its impact on the macroeconomic situation in Europe. Information on these events and their impact on the issuer's financial condition is described in note 9.

8 Statement of the issuer's Management Board

The Management Board of LUG S.A declares that, to the best of its knowledge, the selected financial data and comparative data have been prepared in accordance with accounting principles and that they truly and reliably reflect the financial situation of the LUG S.A. Capital Group.

Zielona Góra, on 9 November 2022

Name and surname	Function
Ryszard Wtorkowski	President of the Management Board
Mariusz Ejsmont	Vice-President of the Management Board
Małgorzata Konys	Member of the Management Board

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