

Q1/23

quarterly report

LUG S.A. Capital Group



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In the first quarter of 2023, global economies faced numerous macroeconomic challenges, but despite this, we maintained high sales revenues in excess of PLN 60 million. We also generated a record level of gross profit on sales and improved the profitability of our operations by exceeding the 40% of the margin. Our new development strategy assumes that by 2026, ¼ of our revenues will come from foreign markets and we will increase the net profitability to 7%.

Ryszard Wtorkowski
CEO of LUG S.A.

62,15

PLN mln

revenues
I Q 2023

+9,1% yoy

25,13

PLN mln

gross profit on sales
I Q 2023

+18,5% yoy

4,92

PLN mln

EBITDA
I Q 2023

-0,6% yoy

0,93

PLN mln

net profit for
shareholders of
LUG S.A.
I Q 2023

+10,7% yoy

- Historically, the second highest level of quarterly sales revenue.
- Record level of gross profit on sales in the history of the LUG Group.
- Improvement of gross margin on sales to over 40% and EBITDA margin to over 8%.
- Conclusion of the second contract for the supply of luminaires for the capital city of Warsaw.

Sales revenues

[PLN mln, %]



Gross profit on sales

[PLN mln, %]



EBITDA

[PLN mln, %]



Net profit for shareholders of LUG S.A.

[PLN mln, %]





Letter from the President of the Management Board



Dear Sir or Madam,

The new year for the LUG Group began with the presentation of a new development strategy for the LUG Group for 2023-2026, responding to the needs of the dynamically changing market. Now we are facing the most difficult stage, namely its effective implementation.

In the first accounting period of the year we faced numerous macroeconomic challenges, high inflation, signals of weaker GDP growth. Despite this, we have grounds for a positive assessment of these 3 months. We signed a second contract for the supply of new lighting fixtures in LED technology for the City of Warsaw. We will install 36,000 of our proprietary SAVA luminaires there, and thus make almost the entire Capital City shine with our energy-saving solutions. The contract is worth approx. PLN 40 million. In addition, today I can already boast of a contract for the replacement of 12,500 luminaires along with a control system in the Dutch town of Houten. We are also waiting for final decisions and the start of other major European projects, about which I hope to be able to say more soon.

Despite weak macroeconomic readings, the LUG Group in the first quarter of this year surpassed the sales results of a year ago. It also generated higher consolidated revenues for the first quarter than in any of the corresponding periods of previous years. This was due to the materialization of a rapidly growing order backlog, as well as several earlier decisions and actions by the Management Board, such as improving gross profitability on sales through the negotiation of component purchase terms, negotiating project execution terms, and making the price list values of products in LUG's assortment more realistic. The first quarter of this year also saw the effects of converting external financing from WIBOR to EURIBOR, resulting in the application of a lower interest rate and reducing the level of financing costs. During the period, we also financed projects that had continued over several previous periods, including revenues realized from the lighting modernization project of the City of Warsaw.

We closed the first quarter of this year with consolidated revenues of PLN 62.15 million, an increase of 9.1% over the results achieved in the same period last year. In the first quarter of this year alone, we generated a gross profit on sales of PLN 25.13 million, up 18.5% year-on-year. This allowed us to improve our gross margin, which amounted to 40.4% (+3.2 p.p. YOY). This result was also 13.3% higher than the level of gross profit on sales realized in the last quarter of 2022, when it amounted to PLN 22.18 million. The good performance in the first reporting period of the year contributes to an EBITDA result of PLN 4.92 million. This is a comparable level to the figures from the first quarter of 2022, and at the same time 31.9% higher than in the last quarter of 2022. Consolidated net income in the first three months of 2023 amounted to PLN 0.93 million, compared to PLN 0.84 million in Q1 2022. This is an increase of 10.7% year-on-year and 41% higher than in the last three months of 2022.

The global macroeconomic outlook is challenging, with high inflation and an economic slowdown still on the horizon. Against this backdrop, the industry's future looks decidedly brighter. International forecasts for the global lighting market presented in the report "Global LED Market 2023-2027", which indicates that the growth rate of the lighting market will be 14.68% over the next 4-5 years. Europe is presented in it as the most promising and informed market, which we have taken into account in our strategy seeking to strengthen our position in this macro-region. Let me remind you that within the overall lighting market there are three significant segments: backlighting, automotive lighting and general lighting. The latter segment is the focus of our Group's business. The latest forecasts are very promising. By 2027, this segment will account for more than half of the global market (52.06%).

The main drivers of demand growth will be primarily the high cost of electricity and new regulations related to climate change, stimulating the idea of energy efficiency and respect for the environment.

In Q1 2023, we can boast not only good results, but also awards from industry experts. Our proprietary SAVA luminaire received a special award given by the Polish lighting industry for outstanding and non-standard lighting solutions in the design, selection and delivery of luminaires for the modernization of city street lighting. At the same time, the title of "Best-lit municipality and city" in 2022 was awarded to the capital city of Warsaw. We also received an honourable mention in the "Orły ESG Rzeczpospolitej 2023" competition for intelligent lighting, and were awarded the Highly Commended mark in the Outdoor category of the DALI Lighting Awards 2022.

The company's awards and successes are the result of the work of the entire team, their commitment and passion. Therefore, on behalf of the entire management of LUG S.A., I thank our Employees for their contribution to the development of the LUG S.A. Capital Group. To our shareholders, thank you for your trust.

I invite you to familiarize yourself with the report in the belief that its reading will be a source of many positive conclusions.

Yours sincerely,

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



Market situation in Q1 2023

- macroeconomic environment in the world and in Poland
- lighting industry
- market trends

3.1 Macroeconomic environment in the world and in Poland

The macroeconomic environment in the first quarter of 2023 remained similar to that observed in 2022. Uncertainty in the business environment and weak readings of economic indicators accompanying the last months of last year also translated into the beginning of 2023. Influenced by the external shock of the outbreak of war in Ukraine, faced with the consequences of the pandemic and Russia's energy blackmail, the pace of GDP growth was shaken and inflation increased significantly.¹ Corporate sentiment deteriorated further in the first quarter of 2023.

The economic of the first quarter of 2023 was influenced by the following factors:

- **Inflation**

The year 2022 turned out to be a record year in terms of the level of inflation achieved, the beginning of 2023 brought a continuation of the trend. Although the annual inflation rate had already passed its peak in February this year, reaching 18.4%, its decline in March to 16.1% was mainly a statistical effect.² According to the Central Statistical Office's preliminary estimates, inflation reached 14.7% in April this year, mainly due to the deceleration of food price growth.³ Core inflation, which illustrates inflationary pressures linked to the prosperity of the Polish economy, is not decelerating, and the momentum of prices in core terms remains very high. Forecasts point to further persistence of the phenomenon in future periods.⁴ The International Monetary Fund expects inflation in the country to fall to 7.2% by the end of 2023, to 5% by the end of 2024 and to 3.6% by the end of 2025.⁵

- **PMI index**

April was described as the most difficult month of the year for the industrial sector. The PMI index for Polish industry slipped to 46.6 points (-1.7 points) noting a sharp decline in current production and new orders along the way. The export orders index was the lowest since November 2022, and according to participants in the NBP survey, demand from European industry suggests as if it is in recession.

Weakness in the manufacturing PMI over the past two months has been observed in most countries, while activity in the services area has improved. In Poland, the PMI values for services are not examined, but it is assumed that the situation may develop similarly. Based on this assumption, Q1 2023 could be the lowest point in the cycle for GDP growth, and the April PMI result alone indicates that Q2 could still be a challenging period.⁶

¹ Money.pl, Wyjątkowo optymistyczna prognoza przyjęta przez rząd. Tak ma rosnać PKB Polski, 25.04.2023.

² Gospodarka (znów) na rozdrożu, Polska gospodarka i rynki finansowe, Santander, 4.04.2023.

³ Parkiet.com, O inflacji można powiedzieć wiele, tylko nie to, że jest pod kontrolą, 03.05.2023, 21:00.

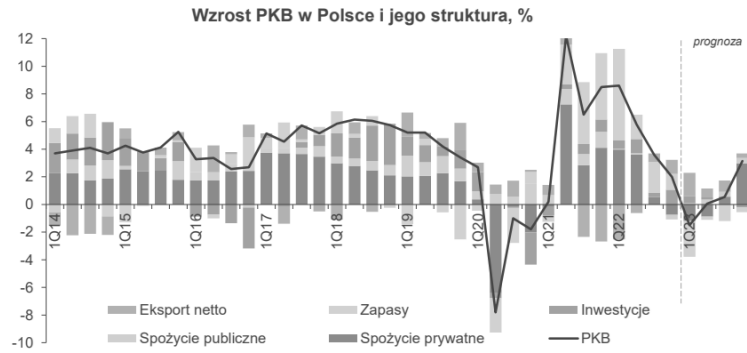
⁴ Pierwszy krok inflacji w dół, ale do celu daleko, Codziennik Santander, 14.04.2023.

⁵ Money.pl, Najnowsza prognoza PKB Polski w 2023 r. budzi niepokój. Potem ma być lepiej, 24.03.2023.

⁶ Codziennik Santander, Między FOMC a EBC, 04.05.2023.

- **Poland's GDP**

The International Monetary Fund forecasts that Poland's economic growth in 2023 will be 0.3%, rising to 2.4% the following year and 3.7% in 2025.⁷ The European Commission at the beginning of the year lowered its forecast for Poland's GDP in 2023 from an estimated 0.7% to 0.4%.



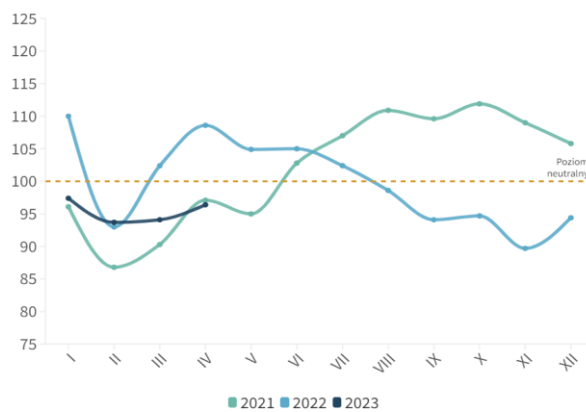
Źródło: GUS, Santander
Source: *Gospodarka (znów) na rozdrożu, MAKROskop Santander, 04.04.2023r.*

- **Continued trend of strengthening for the zloty**

Thanks to the recovery of the zloty, the dollar exchange rate has fallen to around PLN 4.20. This is the lowest level in over a year. The situation is similar with respect to the euro (a fall to the vicinity of PLN 4.65). As experts suspect, the zloty began to gain after the publication of lower-than-expected data on March inflation in the US. The decline in the rate of price growth in the US affected expectations for the further path of interest rates, in view of which capital is flowing away from the dollar towards emerging markets, which include the zloty. In addition to external factors, the Polish currency is supported by, among others, a decline in the current account deficit and an improvement in the external balance of the Polish economy. Experts predict further strengthening of the zloty against the euro.⁸

According to a survey by the National Bank of Poland, the percentage of companies pointing to the exchange rate as a barrier to growth has declined and was historically low, which is probably due to the favorable appreciation of the euro against the dollar, with the zloty holding steady against the euro. The profitability of exports settled in euros remained high, while the profitability of imports settled in dollars increased.⁹

- **Monthly Economic Outlook Index**



Źródło: badania PIE i BGK

Source: *Miesięczny Indeks Koniunktury BGK, 2023*

The Monthly Economic Outlook Index (MIK), which surveys sentiment among 500 Polish companies assigned by industry and size, reached 96.4 points in April. (+2.3 points MOM). As of August 2022, the index has not exceeded the neutral level of 100 points, meaning that negative sentiment prevails among businesses.¹⁰

⁷ Money.pl, Najnowsza prognoza PKB Polski w 2023r. budzi niepokój. Potem ma być lepiej, op.cit.

⁸ Parkiet.com, Polski złoty korzysta ze słabości dolara, 15.04.2023, 09:19.

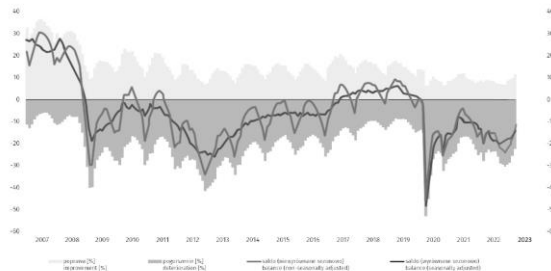
⁹ Szybki Monitoring NBP, Analiza sytuacji sektora przedsiębiorstw nr 02/23, April 2023.

¹⁰ Miesięczny Indeks Koniunktury, April 2023, PIE, BGK

- **Overall economic climate in the construction industry**

In 2023, the effects of the bad economy in construction will be more clearly reflected in the economic data. This will be influenced by the high level of interest rates, the high level of operating costs (prices of construction materials, fuel and energy, and wages), and the high level of market uncertainty. Value added in the construction industry will decline by 4.7% in 2023, and construction output sold will fall by 3.1%. The second half of the year should be slightly better than the first in this regard.

Overall economic climate in the construction industry



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

In April, the general business climate index stood at minus 12.5 (minus 16.9 a month ago). An improvement in the business climate is signaled by 9.7% of enterprises, while its deterioration is signaled by 22.3% (8.5% and 25.3%, respectively, a month ago). The remaining enterprises consider their situation unchanged.¹¹

Negative business climate assessments persist in most of the presented areas of the economy, and the general business climate index is below the long-term average in all areas.¹² Current assessments of the order book, construction production in the domestic market and the financial situation in April are less pessimistic than a month ago. An increase in payment delays for completed construction work is reported. Directors of construction companies anticipate a reduction in employment, although less significant than forecast in March. An increase in the price of construction and assembly works is predicted.¹³

3.2 Lighting industry

The global lighting market is characterized by a high level of fragmentation, with smaller companies operating alongside globally renowned players, mainly in the area of luminaire distribution. 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.¹⁴ The market structure is projected to remain fragmented until 2027 and, as in 2022, to remain in a growth phase.

As a lighting manufacturer for more than 34 years, LUG has gone from a local company employing a dozen or so people to an international Group recognized around the world. It was one of the first entrepreneurs to recognize the potential of LED technology, which now accounts for 100% of LUG's revenue. The increase in value and development of the global LED lighting market is determined by the growing demand for modern and energy-efficient lighting solutions, advancing climate change and increasing investment. Products containing LEDs, provide long-lasting, energy-efficient and environmentally friendly lighting affecting the reduction of carbon dioxide emissions. Compared to traditional light sources, LEDs consume 75% less energy, making them a very attractive alternative to displace costly and energy-intensive conventional lighting.

¹¹ Koniunktura w przetwórstwie przemysłowym, budownictwie, handlu i usługach 2000-2023, GUS, Warszawa, April 2023.

¹² Są najnowsze dane o koniunkturze w Polsce. Utrzymują się negatywne oceny, www.money.pl, 22.12.2022, 10:18.

¹³ Koniunktura w przetwórstwie przemysłowym, budownictwie, handlu i usługach 2000-2023, (op.cit.)

¹⁴ Plimsoll Insight, Market Size&Share, January 2022.

The market forecasts were developed by experts based on an analysis of trends, the impact of factors driving market growth and challenges facing the industry. One such challenge was the Covid-19 pandemic of 2020, which experienced the global LED lighting market. Blockades and restrictions on industrial and manufacturing activities in various countries disrupted the supply chain, leading to a decline in LED sales in 2020. Thanks to vaccination and preventive measures, the situation has improved in 2022 and the global LED market is expected to continue growing during the forecast period. The cumulative annual growth rate CAGR for 2022-2027 is estimated to be 14.68%.¹⁵

The global LED market was valued at \$143.9 million in 2022 and is estimated to grow to \$285.42 million in 2027. This implies strong growth opportunities for lighting manufacturers. Of the markets surveyed, the European market was rated as the best performing (47.61%).

There are three segments within the entire lighting market:

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

of which the latter has the largest market share.

LED luminaires are widely used in many sectors due to their energy efficiency and longevity. They eliminate the weaknesses of conventional lighting due to the advantage of technology, providing a faster return on investment.

Luminaires were the largest segment of the market in 2022, and according to forecasts, this situation will not change until 2027. The growth rate of this segment relative to the overall market is forecast to reach a CAGR of 14.22% by 2027, contributing 70.92% to the overall market growth between 2022 and 2027.

Polish lighting market

The lighting market in Poland is highly fragmented. 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.

The leading position of LED in the lighting market is partly due to its high development potential, with the energy efficiency of LED luminaires constantly increasing. Facing the need to increase the energy efficiency of luminaires, 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;
- increasing environmental awareness,
- progressive automation.

The popularity of energy-efficient lighting is on the rise, projected increases in electricity prices are prompting professional lighting manufacturers to offer consumers increasingly sophisticated systems that not only allow convenient control through remote control, but will also pay back the cost of investment within a few years. Managers seeking savings first find them in lighting installation. Although 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 in the convenience

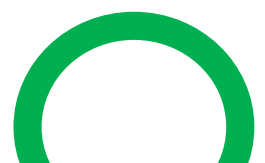
¹⁵ Global LED Market 2023-2027, Research and Markets, November 2022.

and longer life of the luminaires. Available LED luminaires can replace traditional light sources in a 1:1 ratio, which generates profits of up to 50-70% compared to conventional lighting.

Also gaining in popularity are IoT (Internet of Things) solutions, successfully used in smart cities. Apart from offering 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 luminaires 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 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.

Lighting system manufacturers are increasingly opting for flexible solutions to finance lighting retrofits, known as ESCO leasing. This involves carrying out retrofits that will reduce the operating costs resulting from lighting a 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 a disruption 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.



3.3 Market trends

The tense geopolitical situation caused by the war in Ukraine has exacerbated and accelerated the energy crisis in Europe, and rising electricity prices are just the beginning. The issuer is seeing an increase in demand for energy-efficient lighting, particularly in the infrastructure lighting segment, as well as an increase in TSU activity in 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 growing need to save energy globally is creating new opportunities for the LED lighting market. With energy-efficient LEDs, 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 2030.¹⁶ 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 market are:

- growing use of energy-efficient lighting solutions,
- falling costs of light-emitting diodes,
- intensive infrastructure development activities,
- growing consumer awareness of climate change and the sustainability of light sources
- government regulations on energy efficiency.

In addition to LED lighting, smart lighting products based on it that collect information about pollution, humidity, noise and the general environment are also being implemented. Smart lighting is expected to be the future of LED lighting.¹⁷

Despite the constraints of the macroeconomic environment, the factors that positively stimulate the development of the lighting market remain in place:

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 European Union.

Technological factors:

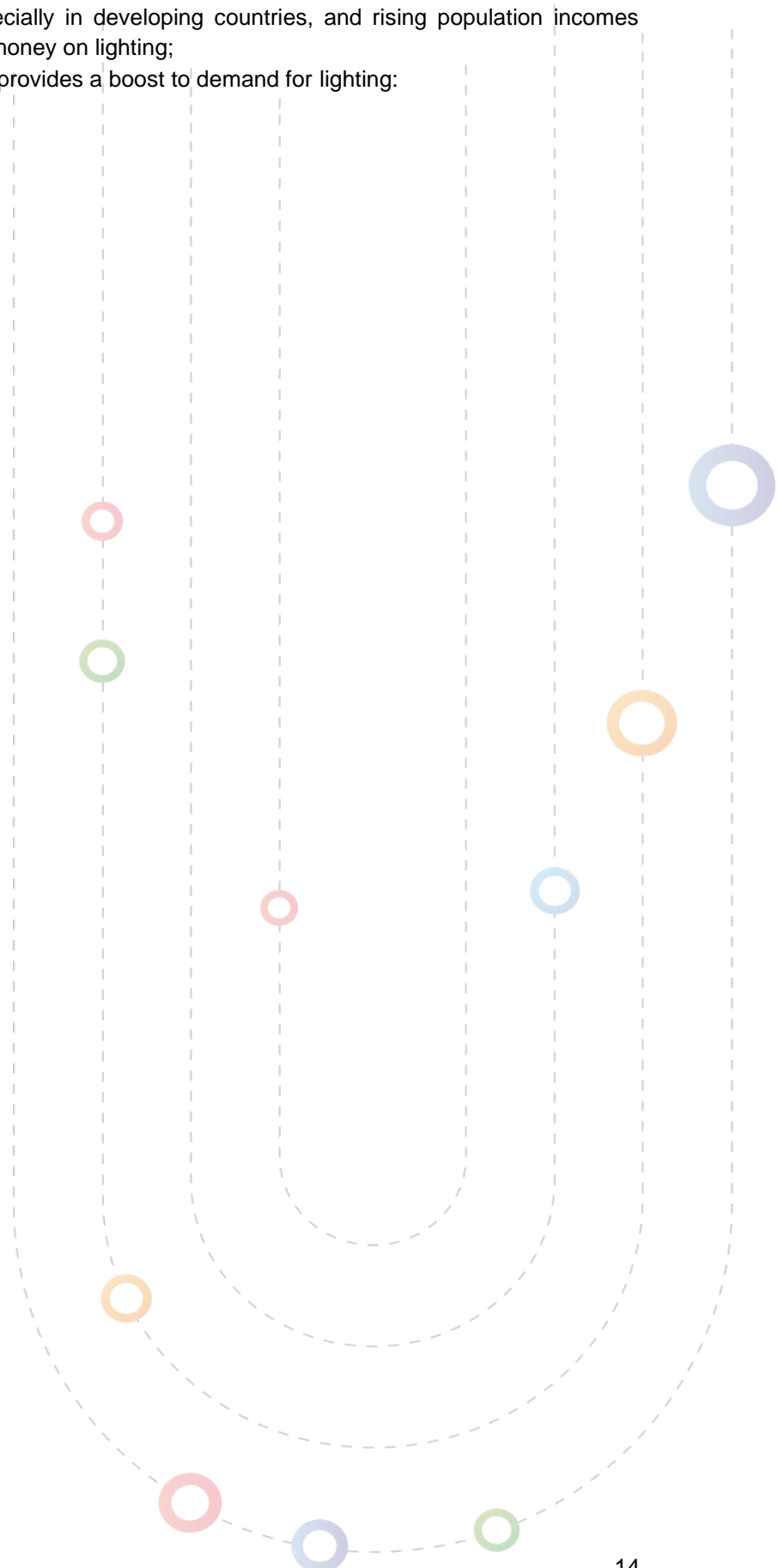
- Development of LED technology leading to increasingly better parameters in terms of efficiency and sustainability, with a simultaneous decrease in the prices of LED light sources;
- IoT concept development;
- Development of new business models based on the development of new technologies and service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

¹⁶ www.mordorintelligence.com, LED Lighting Market – Growth, Trends, COVID-19 Impact, and Forecasts (2022-2027), <https://www.mordorintelligence.com/industry-reports/led-lighting-market>, 19.04.2022.

¹⁷ Ibidem.

Global megatrends:

- Rapid population growth, especially in developing countries, and rising population incomes that are willing to spend more money on lighting;
- Increasing urbanization, which provides a boost to demand for lighting;
- Irreversible climate change
- High electricity price increases.





Activities of the LUG S.A. Capital Group in the first quarter of 2023

- significant activities and events
- development prospects

4.1 Significant activities and events

Selected lighting projects implemented in the first quarter of 2023:

Polish market projects (TOP 3)	Foreign markets projects (TOP 3)
Modernization of street lighting of the Capital City of Warsaw	Lighting of the largest prison for Thuringia and Saxony, Zwickau, Germany
Lighting of ASC Workers warehouse and logistics center in Legnica and Środa Śląska, Poland	Modernization of street lighting in the city of Shkoder, Albania
Lighting of pedestrian crossings in Lubuskie Voivodeship	Lighting of the Comercial Gran Manzana shopping center, Las Chafiras, Tenerife, Spain

The most important events in the period from the beginning of the first quarter of 2023 to the date of publication of the report affecting the situation of the LUG S.A. Capital Group and its individual subsidiaries:

Adoption of the Strategic Development Directions of the LUG S.A. Capital Group for the years 2023-2026

On March 29, 2023, the Management Board of LUG S.A. passed a resolution to adopt the document "Strategic Development Directions of the LUG S.A. Capital Group for 2023-2026," which it presented the same day during a scheduled online conference.

For more information on LUG's new strategic outlook, see section 4.4 of this Report.

Another successful tender for the lighting of the City of Warsaw

On March 9, 2023, the Management Board of LUG S.A. learned that the offer of LUG Light Factory Sp. z o.o. had been selected as part of the tender procedure for the public order for "Delivery of new LED lighting fixtures" (ZDM/UM/DZP/101/PN/22/22) for the City of Warsaw. On April 3, 2023, following the decision of the National Board of Appeals, the appeal of one of the competitors competing in the proceedings in question was rejected, and thus the correctness of the selection of the offer of LUG Light Factory Sp. z o.o. as the most advantageous offer under the Public Procurement Law, within the framework of the tender procedure, was confirmed. As a result, the Principal proceeded to sign a contract with LUG Light Factory Sp. z o.o. on April 21, 2023.

Adoption of the LUG S.A. Capital Group Code of Ethics

The Executive Board of LUG S.A. passed a resolution based on which it adopted the Code of Ethics of the LUG S.A. Capital Group. This document regulates the ethical standards applicable to the Capital Group companies.

Adoption of the LUG S.A. Capital Group Anti-Corruption Policy

The Executive Board of LUG S.A. passed a resolution based on which it adopted the Anti-Corruption Policy of the LUG S.A. Capital Group. This document is a supplement to the Code of Ethics in the area of anti-corruption.

Distinction in Orly ESG 2023 for LUG S.A.

On April 25, 2023, a ceremonial Gala was held during the European Economic Congress 2023, during which awards and distinctions were presented in the Orły ESG Rzeczypospolitej 2023 competition. The Group's company, LUG S.A., was among the esteemed group of laureates through the *Distinction for intelligent lighting* awarded.

4.2 Impact of the COVID-19 pandemic on operations

In the first quarter of this year, there was no significant increase in the incidence of COVID-19. Despite this, the Issuer's Management Board continuously monitors the development of the pandemic worldwide and in Poland. The risk associated with the impact of the pandemic on the LUG Group's operations is classified as non-threatening to the functioning of the company and the execution of customer orders.

The following preventive measures continue to be applied at LUG sites:

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

LUG remains on standby against a possible tightening of regulations and the reintroduction of anti-covid restrictions. During the quarter under review this year and up to the date of the report, LUG's facilities have not been placed under quarantine or shutdown.

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

The Management Board of LUG S.A. is monitoring the tense geopolitical situation related to the war in Ukraine and its impact on the LUG Group's environment and operations.

The LUG S.A. Group companies do not have assets in Ukraine or Russia, and the operations of the subsidiary LUG T.O.W. Ukraina have been suspended for many years. Due to the lack of direct operations in Ukraine, Belarus and Russia, the Issuer's Management Board estimates that the impact of the armed conflict on its operations will remain indirect and limited. At the same time, there is ongoing monitoring of risks in all aspects of operations. The assessment of the possible impact of the war in Ukraine on the various spheres of operation is as follows:

Economic environment

The further course of the war and the consequences of Russia's aggression against Ukraine are difficult to predict. The LUG Group is operating in an environment characterized by worse economic indicators than forecast by economists before the outbreak of war. Examples include lower economic growth, higher inflation, higher interest rates, lower investment levels and high volatility of exchange rates. The specter of recession looms over Europe, as forecast by readings of the surveyed 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

Issuer, learning from the experience of the pandemic, has diversified part of its supplier catalog minimizing the risk of supply chain disruptions. The economic sanctions imposed on Russia and Belarus, and the potential collapse of these economies, will translate into a reduction in the supply of raw materials, including energy resources. This may result in the need to continue looking for alternative suppliers, and may translate into further increases in component prices and profitability of previously contracted orders.

Transport costs

Due to the 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 an outflow of drivers of Ukrainian origin. Transportation prices have increased significantly in 2022, and currently, despite the observed price declines, their level is still higher than in the period before the pandemic and armed conflict in Ukraine.

Financial liquidity

In the opinion of the issuer's Management Board, the financial condition of the companies of 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 has analyzed and manages the risk of cyber-attacks. 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 stable. Moreover, the company is open to hiring qualified Ukrainian citizens for programming, engineering or warehouse positions, for instance.

Humanitarian crisis

The situation of the civilian population in the areas attacked by Russia remains critical. Since the beginning of the war, the LUG Management Board and its employees have not been indifferent to the tragic and unprecedented situation of Ukrainian citizens fleeing the war and its consequences.

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 first quarter of 2023, 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 Q1 2023 amounted to PLN 0.8 million (-78.08% YOY). Cumulatively, over the last twelve months, the issuer allocated PLN 8.22 million for investments, compared to PLN 16.85 million in the comparable period of the previous year. In Q1 2023, the largest item was investments in development work, i.e., PLN 0.58 million (-36.96% YOY).

Research and development activities in the individual companies of the LUG S.A. Capital Group in Q1 2023 were carried out, among other things, through the continuation of the project subsidized by EU funds under the Lubuskie 2020 Regional Operational Program 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". The project ended in February 2023, the developed new products were put into in-house production.

In March 2023, a report on the sustainability of the R&D Project entitled "Industrial research and experimental development on the development of a safe lighting point" was prepared, which presented changes in the result indicators.

Also in March 2023, a report was prepared on the use of the results of the R&D Project entitled "Use of UV-C technology to reduce the transmission of SARS-CoV-2 virus and reduce transmission of infections in hospitals", carried out under the Program "Support of single-name hospitals in the fight against the spread of SARS-CoV-2 virus infection and in the treatment of COVID-19", in which LUG was the contractor for part of the substantive research. An important element of the Report was to indicate the practical use of the results of the research work carried out and the social and economic benefits of implementing the results of the project, in which LUG had a significant share.

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. In addition, LUG actively participates in events concerning research and development activities in the region.

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.

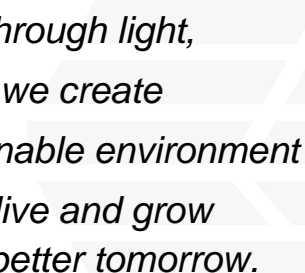
Strategic perspective for 2023-2026

In 2017-2021, the LUG S.A. Group pursued strategic development directions that responded to the requirements of the business environment at the time. The new challenges that began with the Covid-19 pandemic and the hitherto unknown concept of the "new VUCA reality" changed the outlook on the socio-economic environment. The reality of VUCA has forced a revision of some of the strategy's assumptions and a new outlook on aspects such as organizational resilience. In 2022, the LUG Group developed assumptions for a new strategic outlook adequate to the changing environment. The new strategic directions were presented at the end of March 2023.

LUG's new strategy upholds the Group's development pillars established under the 2017-2021 strategy, such as innovation and internationalism, but also includes new goals and initiatives for transformation from a supplier model to a service model. LUG wants to develop international partnerships and lighting solutions that reduce energy consumption and lower CO₂ emissions. An absolute pillar of LUG's strategy will be the development based on SMART technologies in the product, technology and manufacturing areas, which will be reflected in the integration of more verticals into LUG's proprietary Urban management system or in building smart manufacturing processes that increase efficiency and eliminate weaknesses in LUG's internal system.

Our Mission

At LUG, we want to grow based on a philosophy of action reflected in our new mission:



*Through light,
we create
a sustainable environment
to live and grow
for a better tomorrow.*

Strategic objectives

By 2026, the LUG Group wants to achieve its strategic goals based on 4 pillars of growth.

Transformation to services

- Financing, consulting, design, execution, maintenance and development available as services.
- Knowledge and experience as added value to products.

International partnerships

- LUG as the center of an international community of customers, suppliers and partners.
- Strong and recognizable international brand.

Sustainability

- Fast, efficient, flexible production.
- Socially responsible organization.

Quality of life innovations

- New solutions for a higher quality of life.
- Agile implementation unit for product and service innovations.
- Development of SMART verticals.

LUG values

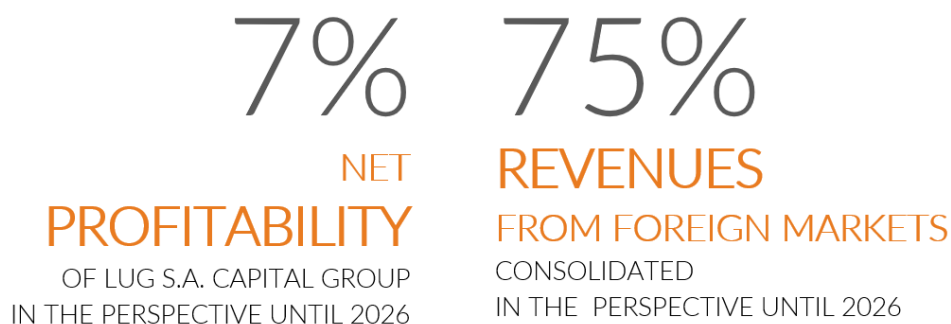
The foundation of LUG's development strategy and the direction of shaping the organisational culture is management through values. In practice, this means that every day the LUG Group is guided by certain values at each decision-making level:

- Innovation - we look for and implement new ways of doing things, we are open to new initiatives and changes, we bravely take on challenges by learning from our actions.
- Partnership - we listen carefully to each other, we build relationships based on honesty and trust, we focus on reliability and professionalism.
- Responsibility - we carry out LUG's vision with the utmost diligence and fulfill our responsibilities, willingly share our knowledge, ensure the highest quality of delivered products and services, take care of LUG's good name.
- Trust - we appreciate the value brought by each of us, pursue common goals, trust each other and our own competence.
- Sustainability - we constantly improve and learn new things, care for the environment, take responsibility for our impact on the company's environment.

The presented information and objectives regarding the strategic development directions of the LUG S.A. Capital Group did not constitute a forecast of financial results.

Strategic metrics

Our success will be measured by the realization of the strategic metrics through 2026.



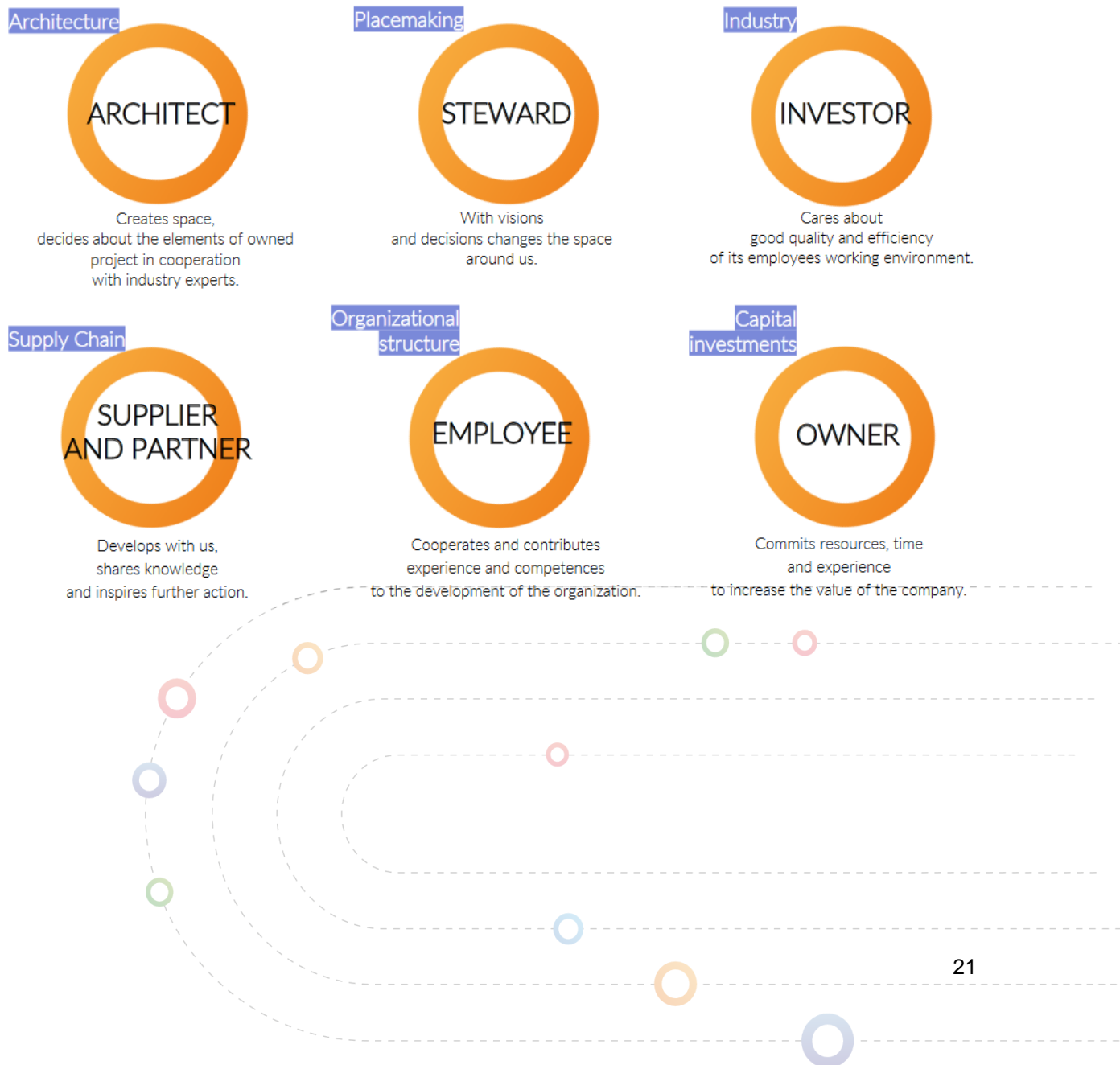
Areas of strategic action

The implementation of strategic directions for development begins within the organization. Therefore, we have determined the areas of activity around which our projects and initiatives will be focused.



Our Stakeholders

Within the framework of the Strategic Directions, we have identified groups of Stakeholders that we identify within the framework of our activities.



4.5 Development prospects

In the first quarter of 2023, the LUG S.A. Capital Group remained under the influence of difficult business conditions. The positive factors that made it possible to generate good financial results were the effects of the actions taken by the Management Board in past periods. In particular, it was the work on improving gross profitability from sales in the framework of negotiating the terms of purchase of components, negotiating the terms of implementation of projects and making the price list values of products in the LUG assortment more realistic. In the first quarter of this year, the effects of converting external financing from WIBOR to EURIBOR resulting in the application of a lower interest rate and reducing the level of financing costs were also visible.

In the coming months, the LUG Capital Group will work to further improve profitability and maintain high momentum in building its order backlog, which will support financial stability and provide sustainable pillars for growth, despite the weak macroeconomic situation, record inflation and tensions in supply chains.

The development of the pandemic and the war in Ukraine are being monitored on an ongoing basis by the Issuer's Management Board, with the current situation allowing the organization's financial health and business continuity to be assessed as not at risk. A dedicated team observes the environment, estimating the current level of risk, which depends, above all, on the duration and intensity of the armed conflict, as well as the successive sanctions imposed 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.

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. 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.

Europe is the largest market for LED lighting. It accounts for almost 20% of the global LED market¹⁸. 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 and others.

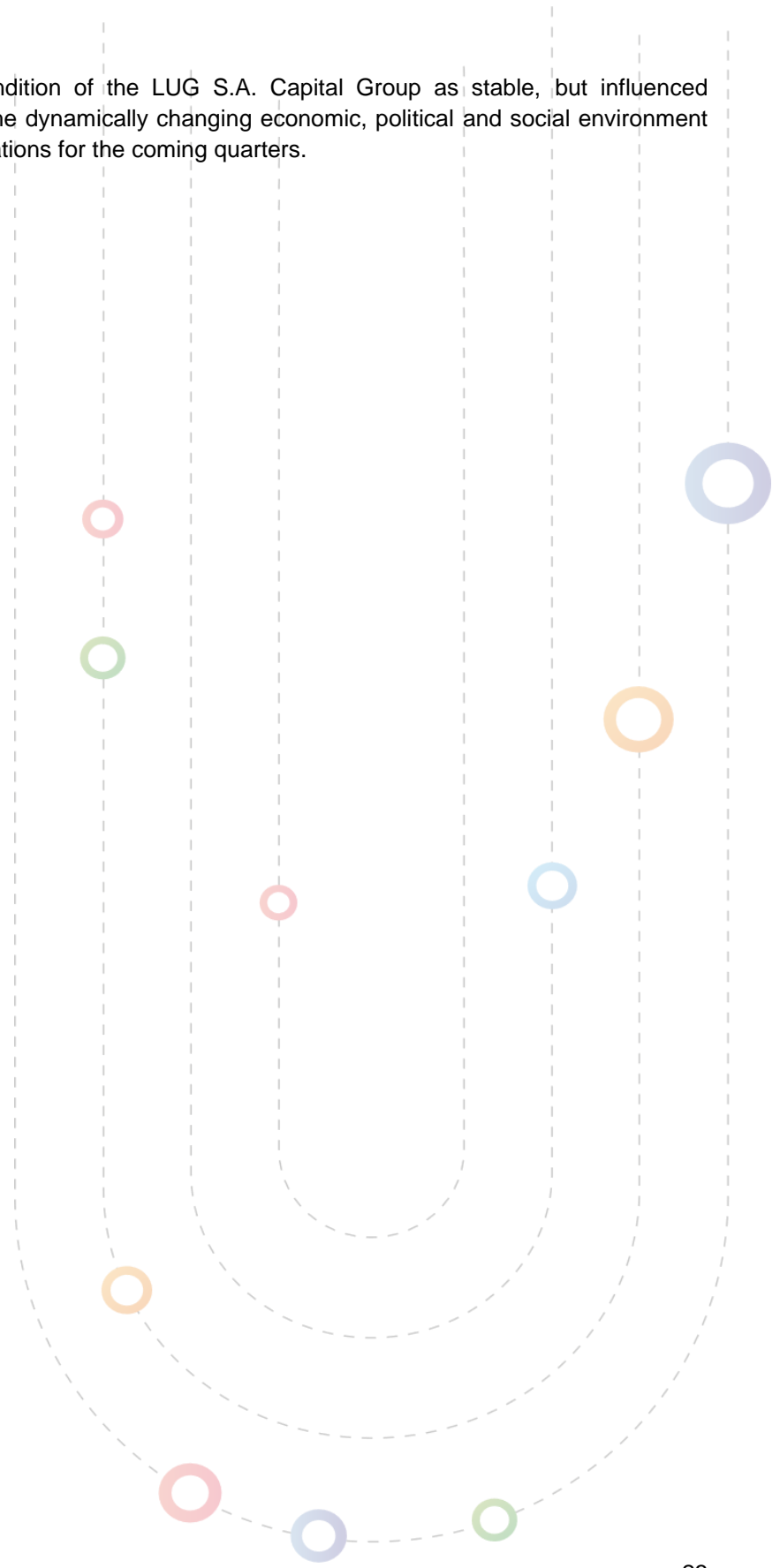
The commercial lighting industry is developing dynamically and meets the market demand for efficient and intelligent space lighting devices more effectively. The greatest development and milestone can be seen primarily in LED technology, whose energy efficiency and pro-ecological focus has taken over 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.¹⁹

¹⁸ Global LED Market 2023-2027, Research and Markets, November 2022.

¹⁹ „Oświetlenie profesjonalne: 5 wiodących trendów w 2019 roku”, polskiprzemysl.com.pl, 22.01.2019.

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 as stable, but influenced by the economic trends of future periods. The dynamically changing economic, political and social environment enforces great caution in formulating expectations for the coming quarters.





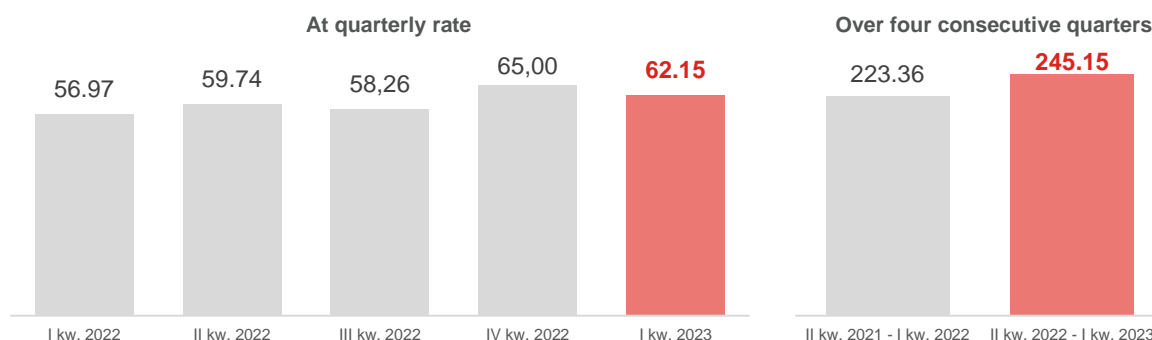
Overview of Q1 2023 results

- revenue
- development prospects
- profits
- balance sheets
- cash flow statement
- indicator

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 2023.

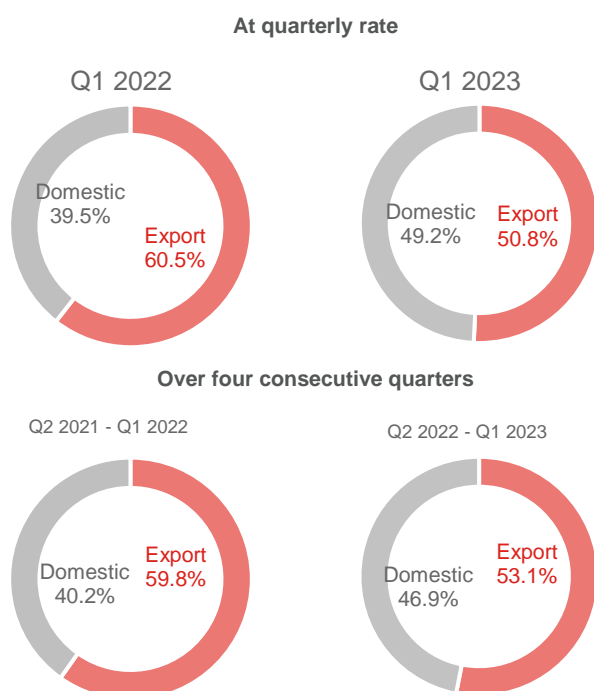
5.1 Revenues

Sales revenues [PLN million]



Consolidated revenues of LUG S.A. Group in Q1 2023 amounted to PLN 62.15 million, 9.1% higher than a year earlier and 4.4% higher than in the previous quarter. The LUG Group's second highest quarterly revenue was a result of the execution of contracts concluded in earlier periods and intensive sales activities despite the global economic downturn. Over the last four quarters, revenues increased by 9.8% to the level of PLN 245.15 million. Prominent in the revenues of the period under review is the revenue realized under the final phase of the first lighting modernization project of the City of Warsaw, which amounted to PLN 5.58 million in Q1 2023.

Geographical structure of sales revenues [%]

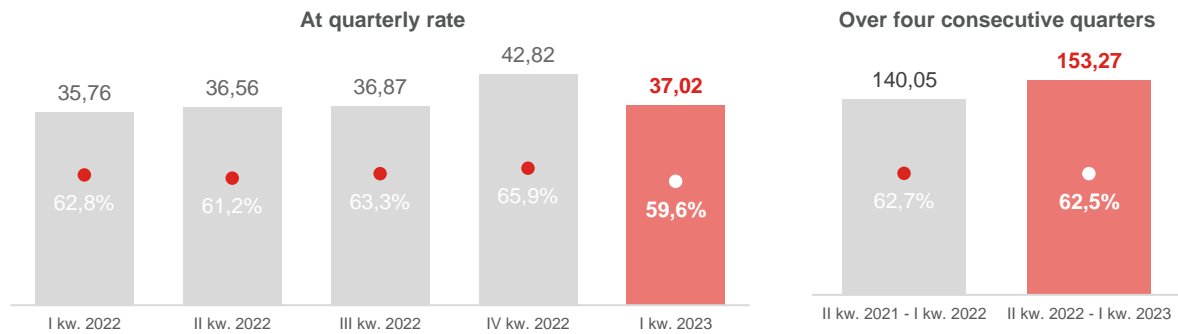


In Q1 2023, revenues came from domestic and export sales in almost equal proportions. The decrease in export revenues (by 8.5% year-over-year) to PLN 31.55 million is the result of a deterioration of the global economy indirectly dependent on the war in Ukraine and the energy crisis. The dynamic increase in domestic revenues (by 36.1% YOY) to PLN 30.60 million, in turn, is a result of the execution of contracts for the modernization of infrastructure lighting for local government units, including the final phase of the project for Warsaw.

In terms of the last four quarters, the share of export revenues amounted to PLN 130.16 million, or 53.1%. The share of domestic revenues cumulatively in terms of the last four quarters was 46.9% (PLN 114.99 million).

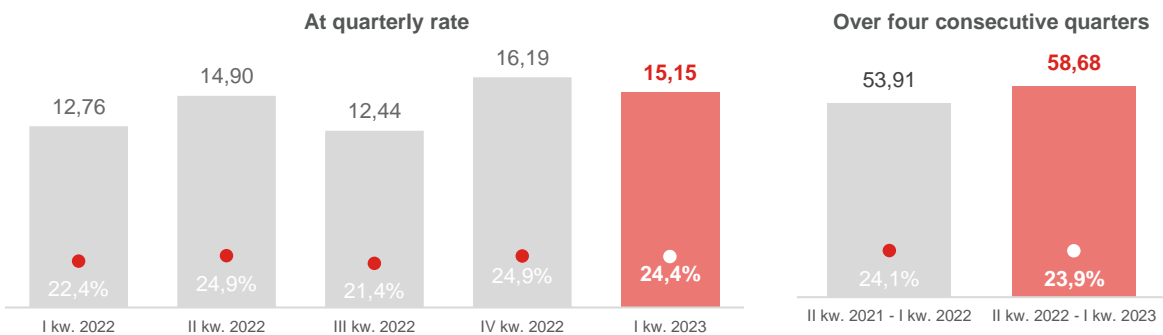
5.2 Costs and investments

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



Costs of products, goods and materials sold in Q1 2023 amounted to PLN 37.02 million, down 13.5% QOQ and up 3.5% YOY, significantly less than revenues. The share of these costs in sales revenue in Q1 2023 alone decreased by 3.2 p.p. YOY to 59.6%. Over four consecutive quarters, the costs of products, goods and materials sold increased by 9.4% to PLN 153.27 million, and their share in revenues fell marginally to 62.5%, i.e., by 0.2 pps.

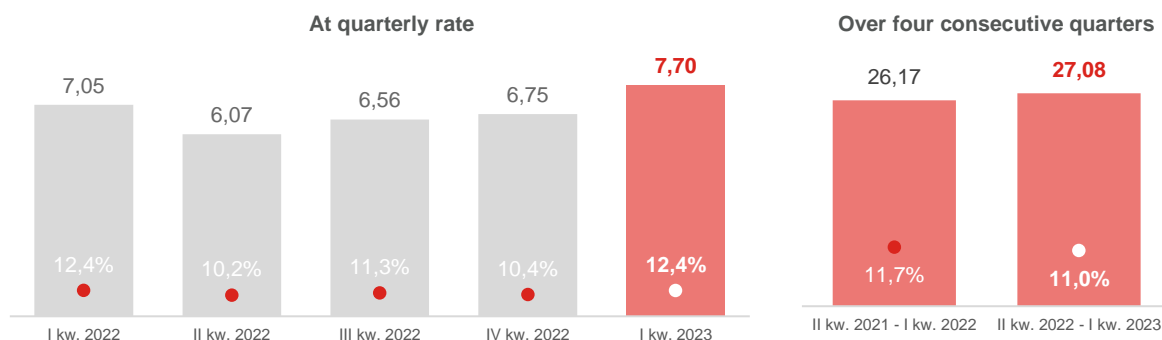
Sales costs [PLN million, %]



Cost of sales in Q1 2023 amounted to PLN 15.15 million, 18.7% higher than a year ago and 6.4% lower than in the previous quarter. In Q1 of this year, the ratio of cost of sales to revenue fell to 24.4% (+2.0 p.p. YOY and -0.5 p.p. QOQ).

Over the last four quarters, sales costs increased by 8.8% to PLN 58.68 million, i.e., their growth dynamics is slightly lower than the growth dynamics of sales revenues. The ratio of sales costs to revenues on a cumulative basis decreased by 0.2 pps to the level of 23.9%.

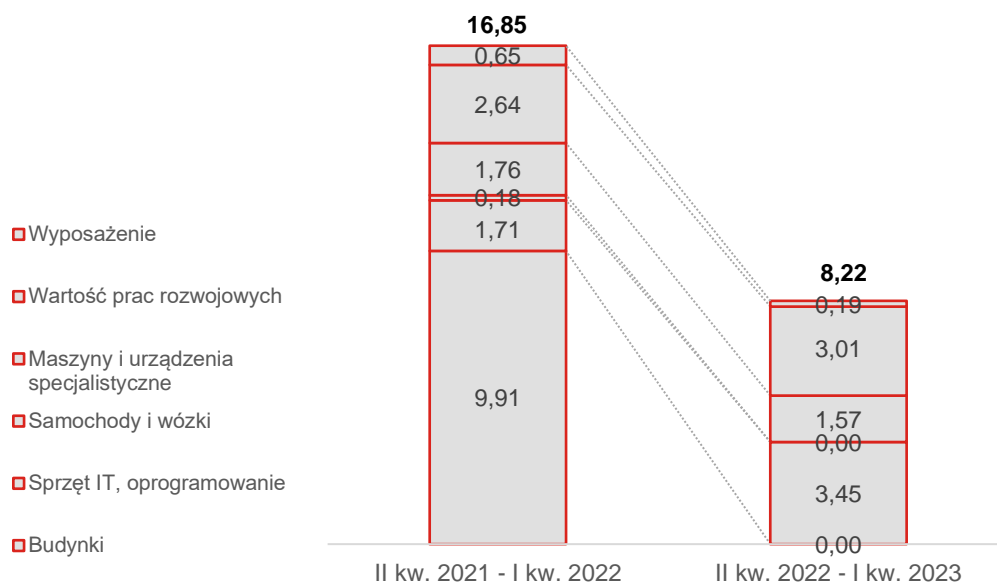
General administration costs [PLN million, %]



General and administrative expenses in Q1 2023 amounted to PLN 7.70 million, which was 14.1% higher QOQ and 9.2% higher YOY. The increase in management expenses in the period under review was driven by the costs of the strategic conference and the opening of the new strategic period. The ratio of general and administrative expenses to sales revenue remained stable YOY and increased by 2.0 p.p. QOQ to reach 12.4%.

In terms of the last four quarters, general and administrative expenses increased by 3.5%, a rate significantly lower than the rate of revenue growth, and amounted to PLN 27.08 million. The ratio of general administration costs to revenues amounted to 11.0% and was 0.7 pps lower year-over-year.

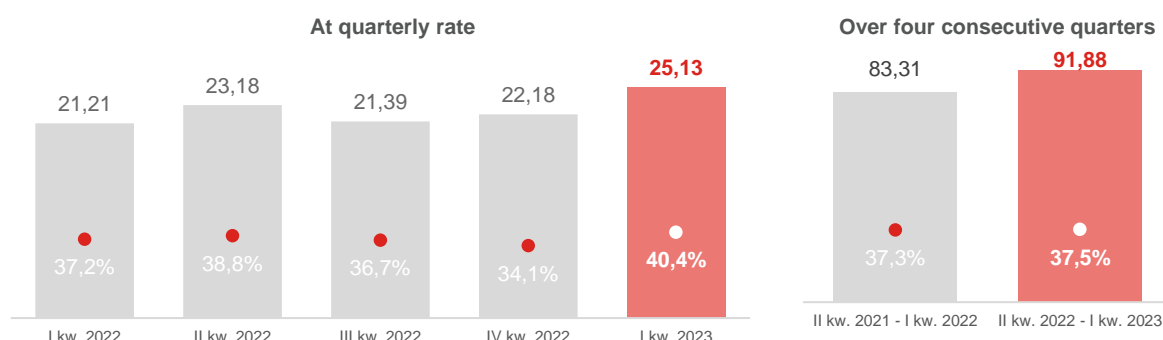
Investments in Q2 2022 - Q1 2023 and YOY [PLN million, %]



Investments in the last four quarters amounted to PLN 8.22 million and were over 51.2% lower than in the previous year. The largest item in investments was expenditures on IT hardware and software, which were intensively incurred in 2022. Development work increased by 14.0% to PLN 3.01 million. Outlays for machinery and specialized equipment fell by 10.8% to PLN 1.57 million. Expenditures on buildings, which were the largest in the previous period, were completely reduced to PLN 0 million due to the completion of the investment involving the expansion of the Research and Development Center.

5.3 Profits

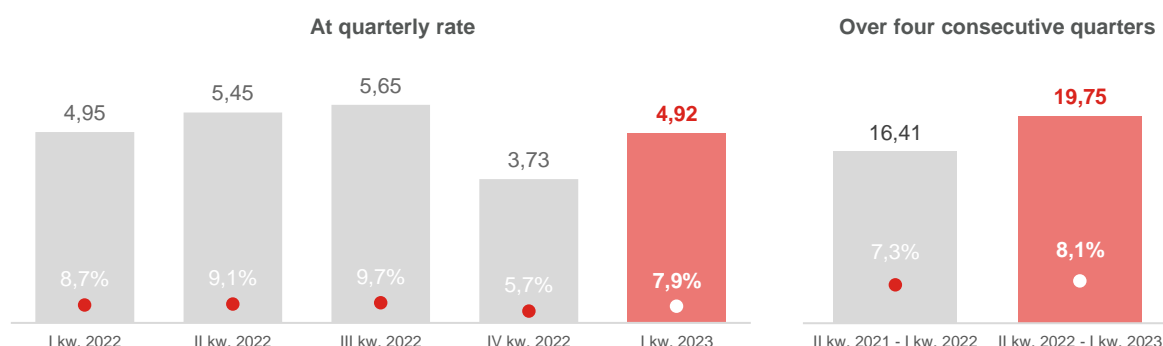
Profit and gross margin on sales [PLN million, %]



Gross profit on sales in Q1 2023 amounted to PLN 25.13 million and was 13.3% higher than the previous quarter and 18.5% higher than a year ago. The gross margin on sales reached 40.4%, which was 6.3 p.p. higher than in the previous quarter and 3.2 p.p. higher than a year ago. The record level of quarterly gross profit on sales in the history of the LUG Group is the result of a significant reduction in the cost of products, goods and materials sold relative to Q4 2022, while at the same time sales revenues were slightly lower QOQ.

Over the last four quarters, gross profit on sales increased by 10.3% to PLN 91.88 million. The gross margin on sales amounted to 37.5%, which was 0.2 pps higher year-over-year.

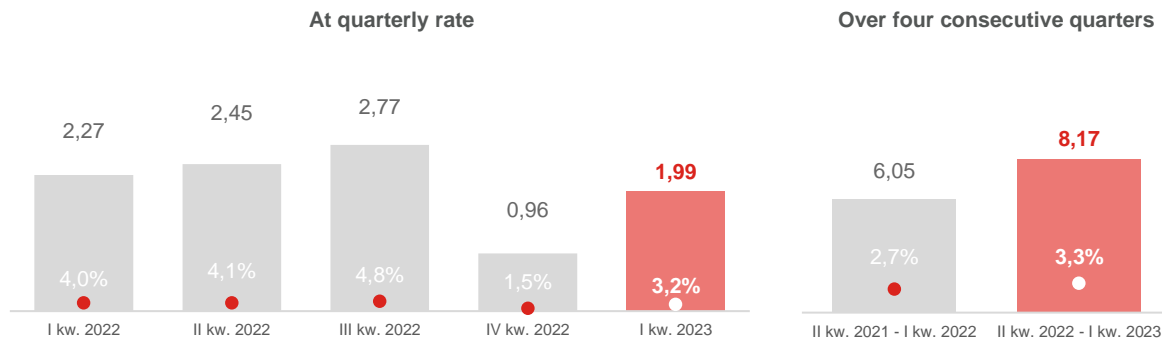
EBITDA profit and margin [PLN million, %]



EBITDA result in Q1 2023 amounted to PLN 4.92 million. The EBITDA result was 31.9% higher than in the previous quarter (the increase is due to the low EBITDA result in the previous quarter), and 0.6% lower than a year ago. The EBITDA margin was 7.9%, 2.2 p.p. higher than in the previous quarter, while decreasing by 0.8 p.p. compared to Q1 2022. of 2022.

Over the last four quarters, the EBITDA profit amounted to PLN 19.75 million and was 20.4% higher than in the comparable period. The EBITDA margin was 8.1%, which shows an increase of 0.8 pps year-over-year.

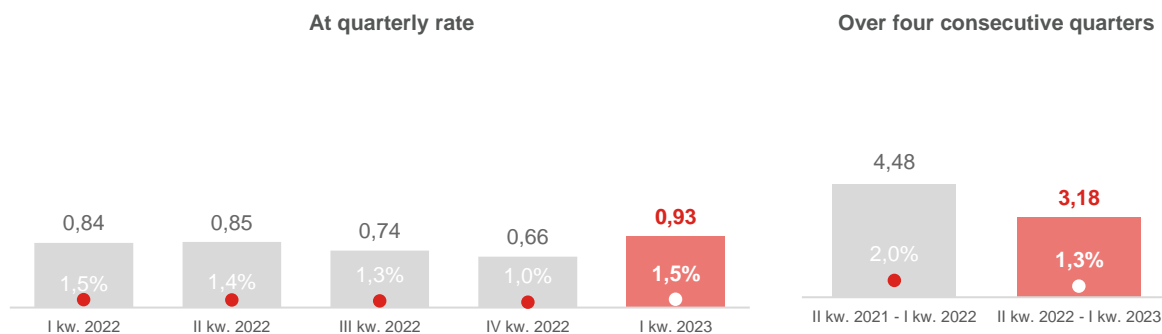
Operating profit and margin [PLN million, %]



Operating profit in Q1 2023 amounted to PLN 1.99 million and increased by 107.3% quarter-over-quarter and decreased by 12.3% year-over-year. The operating margin increased by 1.7 p.p. during the quarter and decreased by 0.8 p.p. during the year to 3.2%.

Over the last four quarters, the operating profit amounted to PLN 8.17 million, which was 35.0% higher than in the previous period. The operating margin rose 0.6 p.p. to 3.3%.

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



Net profit for shareholders of the parent amounted to 0.93 in Q1 2023, up 10.7% year-on-year and up 40.9% quarter-on-quarter. The net profit margin rose to 1.5% and was at a level similar to the previous year and 0.5 p.p. higher than in the previous quarter.

Over the last four quarters, the net profit amounted to PLN 3.18 million with a net margin of 1.3%, which shows a decrease in net profit by 29.0% and net margin by 0.7 pp.

Composition of EBITDA result in Q1 2023 [PLN million]

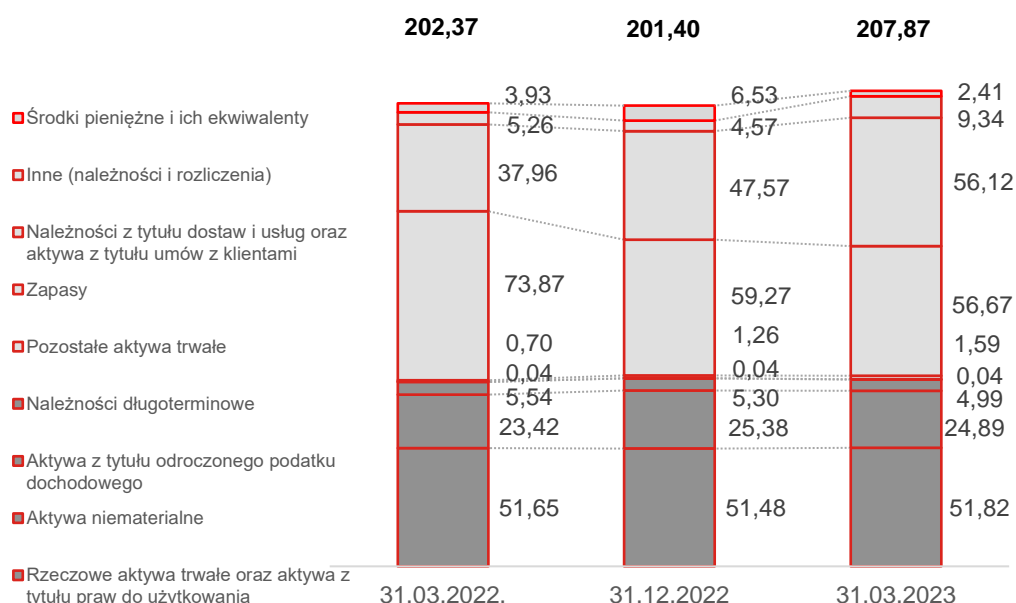
Composition of EBITDA in the last four quarters [PLN million]


The EBITDA result in Q1 2023 was 0.6% lower than a year ago, at PLN 4.92 million. The PLN 3.92 million increase in gross profit on sales was consumed by a PLN 2.39 million increase in selling expenses and a PLN 0.65 million increase in general and administrative expenses, as well as a PLN 0.93 million decrease in other operating income. A PLN 0.24 million increase in other operating expenses was offset by a PLN 0.25 million increase in depreciation and amortization.

Over the last four quarters, the EBITDA increased by 20.3% to the level of PLN 19.75 million. This was mainly influenced by a PLN 8.57 million increase in gross profit on sales, a PLN 1.76 million decrease in other operating expenses and a PLN 1.22 million increase in depreciation and amortization. On the other hand, the negative impact was mainly due to a PLN 4.77 million increase in selling expenses and a PLN 0.91 million increase in general and administrative expenses, as well as a PLN 2.52 million decrease in other operating income.

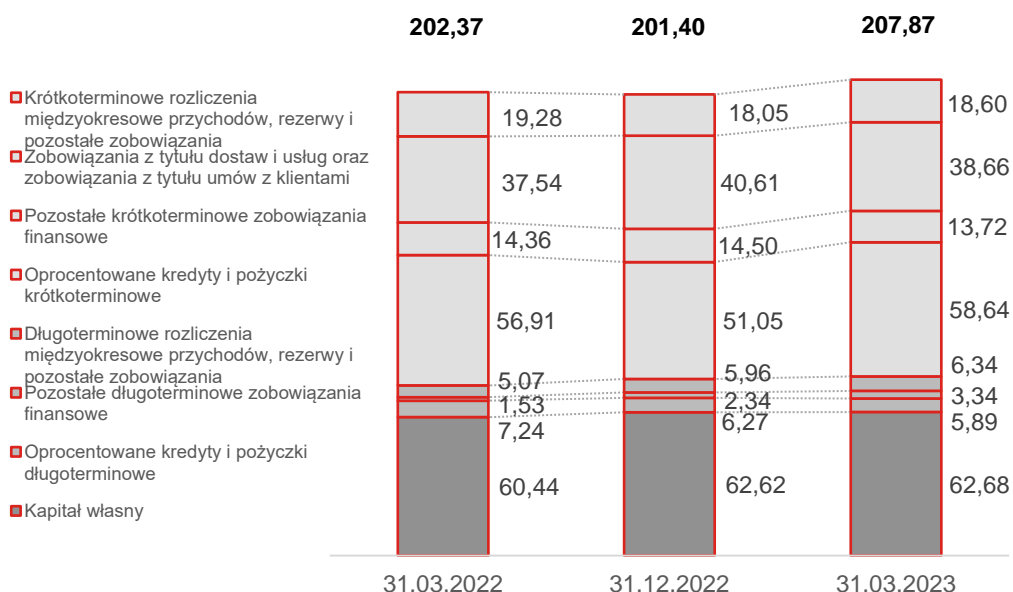
5.4 Balance sheet

Selected assets items [PLN million]



In the asset structure, it is noticeable that other receivables and settlements (other receivables and non-financial assets and accruals and derivative financial instruments and other financial assets) increased significantly over the last quarter by 104.38% to PLN 9.34 million, driven by an increase in tax receivables. Inventories were down 4.4% over the last quarter and 23.3% year-on-year to PLN 56.67 million. The year-on-year increase in trade receivables and customer contract assets (up 47.84% to PLN 56.12 million) is due to an increase in sales, particularly from customer contracts. Tangible fixed assets and right-of-use assets stood at PLN 51.82 million and remained almost unchanged during the year.

Selected liabilities items [PLN million]



The balance sheet total as of 31/03/2023 amounted to PLN 207.87 million, 2.7% higher than a year ago, while 3.2% higher than at the end of the previous quarter. The book value per share was PLN 8.71. The changes in other long-term financial liabilities (up 118.30% year-on-year and at the same time up 42.7% quarter-on-quarter)

are the result of the introduction of a long-term vehicle lease agreement into the accounting records in the first quarter of 2023. The increase in the level of interest-bearing short-term loans and borrowings over the last quarter (up 14.9% to PLN 58.64 million) is due to higher utilization of the overdraft facility.

5.5 Cash flow statement

Cash flows [PLN million]

	Q1 2023	Q2 2022 - Q1 2023
Cash and cash equivalents at the beginning of the period	6.58	3.93
Net cash flows from operating activities	-7.36	+17.48
Net cash flow from investment activities	-2.35	-12.85
Net cash flow from financial activities	+5.67	-5.85
Cash at the end of the period	2.48	2.48

In Q1 2023, the LUG Group recorded negative net flows from operating activities of PLN -7.36 million and negative flows from investing activities of PLN -2.35 million. These were covered by positive flows from financing activities (+PLN 5.67 million) and a decrease in cash from PLN 6.58 million to PLN 2.48 million. Over the last four quarters, positive cash flows from operating activities (PLN +17.48 million) allowed a partial reduction in debt (negative cash flows from financing activities of PLN -5.85 million) and to finance investments of PLN 12.85 million. Cash and cash equivalents at the end of the period decreased to PLN 2.48 million, compared to cash and cash equivalents at the beginning of the period, which amounted to PLN 3.93 million.

5.6 Indicators

Basic indicators

	Q1 2022	Q4 2022	Q1 2023	change QOQ	change YOY
Gross profitability on sales	37.2%	34.1%	40.4%	+6.31 pp	+3.2 pp
EBITDA profitability	8.7%	5.7%	7.9%	+2.18 pp	-0.8 pp
Operating profitability	4.0%	1.5%	3.2%	+1.73 pp	-0.8 pp
Net profitability	1.5%	1.0%	1.5%	+0.48 pp	0.0 pp
Return on equity (ROE)	8.7%	8.3%	6.4%	-1.89 pp	-2.3 pp
Return on assets (ROA)	2.6%	2.6%	1.9%	-0.65 pp	-0.7 pp
Total liquidity ratio	94.5%	95.0%	96.1%	+1.13 pp	+1.6 pp
Total debt ratio	70.1%	68.9%	69.8%	+0.94 pp	-0.3 pp
Net debt/ EBITDA	4.64	3.42	4.01	-0.59	-0.6
EV/ EBITDA (end of period)	7.33	5.57	6.16	-0.59	-1.2

In Q1 In Q1 2023, the LUG Group improved profitability compared to the previous quarter at every level of the income statement. EBITDA profitability increased by 2.18 p.p. quarter-on-quarter and decreased by 0.8 p.p. year-on-year, as did operating profitability (up 1.73 p.p. quarter-on-quarter and down 0.8 p.p. year-on-year). Gross profitability on sales, increased by 6.31 p.p. during the quarter and was 3.2 p.p. higher than a year ago. Return on equity decreased by 2.3 pps year-over-year and by 1.89 pp quarter-over-quarter. Return on assets decreased by 0.65 pp over the last quarter and by 0.7 pp over the last year. Total liquidity and total debt ratios

increased quarter-over-quarter; total liquidity ratio also increased by 1.6 pp year-over-year, and total debt ratio decreased by 0.3 pp year-over-year. The net debt-to-EBITDA and EV/EBITDA ratios recorded a decrease of the same amount, or 0.59, in Q1 2023 compared to the previous quarter.

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 income of 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 PLN 1 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

Basic information

The parent company of the LUG S.A. Capital Group (“Group”, “Capital Group”) is LUG S.A. (“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
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 the other units of the Capital Group were established for the period as indicated below.

Duration of the companies of the LUG S.A. Capital Group

- LUG S.A. is a company established for an indefinite period of time.
- LUG Light Factory Sp. z o.o. is a company established for an indefinite period of time.
- LUG GmbH is a company incorporated for an indefinite period of time.
- T.O.W. LUG Ukraina is a company established for an indefinite period of time, as of 31/12/2022 its activities were suspended.
- LUG do Brasil Artigos de iluminação Ltda. is a company incorporated for an indefinite period of time.
- LUG Lighting UK Ltd. is a company incorporated for an indefinite period of time.
- LUG Argentina SA is a company incorporated for a definite period of time, i.e. 99 years, due to applicable Argentine law.
- BIOT Sp. z o.o. is a company incorporated for an indefinite period of time.
- LUG Aydinlatma Sistemleri Anonim Sirketi is a company incorporated for an indefinite period of time.
- ESCOLIGHT Sp. z o.o. is a company established for an indefinite period of time.
- LUG Services Sp. z o.o. is a company established for an indefinite period of time.

6.1 Shares

All LUG S.A. shares are admitted to listing in the NewConnect Alternative Trading System, run by the Warsaw Stock Exchange S.A. No shares are privileged.

Index	NCIndex (share in the index: 0.60%)
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., 15/05/2023

	Number of individual shares	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%

Shareholding structure of LUG S.A. - status as of the date of publication of the report, i.e. 15/05/2023

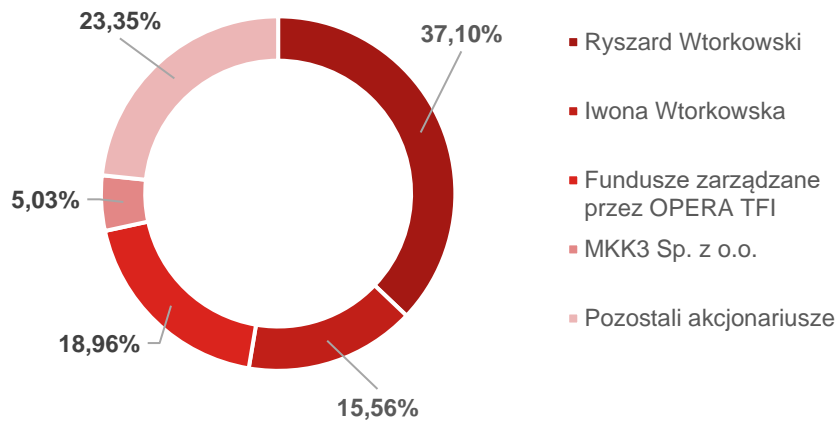
Name and surname/name	Share series	Share number	Share in the share capital	Share in the number of votes at the AGM
Ryszard Wtorkowski	A, C	2,670,610	37.10%	37.10%
Iwona Wtorkowska	A	1,120,000	15.56%	15.56%
Funds managed by OPERA TFI	A, B, C	1,365,049	18.96%	18.96%
MKK3 Sp. z o.o.	B,C	362,334	5.03%	5.03%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

Source: The issuer²⁰

²⁰The 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. – notification dated September 23, 2021 regarding direct shareholding held to date by increasing above 5% in the total number of votes – RB ESPI 11/2021.

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



6.2 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., 15/05/2023

Management Board of LUG S.A.



Ryszard Wtorkowski
CEO of the Board



Mariusz Ejmont
V-ce President of the Board
Technical Director



Małgorzata Konyś
Member of the Board
CFO

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.



Iwona Wtorkowska
CEO



Renata Baczańska
Member



Eryk Wtorkowski
Member



Zygmunt Ćwik
Member



Szymon Ziolo
Member

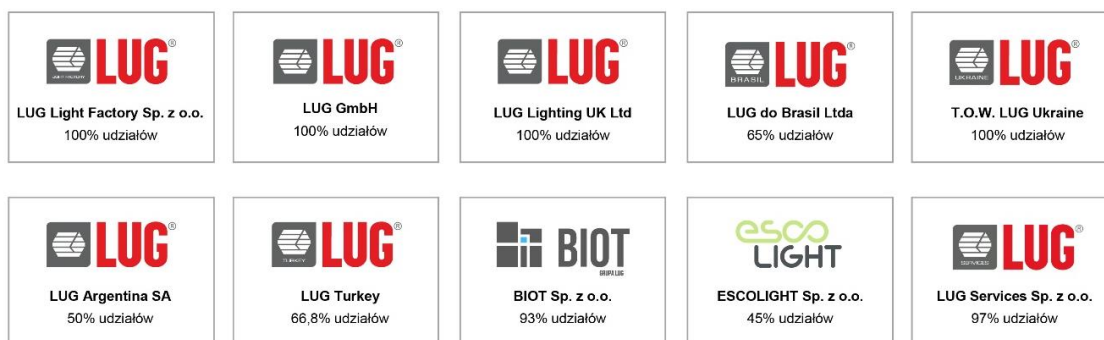
of the Supervisory Board.

The current term of office of the Supervisory Board of LUG S.A. began on 27/06/2022, i.e. on the date 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. The current term of office of the Supervisory Board of LUG S.A. ends on 26/06/2025.

Parent Company







Companies of LUG S.A. Capital Group



* Działalność spółki T.O.W. Ukraine jest zawieszona na czas nieokreślony

Companies included in the Capital Group as of the date of publication of the report, i.e., 15/05/2023

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%
 T.O.W LUG Ukraine (activity suspended)	ul. Diehtariwska 62A, 03040 Kyiv	KRS 1074102000001 5470 NIP 34190214	Wholesale and retail trade in lighting equipment Design and production of lighting equipment	UAH 160,233.00	100%	100%
 LUG do Brasil 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 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 (MERSİS number: 0609084882000 001)	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 consolidated by the full method with the exception of ESCOLIGHT Sp. z o.o., which is consolidated by the equity method, and T.O.W. LUG Ukraina, which is not consolidated as its operations are 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, Pl. Andersa 5, 61-894 Poznań.
- ❑ 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. Krysiwicza 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.

6.3 Market and scope of activity

The LUG S.A. Capital Group is one of the world's leading manufacturers of luminaires. The business model of the Group's member companies focuses on using expertise and over 34 years of experience for comprehensive customer service. The group's offer includes a wide range of outdoor fittings: from the illumination of buildings, through lighting of streets, parking lots, indoor facilities, to the lighting of large-format shopping malls, retail chains, offices, cultural and public facilities. Several years ago 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. At the end of the first quarter of 2023, this technology accounted for 100% of LUG's sales.

LUG luminaires 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 tenders won by LUG Light Factory for modernization of lighting in Warsaw, the Netherlands or the international prestigious title of iF Design Award 2022 awarded to two LUG brand luminaires: 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.

Based on more than 34 years of experience in the lighting field, BIOT, a technology company within the Group, was established in 2017 to develop the proprietary URBAN smart lighting control system. 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.

As of 2020, the LUG S.A. Group's portfolio includes LUG Services Sp. z o.o., which provides construction and contracting services related to lighting projects involving LUG products. The company complements

the LUG Group’s offer of service elements and carries out projects primarily in Poland. Due to the nature of its business, it is strongly influenced by trends governing the construction and contracting industry.

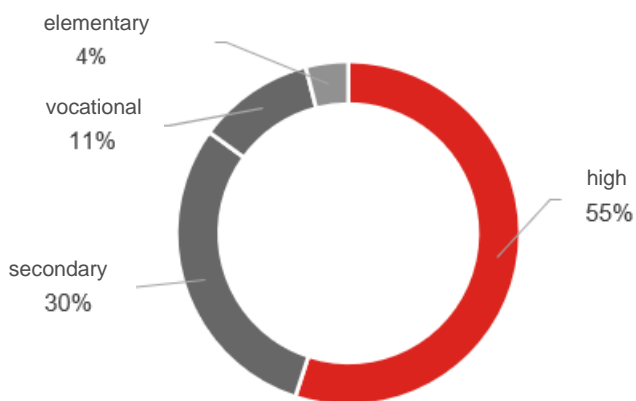
6.4 Human Resources

As of 31/03/2023, the LUG S.A. Capital Group employed 463 people full-time compared to 473 people at the same time in the previous year (decrease by 2.1%). The change is due to the natural fluctuation of the number of employees.

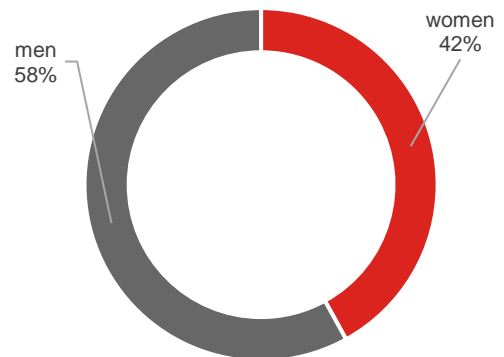
Human resources of the LUG S.A. Capital Group in the first quarter of 2023

Detailed list	LUG S.A. Capital Group
Number of employees (full-time)	463
Number of employees (part-time)	2
Other forms of employment	30
Average age of employees	40 years 5 months

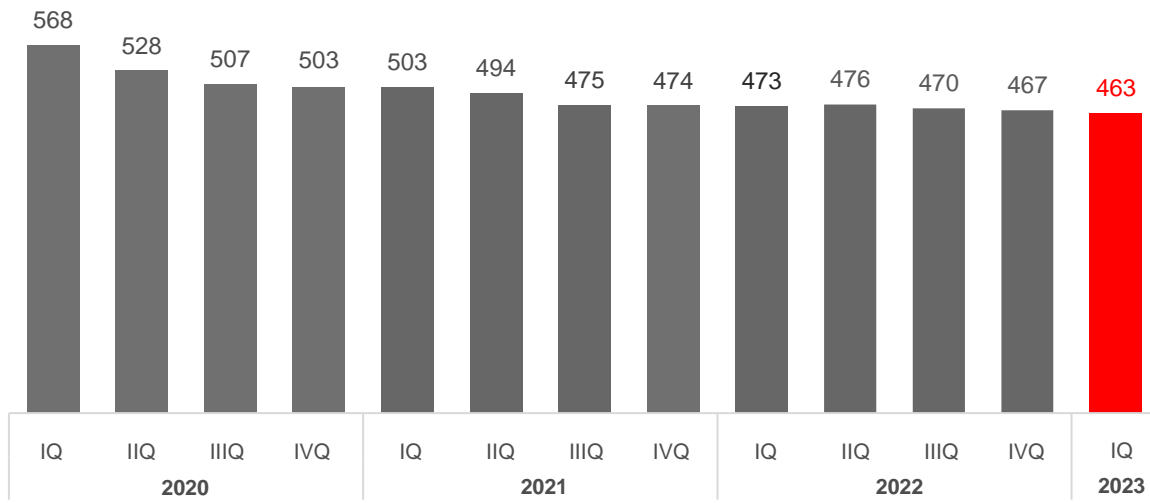
Employment structure by education



Employment structure by gender



Employment level in the LUG S.A. Capital Group in the years 2020-2023 at quarterly rate (full-time based on an employment contract).





Condensed quarterly financial statement

- general information
- basis for preparation of consolidated financial statements
- condensed consolidated financial statement of the LUG S.A. Capital Group

7.1 General information

Registration data and scope of activity

LUG S.A. is the parent company of the LUG S.A. Capital Group ("Group", "Capital Group").

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:
	of the Group's Parent Company are the activities of head offices and management consulting, 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:	80201644
NIP [Tax Identification Number]:	9291672920

The Capital Group includes the following subsidiaries and associates as at the balance sheet date:

Name	Registered office	Registration data	Object of activity	Share capital	Percentage of equity	Percentage of voting rights
LUG Light Factory Sp. z o.o.	ul. Gorzowska 11, 65-127 Zielona Góra	KRS 0000290498	Manufacture of electric lighting equipment and electric lamps	PLN 29,000,000	100.00%	100.00%
LUG GmbH	Konrad-Zuse-Str. 6 ^a 12489 Berlin-Adlershof	Company number: HRB12835	Manufacture, distribution and installation of electrical equipment	EUR 25,000	100.00%	100.00%
TOW LUG Ukraina (activity suspended).	ul. Diehtiarivska 62A, 03040 Kiev	KRS 10741020000015470	Wholesale and retail of lighting equipment. Design and manufacture of lighting equipment	UAH 160,233	100.00%	100.00%
LUG LIGHTING UK Ltd.	The Building Centre, 26 Store Street, London WC1E 7BT, UK	Company number: 8580097	Wholesale and retail of lighting equipment. Design and manufacture of lighting equipment	GBP 5,000	100.00%	100.00%
LUG do Brasil 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	65.00%	65.00%
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	Production, processing, installation and assembly of lighting fittings, commercial activity and consulting in the field of lighting technology.	ARS 28,700,000	50.00%	50.00%

Name	Registered office	Registration data	Object of activity	Share capital	Percentage of equity	Percentage of voting rights
BIOT Sp. z o.o.	ul. Nowy Kisielin – Nowa 7, 66-002 Zielona Góra	KRS 0000695926 NIP 9731045329	Activities related to software, consultancy and related activities	PLN 700,000	93.00%	93.00%
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 number: 150668-5 (MERSİS number: 0609084882000001)	Commercial and consulting activities in the field of professional lighting solutions	TRY 50,000	66.80%	66.80%
ESCOLIGHT Sp. z o.o.	ul. Mickiewicza 3A, 65-053 Zielona Góra	KRS 0000816193 NIP 9292024347	Comprehensive project support including preparation, financing, implementation and service of lighting investments.	PLN 100,000	45.00%	45.00%
LUG Services Sp. z o.o.	ul. Gorzowska 11, 65-127 Zielona Góra	KRS 0000828305 NIP 9731069933	Design and construction of lighting installations and integration of software elements cooperating with installations.	PLN 50,000	97.00%	97.00%

The reporting period covers 3 months from January 1, 2023 to March 31, 2023. The data for the current year are, as to the extent and method of data collection, comparable to the previous year.

Composition of the Management Board of LUG S.A. as the parent company

The composition of the Management Board of the parent company as of the date of the financial statements is as follows:

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

Composition of the Supervisory Board of LUG S.A. as the parent company

The composition of the Supervisory Board of the parent company as of the date of the financial statement is as follows:

Full name	Supervisory Board – function
Iwona Wtorkowska	Chairperson of the Supervisory Board
Eryk Wtorkowski	Member of the Supervisory Board
Renata Baczańska	Member of the Supervisory Board
Zygmunt Ćwik	Member of the Supervisory Board
Szymon Ziolo	Member of the Supervisory Board

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, Pl. Andersa 5, 61-894 Poznań.
- 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. Krysiwicza 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.

Listing on the NewConnect Alternative Trading System

Stock Exchange	Gięda Papierów Wartościowych w Warszawie S.A. ul. Książęca 4, 00-498 Warsaw
Segment	NC Focus
Sector	EKD sector (70.10) Activities of head offices and holding companies, except financial holdings
ISIN	PLLUG0000010
Ticker	LUG
Date of first listing	20/11/2007
Stock Exchange	Gięda Papierów Wartościowych w Warszawie S.A. ul. Książęca 4, 00-498 Warsaw
Clearing and depository system	Krajowy Depozyt Papierów Wartościowych S.A. (KDPW) ul. Książęca 4, 00-498 Warsaw
Contacts with investors	Zielona Góra, ul. Gorzowska 11

The Group prepared condensed quarterly consolidated financial statements for the three-month period ended March 31, 2023, which were approved for publication on May 15, 2023.

7.2 Basis for preparation of consolidated financial statements

Statement of compliance

The condensed quarterly consolidated financial statements for the reporting period ending March 31, 2023 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, hereinafter referred to as “EU IFRS”.

The condensed quarterly consolidated financial statements were approved by the Management Board of the Parent Company on May 15, 2023.

EU IFRS include all International Accounting Standards, International Financial Reporting Standards and related Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) except Standards and Interpretations that are pending approval by the European Union and Standards and Interpretations that have been approved by the European Union but have not yet come into force.

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

Condensed consolidated statement of comprehensive income

Consolidated Statement of Comprehensive Income	01/01/2023 - 31/03/2023	01/01/2022 - 31/12/2022	01/01/2022 - 31/03/2022
Continued operations			
Sales revenues	62,149	239,968	56,974
Revenue from contracts with customers - sales of products and services	60,718	235,147	55,201
Revenue from contracts with customers - sale of goods and materials	1,427	4,804	1,773
Revenues from lease	4	17	0
Cost of sales	-37,015	-152,013	-35,764
Own cost of products and services sold	-35,839	-148,794	-34,790
Own cost of goods and materials sold	-1,176	-3,219	-973
Gross profit (loss) on sales	25,134	87,955	21,211
Other operating revenues	218	5,262	1,152
Sales costs	-15,147	-56,289	-12,757
General management costs	-7,697	-26,435	-7,045
Impairment losses on trade and other receivables	-344	-206	-70
Other operating expenses	-178	-1,841	-217
Profit/(loss) from operations	1,986	8,446	2,274
Financial revenues	605	1,489	229
Financial costs	-1,087	-6,464	-1,203
Share in net profit (loss) of undertakings valued under the equity method	0	-15	0
Gross profit/(loss)	1,504	3,456	1,300
Income tax	-310	-529	-235
Net profit/(loss) from continued operations	1,194	2,927	1,065
Profit/(loss) attributable to non-controlling shares	268	-160	221
Net profit (loss) attributable to shareholders of the parent company from continuing operations	926	3,087	844
Discontinued operations			
Net profit/(loss) from discontinued operations	0	0	0
Net profit (loss) attributable to the parent company's shareholders	926	3,087	844
Other comprehensive income			
Items that may be reclassified to profit/(loss) in subsequent reporting periods:			
Foreign exchange differences on translation of foreign operations	-1,136	-2,208	-410
Net profit/(loss) on valuation of debt instruments measured at fair value through other comprehensive income	0	0	0
Income tax relating to other comprehensive income	0	0	0
Other comprehensive net income , which may be reclassified to profit/(loss) in subsequent reporting periods	-1,136	-2,208	-410
Items not subject to reclassification to profit/(loss) in subsequent reporting periods:			
Actuarial gains/(losses) on defined benefit plans	0	0	0
Net profit/(loss) on valuation of equity instruments measured at fair value through other comprehensive income	0	0	0
Income tax relating to other comprehensive income	0	0	0
Other comprehensive income, net not subject to reclassification to profit/(loss) in subsequent reporting periods	0	0	0
Other comprehensive income, net	-1,136	-2,208	-410
COMPREHENSIVE INCOME FOR THE YEAR	58	719	655
Total comprehensive income allocated to non-controlling shareholders	-31	-1,176	-235
Total comprehensive income attributable to the parent company	89	1,895	890

Condensed consolidated statement of financial position

Consolidated Statement of Financial Position - ASSETS	31 March 2023	31 December 2022	31 March 2022
Fixed assets	83,334	83,463	81,354
Tangible fixed assets	46,255	44,404	47,154
Assets under the right to use	5,565	7,077	4,502
Intangible assets	24,887	25,385	23,419
Derivative financial instruments	0	0	0
Shares / interests in associates	0	0	0
Long-term receivables	35	35	35
Other financial assets	1,485	1,258	702
Assets under contracts with customers	0	0	0
Other non-financial assets	114	0	0
Deferred tax assets	4,993	5,304	5,542
Current assets	124,537	117,936	121,016
Provisions	56,670	59,268	73,870
Trade receivables	46,421	44,444	37,956
Other short-term receivables	549	680	1,567
Assets under contracts with customers	9,698	3,127	0
Income tax receivables	240	318	0
Derivative financial instruments	1,016	1,016	205
Other financial assets	0	0	0
Accruals and prepayments	2,089	1,010	1,910
Other non-financial assets	5,449	1,546	1,582
Cash and cash equivalents	2,405	6,527	3,926
Non-current assets classified as held for sale	0	0	0
TOTAL ASSETS	207,871	201,399	202,370

Condensed consolidated statement of financial position - continued

Consolidated Statement of Financial Position - LIABILITIES	31 March 2023	31 December 2022	31 March 2022
Equity	62,681	62,623	60,438
Equity of shareholders of the parent company	63,446	63,356	61,583
Share capital	1,800	1,800	1,800
Supplementary capital from sale of shares above nominal price	23,815	23,815	23,815
Other supplementary capitals	24,810	24,810	20,570
Capital from actuarial profits (losses) related to defined benefit plans	-11	-11	-11
Foreign exchange differences on translation of foreign operations	-2,421	-1,585	-347
Retained profits / (losses) from previous years	14,527	11,440	14,912
Financial result for the current period	926	3,087	844
Capital of non-controlling shareholders	-765	-733	-1,146
Long-term liabilities	15,565	14,567	13,845
Interest-bearing loans and borrowings	5,885	6,271	7,242
Derivative financial instruments	0	0	0
Lease liabilities	3,344	2,337	1,531
Provisions	2,953	2,704	2,166
Employee benefit obligations	373	373	396
Liabilities from contracts with customers	2,527	2,325	1,003
Other non-financial liabilities	0	0	0
Provisions for deferred income tax	173	151	95
Accruals and prepayments	310	406	1,412
Short-term liabilities	129,625	124,209	128,087
Trade payables	38,280	40,414	37,539
Interest-bearing loans and borrowings	58,636	51,048	56,913
Derivative financial instruments	3	975	155
Lease liabilities	1,719	1,565	2,331
Reverse factoring liabilities	11,996	11,960	11,870
Provisions	4,630	4,005	6,891
Employee benefit obligations	7,085	6,291	6,611
Liabilities from contracts with customers	383	204	25
Other non-financial liabilities	6,489	7,361	5,246
Accruals and prepayments	382	381	413
Liabilities on account of income tax	22	6	93
Liabilities directly related to fixed assets classified as held for sale	0	0	0
Total liabilities	145,190	138,776	141,932
EQUITY AND LIABILITIES	207,871	201,399	202,370

Condensed consolidated statement of cash flows

Consolidated Statement of Cash Flows	01/01/2023 - 31/03/2023	01/01/2022 - 31/12/2022	01/01/2022 - 31/03/2022
Cash flows from operating activities			
Profit/loss before tax	1,504	3,456	1,300
Total adjustments:	-8,909	16,351	-6,297
Depreciation	2,934	11,333	2,675
Interest and dividend income	-28	-79	0
Interest expense	997	4,780	747
Profit (loss) due to exchange rate differences	-241	-803	30
Profit (loss) from investment activities	0	-185	61
Change in provisions	875	-338	2,010
Change in inventories	2,279	4,235	-9,021
Change in trade and other receivables	-2,366	-2,012	4,954
Change in assets from contracts with customers	-6,570	-1,470	1,656
Change in other non-financial assets	-3,988	944	888
Change in liabilities, excluding loans and credits	-1,455	-1,632	-10,432
Change in accruals and deferred income	-1,176	-7	133
Change in other assets (equity method)	0	15	0
Other corrections in operating activities	-170	1,570	2
Cash generated from operating activities	-7,405	19,807	-4,997
Income tax (paid) / refunded	38	-14	-34
Net cash from operating activities	-7,367	19,793	-5,031
Cash flows from investment activities			
Inflows	0	432	432
Disposal of intangible assets and tangible fixed assets	0	237	214
Disposal of shares in subsidiaries	0	0	
Interest and dividends received	0	0	
Repayment of loans granted	0	50	50
Other investment inflows	0	145	168
Expenditure	-2,347	-14,094	-3,591
Acquisition of intangible assets and tangible fixed assets	-2,147	-13,563	-3,501
Acquisition of shares in subsidiaries	0	-15	0
Granting of loans	-200	-516	-90
Other investment expenditure	0	0	0
Net cash from investment activities	-2,347	-13,662	-3,159
Cash flows from financing activities			
Inflows	11,722	14,452	6,417
Net inflows from issue of shares and other equity instruments and capital surcharges	0	0	0
Credits and loans	11,685	14,177	6,417
Reverse factoring	37	275	0
Other financial inflows	0	0	0
Expenditure	-6,051	-22,107	-2,410
Repayments of credits and loans	-4,483	-14,804	-861
Payments of lease liabilities	-571	-2,523	-783
Interest on loans / credits and reverse factoring	-979	-4,684	-741
Interest on lease obligations	-18	-96	-25
Other financial expenditure	0	0	0
Net cash from financing activities	5,671	-7,655	4,007
Total net cash flow	-4,043	-1,524	-4,183
Balance sheet change in cash	-4,121	-1,582	-4,183
change in cash due to exchange differences	-79	-58	0
Change in cash and cash equivalents	-4,043	-1,524	-4,183
Cash and cash equivalents at the beginning of the period	6,527	8,109	8,109
Cash at the end of the period	2,484	6,585	3,926

Condensed consolidated statement of changes in equity

Consolidated Statement of Changes in Equity	Share capital	Supplementary capital from sale of shares above nominal price	Other supplementary capital	Capital from actuarial gains (losses) related to defined benefit plans	Exchange rate differences from translation of foreign units	Profit (loss) from previous years	Financial result for the current period	Equity of shareholders of the parent company	Capital of non-controlling shareholders	Equity
01/01/2023 - 31/03/2023										
Equity as at 01/01/2023	1 800	23 815	24 810	-11	-1 585	14 527	0	63 356	-733	62 623
Total income for the reporting period										
Total income for the reporting period	0	0	0	0	-836	0	926	90	-32	58
Transactions with owners of the entity recognized directly in equity										
Issue of shares	0	0	0	0	0	0	0	0	0	0
Other										
Distribution of net profit	0	0	0	0	0	0	0	0	0	0
Inflation conversion in the subsidiary in Argentina	0	0	0	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	0	0	0	0	0
Equity as at 31/03/2023	1 800	23 815	24 810	-11	-2 421	14 527	926	63 446	-765	62 681
Consolidated Statement of Changes in Equity	Share capital	Supplementary capital from sale of shares above nominal price	Other supplementary capital	Capital from actuarial gains (losses) related to defined benefit plans	Exchange rate differences from translation of foreign units	Profit (loss) from previous years	Financial result for the current period	Equity of shareholders of the parent company	Capital of non-controlling shareholders	Equity
01/01/2022 - 31/12/2022										
Equity as at 01/01/2022	1 800	23 815	20 570	-11	-393	14 912	0	60 693	-911	59 782
Total income for the reporting period										
Total income for the reporting period	0	0	0	0	-1 192	0	3 087	1 895	-1 176	719
Transactions with owners of the entity recognized directly in equity										
Issue of shares	0	0	0	0	0	0	0	0	37	37
Other										
Distribution of net profit	0	0	4 240	0	0	-4 240	0	0	0	0
Inflation conversion in the subsidiary in Argentina	0	0	0	0	0	1 068	0	1 068	1 068	2 136
Other changes	0	0	0	0	0	-300	0	-300	249	-51
Equity as at 31/12/2022	1 800	23 815	24 810	-11	-1 585	11 440	3 087	63 356	-733	62 623

Consolidated Statement of Changes in Equity	Share capital	Supplementary capital from sale of shares above nominal price	Other supplementary capital	Capital from actuarial gains (losses) related to defined benefit plans	Exchange rate differences from translation of foreign units	Profit (loss) from previous years	Financial result for the current period	Equity of shareholders of the parent company	Capital of non-controlling shareholders	Equity
01/01/2022 - 31/03/2022										
Equity as at 01/01/2022	1 800	23 815	20 570	-11	-393	14 912	0	60 693	-911	59 782
Total income for the reporting period										
Total income for the reporting period	0	0	0	0	46	0	844	890	-235	655
Transactions with owners of the entity recognized directly in equity										
Issue of shares	0	0	0	0	0	0	0	0	0	0
Other										
Distribution of net profit	0	0	0	0	0	0	0	0	0	0
Inflation conversion in the subsidiary in Argentina	0	0	0	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	0	0	0	0	0
Equity as at 31/03/2022	1 800	23 815	20 570	-11	-347	14 912	844	61 583	-1 146	60 438

7.4 Additional notes and explanations to the condensed consolidated quarterly financial statement

The accounting policies used in the preparation of these quarterly consolidated financial statements are consistent with those used in the preparation of the Group's consolidated financial statements for the year ended December 31, 2021, except for the application of new or revised Standards and Interpretations effective for annual periods beginning after January 1, 2022, and therefore applicable to the Group's annual period beginning January 1, 2023.

Amendments to existing Standards and Interpretations applied for the first time in the Group's financial statements in fiscal year 2023

New Standards and Interpretations have been applied to the Group's financial statements in fiscal 2023:

- 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 12: Deferred Taxes on Assets and Liabilities Arising from a Single Transaction (issued May 7, 2021) effective for annual periods beginning on or after January 1, 2023,
- IFRS 17: First application of IFRS 17 and IFRS 9: Comparative Data (published December 9, 2021) applicable for annual periods beginning on or after January 1, 2023.

As estimated by the Management, the aforementioned new Standards, amendments to existing Standards and Interpretations did not have a material impact on the financial statements.

New Standards and amendments to existing Standards that have been approved for application by the EU, but are not yet applicable to the Group:

There are no such Standards.

New Standards and amendments to existing Standards issued by the IASB but not approved for use in the EU

- 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.
- Amendments to IAS 1: Presentation of financial statements:
 - Division of liabilities into current and non-current (published January 23, 2020),
 - Division of liabilities into current and non-current – deferral of effective date (published July 15, 2020),
 - Non-current liabilities with covenants (published October 31, 2022)
 - not approved by the EU until the date of approval of these financial statements - applicable for annual periods beginning on or after January 1, 2024,
 - Amendment to IFRS 16 Leases: Lease Obligations – Sale and Leaseback Agreements (issued September 22, 2022) not endorsed by the EU until the date of approval of these financial statements – effective for annual periods beginning on or after January 1, 2024:

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.

As of the date of approval of these quarterly financial statements for publication, Management has not yet completed its work on assessing the impact of the introduction of the remaining Standards and Interpretations on the Group's accounting policies with respect to the Group's operations or financial results. However, Management estimates that the aforementioned new Standards, amendments to existing Standards and Interpretations would not have a material impact on the quarterly financial statements.

Early application of Standards and Interpretations

The Group has not decided on early application of any new/amended Standards and Interpretations, if such Standards and Interpretations provided an opportunity for early application.

Basis of measurement

The consolidated quarterly financial statements have been prepared on the historical cost basis, except for the valuation of derivatives measured at fair value. Fair value measurement methods are presented later in the report.

The consolidated quarterly financial statements have been prepared on a going concern basis for the foreseeable future.

Functional and presentation currency

Data in the consolidated quarterly financial statements have been presented in Polish zloty, after rounding to the nearest thousand. The Polish zloty is the functional currency of the Parent Company.

Exchange rates for the respective fiscal periods were as follows:

31 March 2023						
	USD	EUR	GBP	BRL	TRY	ARS
January	4.3480	4.7089	5.3595	0.8498	0.2312	0.0234
February	4.4475	4.7170	5.3700	0.8551	0.2355	0.0231
March	4.2934	4.6755	5.3107	0.8428	0.2239	0.0208
average rate	4.3630	4.7005	5.3467	0.8492	0.2302	0.0224
31 March 2022						
	USD	EUR	GBP	BRL	TRY	ARS
January	4.1147	4.5982	5.5320	0.7666	0.3077	0.0389
February	4.1965	4.6909	5.6131	0.8127	0.3031	0.0373
March	4.1801	4.6525	5.4842	0.8762	0.2854	0.0377
average rate	4.1638	4.6472	5.5431	0.8185	0.2987	0.0380

Professional judgment and estimation uncertainty

The preparation of the quarterly consolidated financial statements requires the parent company's management to make judgments, estimates and assumptions that affect the presented revenues, expenses, assets and liabilities and related notes and disclosures of contingent liabilities. Uncertainty in these assumptions and estimates could result in material adjustments to the carrying values of assets and liabilities in the future.

The principles relating to the application of professional judgment and estimation uncertainty are described in the 2022 annual consolidated financial statements of the LUG S.A. Group.

Description of the most important accounting principles applied

The accounting principles (policies) are presented in the annual consolidated financial statements of the LUG S.A. Capital Group for 2022.

1. Acquisitions of subsidiaries and affiliates

No transactions of this nature took place during the period covered by the financial statements.

2. Revenue

Detailed list	01/01/2023 - 31/03/2023	01/01/2022 - 31/12/2022	01/01/2022 - 31/03/2022
Continued operations			
Revenue from contracts with customers - sales of products and services	60,718	235,147	55,201
Revenue from contracts with customers - sales of goods and materials	1,427	4,804	1,773
Revenues from lease	4	17	0
TOTAL sales revenue	62,149	239,968	56,974
Other operating revenues	218	5,262	1,152
Financial revenues	605	1,489	229
TOTAL revenue from continued operations	62,972	246,719	58,356
Discontinued operations			
TOTAL revenue from discontinued operations	0	0	0
TOTAL revenue	62,972	246,702	58,356

Categories of products, services, goods and materials sold	01/01/2023 - 31/03/2023	01/01/2022 - 31/12/2022	01/01/2022 - 31/03/2022
1. Sales of products	59,268	216,768	50,419
2. Sale of services	1,455	18,396	4,782
3. Sale of goods	1,283	3,933	1,704
4. Sale of materials	143	871	69
Sales revenues, total	62,149	239,968	56,974

Geographical structure	01/01/2023 - 31/03/2023	01/01/2022 - 31/12/2022	01/01/2022 - 31/03/2022
1. Poland	30604	106,882	21,252
2. Europe	22694	92,287	23,549
3. Middle East and Africa	6009	34,258	5,648
4. Other	2842	6,541	6,525
Sales revenues, total	62,149	239,968	56,974

3. 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).

Detailed list of earnings per share – assumptions	01/01/2023 - 31/03/2023	01/01/2022 - 31/12/2022	01/01/2022 - 31/03/2022
Net profit from continued operations	926	3,087	844
Loss from discontinued operations	0	0	0
Net profit attributable to ordinary shareholders used in the calculation of diluted earnings per share	926	3,087	844
Dilutive effect	not applicable	not applicable	not applicable
Profit reported for the purpose of calculating diluted earnings per share	926	3,087	844
Weighted average number of individual shares reported for the purpose of calculating basic earnings per share	7,198,570	7,198,570	7,198,570
Dilutive effect with regard to the number of ordinary shares	not applicable	not applicable	not applicable
Earnings per share	0.13	0.43	0.12
Number of potential subscription warrants	0	0	0
Number of potential shares issued at market price	0	0	0
Adjusted weighted average number of ordinary shares used in the calculation of diluted earnings per share	7,198,570	7,198,570	7,198,570
Diluted earnings per share	0.13	0.43	0.12

4. Tangible fixed assets

Table of changes in tangible fixed assets	Land	Buildings and structures	Machinery and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Total
Gross value as at 01/01/2023	2,002	39,070	34,642	2,423	5,814	459	84,410
Increases	0	-38	3,373	0	103	1,401	4,839
Acquisitions of fixed assets	0	0	34	0	116	1,464	1,614
Inflationary translation in subsidiary in Argentina	0	0	0	0	0	0	0
Buyout of leased assets	0	0	3,760	0	0	0	3,760
Foreign exchange differences from translation of foreign operations	0	-38	-421	0	-13	-63	-535
Other changes	0	0	0	0	0	0	0
Decreases	0	0	-21	0	0	0	-21
Sale and liquidation	0	0	-21	0	0	0	-21
Other changes	0	0	0	0	0	0	0
Gross value as at 31/03/2023	2,002	39,032	37,994	2,423	5,917	1,860	89,228
Depreciation and amortization as of 01/01/2023	0	-6,867	-26,400	-2,417	-4,321	0	-40,005
Increases	0	-213	-2,677	-1	-97	0	-2,988
Depreciation	0	-232	-964	-1	-101	0	-1,298
Inflationary translation in subsidiary in Argentina	0	0	0	0	0	0	0
Buyout of leased assets	0	0	-1,841	0	0	0	-1,841
Foreign exchange differences from translation of foreign operations	0	19	128	0	4	0	151
Other changes	0	0	0	0	0	0	0
Decreases	0	0	21	0	0	0	21
Liquidation and sale	0	0	21	0	0	0	21
Other changes	0	0	0	0	0	0	0
Depreciation and amortization as of 31/03/2023	0	-7,080	-29,057	-2,418	-4,418	0	-42,972
Write-downs as of 01/01/2023	0	0	0	0	0	0	0
Write-downs as of 31/03/2023	0	0	0	0	0	0	0
Net value as at 31/03/2023	2,002	31,952	8,938	5	1,499	1,860	46,255

Table of changes in tangible fixed assets	Land	Buildings and structures	Machinery and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Total
Gross value as at 01/01/2022	2,002	28,616	24,083	0	5,198	8,683	68,582
Increases	0	9,912	396	0	550	0	10,858
Acquisitions of fixed assets	0	9,912	396	0	550	0	10,858
Inflationary translation in subsidiary in Argentina	0	0	0	0	0	0	0
Buyout of leased assets	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	0	0
Decreases	0	0	-28	0	0	-8,575	-8,603
Sale and liquidation	0	0	-28	0	0	0	-28
Other changes	0	0	0	0	0	-8,575	-8,575
Gross value as at 31/03/2022	2,002	38,528	24,451	0	5,748	108	70,837
Depreciation and amortization as of 01/01/2022	0	-5,620	-14,198	0	-3,745	0	-23,563
Increases	0	-192	-415	0	-106	0	-713
Depreciation	0	-192	-415	0	-106	0	-713
Inflationary translation in subsidiary in Argentina	0	0	0	0	0	0	0
Buyout of leased assets	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	0	0
Decreases	0	0	8	0	0	0	8
Liquidation and sale	0	0	8	0	0	0	8
Other changes	0	0	0	0	0	0	0
Depreciation and amortization as of 31/03/2022	0	-5,812	-14,605	0	-3,851	0	-24,268
Write-downs as of 01/01/2022	0	0	0	0	0	0	0
Write-downs as of 31/03/2022	0	0	0	0	0	0	0
Exchange rate differences from valuation	0	85	491	0	9	0	585
Net value as at 31/03/2022	2,002	32,801	10,337	0	1,906	108	47,154

5. Assets under the right to use

Table of changes in right-of-use assets	Buildings and structures	Machinery and equipment	Means of transport	Other fixed assets	Total
Gross value as at 01/01/2023	4,458	7,984	809	123	13,374
Increases	0	33	1,935	0	1,968
Additions (new leases)	0	33	0	0	33
Changes in lease agreements	0	0	0	0	0
Other changes	0	0	1,935	0	1,935
Decreases	0	-3,760	0	0	-3,760
Changes in lease agreements	0	0	0	0	0
Buyout of leased assets		-3,760	0	0	-3,760
Other changes	0	0	0	0	0
Gross value as of 31/03/2023	4,458	4,257	2,744	123	11,582
Depreciation and amortization as of 01/01/2023	-2,527	-3,260	-451	-59	-6,297
Increases	-31	-204	-1,326	0	-1,561
Depreciation	-31	-204	-187	0	-422
Other changes	0	0	-1,139	0	-1,139
Decreases	0	1,841	0	0	1,841
Changes in lease agreements	0	0	0	0	0
Buyout of leased assets	0	1,841	0	0	1,841
Other changes	0	0	0	0	0
Depreciation as of 31/03/2023	-2,558	-1,623	-1,777	-59	-6,017
Write-downs as of 01/01/2023	1,931	4,724	358	64	7,077
Write-downs as of 31/03/2023	0	0	0	0	0
Net value as of 31/03/2023	1,900	2,634	967	64	5,565

Table of changes in right-of-use assets	Buildings and structures	Machinery and equipment	Means of transport	Other fixed assets	Total
Gross value as at 01/01/2022	3,125	17,388	4,205	721	25,439
Increases	0	0	0	0	0
Additions (new leases)	0	0	0	0	0
Changes in lease agreements	0	0	0	0	0
Other changes	0	0	0	0	0
Decreases	0	0	-251	0	-251
Changes in lease agreements	0	0	0	0	0
Buyout of leased assets	0	0	0	0	0
Other changes	0	0	-251	0	-251
Gross value as at 31/03/2022	3,125	17,388	3,954	721	25,188
Depreciation and amortization as of 01/01/2022	-2,078	-13,835	-3,555	-636	-20,104
Increases	-167	-571	-65	-30	-833
Depreciation	-167	-571	-65	-30	-833
Other changes	0	0	0	0	0
Decreases	0	0	251	0	251
Changes in lease agreements	0	0	0	0	0
Buyout of leased assets	0	0	0	0	0
Other changes	0	0	251	0	251
Depreciation as of 31/03/2022	-2,245	-14,406	-3,369	-666	-20,686
Write-downs as of 01/01/2022	0	0	0	0	0
Write-downs as of 31/03/2022	0	0	0	0	0
Net value as of 31/03/2022	880	2,982	585	55	4,502

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

In addition, the Group uses technical equipment, cars and other fixed assets under lease agreements. Lease agreements were concluded for periods of 2-5 years, depending on the lease agreement (24-60 monthly installments).

6. Intangible assets

Table of changes in right-of-use assets	Completed development work	Self-developed computer software	Other computer software	Development work in progress	Computer software in development	Total
Gross value as at 01/01/2023	24,913	8,945	5,041	1,987	3,630	44,516
Increases	0	0	0	0	716	716
Acquisition of intangible assets	0	0	0	0	716	716
Other changes	0	0	0	0	0	0
Decreases	0	0	0	0	0	0
Sale and liquidation	0	0	0	0	0	0
Other changes	0	0	0	0	0	0
Gross value as at 31/03/2023	24,913	8,945	5,041	1,987	4,346	45,232
Depreciation and amortization as of 01/01/2023	-14,954	-820	-3,357	0	0	-19,131
Increases	-987	-225	-2	0	0	-1,214
Depreciation	-987	-225	-2	0	0	-1,214
Other changes	0	0	0	0	0	0
Decreases	0	0	0	0	0	0
Liquidation and sale	0	0	0	0	0	0
Other changes	0	0	0	0	0	0
Depreciation and amortization as of 31/03/2023	-15,941	-1,045	-3,359	0	0	-20,345
Write-downs as of 01/01/2023	0	0	0	0	0	0
Write-downs as of 31/03/2023	0	0	0	0	0	0
Net value as of 31/03/2023	8,972	7,900	1,682	1,987	4,346	24,887

Table of changes in tangible fixed assets	Completed development work	Self-developed computer software	Other computer software	Development work in progress	Computer software in development	Total
Gross value as at 01/01/2022	21,565	8,765	5,584	2,046	0	37,960
Increases	1,130	0	70	0	0	1,200
Acquisition of intangible assets	1,130	0	70	0	0	1,200
Other changes	0	0	0	0	0	0
Decreases	0	0	0	0	0	0
Sale and liquidation	0	0	0	0	0	0
Other changes	0	0	0	0	0	0
Gross value as at 31/03/2022	22,695	8,765	5,654	2,046	0	39,160
Depreciation and amortization as of 01/01/2022	-11,624	0	-3,190	0	0	-14,814
Increases	-877	0	-50	0	0	-927
Depreciation	-877	0	-50	0	0	-927
Other changes	0	0	0	0	0	0
Decreases	0	0	0	0	0	0
Liquidation and sale	0	0	0	0	0	0
Other changes	0	0	0	0	0	0
Depreciation and amortization as of 31/03/2022	-12,501	0	-3,240	0	0	-15,741
Write-downs as of 01/01/2022	0	0	0	0	0	0
Write-downs as of 31/03/2022	0	0	0	0	0	0
Net value as at 31/03/2022	10,194	8,765	2,414	2,046	0	23,419

7. Provisions

Provisions	31 March 2023	31 December 2022	31 March 2022
Materials for production	34,628	36,582	44,591
Semi-finished products and work-in-progress products	11,579	12,256	14,839
Finished products	11,732	11,818	15,242
Goods	2,189	2,071	2,293
Revaluation write-offs	-3,458	-3,459	-3,095
Inventories, total	56,670	59,268	73,870

8. Trade receivables

Trade receivables	31 March 2023	31 December 2022	31 March 2022
To related entities	13	10	4
To other entities	46,408	44,435	37,952
Total trade receivables	46,421	44,444	37,956

Trade receivables	31 March 2023	31 December 2022	31 March 2022
Trade receivables	47,889	45,568	38,952
Write-offs for expected credit losses	-1,468	-1,124	-996
Total net trade receivables	46,421	44,444	37,956

Detailed list	31 March 2023		31 December 2022		31 March 2022	
	Gross value	Write-offs for expected credit losses	Gross value	Write-offs for expected credit losses	Gross value	Write-offs for expected credit losses
Non-matured	40 988	0	35 129	0	29 037	0
1-90 days overdue	4 785	0	7 718	0	8 229	-85
91-180 days overdue	364	0	560	0	849	-114
181-365 days overdue	861	-496	980	-495	129	-93
More than 1 year overdue	891	-972	1 181	-629	708	-704
Total trade receivables	47 889	-1 468	45 568	-1 124	38 952	-996

Write-offs for expected credit losses for trade receivables	31 March 2023	31 December 2022	31 March 2022
Write-offs at the beginning of the period	-1,124	-926	-926
Write-offs recognized in the reporting period	-344	-206	-70
Use of write-offs	0	8	0
Release of write-offs	0	0	0
Write-off for expected credit losses for trade receivables at the end of the period	-1,468	-1,124	-996

9. Assets and liabilities under contracts with customers

Item	31 March 2023	31 December 2022	31 March 2022
Trade receivables	46,421	44,444	37,956
Assets under contracts with customers	9,698	3,127	0
- long-term	0	0	0
- short-term	9,698	3,127	0
Liabilities from contracts with customers	9,016	2,529	1,028
- long-term	2,527	2,325	1,003
- short-term	6,489	204	25

Contracts in progress at the end of the reporting period	31 March 2023	31 December 2022	31 March 2022
Costs incurred up to the balance sheet date	3,165	9,994	0
Amounts invoiced up to the balance sheet date	2,763	9,205	0
Difference (amounts invoiced - costs incurred)	-402	-789	0
Recognized in the financial statements as assets from contracts with customers	9,698	3,127	0
Value of contract revenue recognized as revenue for the period in total	12,461	12,332	0

10. Equity

Share capital

Series and number of shares as of the balance sheet date of 31/03/2023	Number of shares	Unit value	Series/issue value at nominal value (in PLN)
A series	4,320,000	0.25	1,080,000
B series	1,438,856	0.25	359,714
C series	1,439,714	0.25	359,929
	Total		1,799,643

Series and number of shares as of the balance sheet date of 31/03/2022	Number of shares	Unit value	Series/issue value at nominal value (in PLN)
A series	4,320,000	0.25	1,080,000
B series	1,438,856	0.25	359,714
C series	1,439,714	0.25	359,929
	Total		1,799,643

Shareholder	Number of shares as of 31/03/2023	Nominal value as of 31/03/2023	Percentage share as of 31/03/2023
	[shares]	[in PLN]	
Wtorkowski Ryszard	2,670,610	667,653	37%
Wtorkowska Iwona	1,120,000	280,000	16%
Fundusze Inwestycyjne OPERA	1,365,049	341,262	19%
MKK3 Sp. z o.o.	362,334	90,584	5%
Other shareholders	1,680,577	420,144	23%
Total	7,198,570	1,799,643	100%

Capitals attributable to non-controlling interests

Name of the subsidiary (affiliate)	% owned by Group	% belonging to non-controlling interests	Balance of non-controlling capitals
LUG Services Sp. z o.o.	97.00%	3.00%	-3
BIOT Sp. z o.o.	93.00%	7.00%	-148
LUG Argentina SA	50.00%	50.00%	1,529
LUG do Brasil Ltd.	65.00%	35.00%	-2,087
LUG Turkey	66.80%	33.20%	-56
		Total	-765

11. Liabilities on account of credits and loans

Interest-bearing loans and borrowings	31 March 2023	31 December 2022	31 March 2022
Non-current loans and credits	5,885	6,271	7,242
Short-term loans and borrowings (including overdraft)	58,636	51,048	56,913
Interest-bearing loans and borrowings, total	64,521	57,319	64,155

12. Lease liabilities

Lease liabilities	31 March 2023	31 December 2022	31 March 2022
Long-term liabilities	3,344	2,337	1,531
Short-term liabilities	1,719	1,565	2,331
Lease liabilities, total	5,063	3,902	3,862

Lease liabilities	31 March 2023	31 December 2022	31 March 2022
Liabilities at the beginning of the period	3,902	4,646	4,646
Increases (new leases)	33	2,511	0
Changes in lease agreements	847	0	0
Other changes	852	0	0
Accrued interest	18	96	24
Lease liabilities (capital) paid	-571	-2,523	-783
Interest paid	-18	-96	-25
Other changes	0	-732	0
Lease liabilities, total	5,063	3,902	3,862

13. Provisions

Provisions	31 March 2023	31 December 2022	31 March 2022
Provisions for warranty repairs and reimbursements	3,738	3,488	2,950
Provision for sales costs	2,599	2,624	5,620
Provision for SF studies and consultancy services	89	86	52
UB provisions	106	500	0
Provision for annual premiums for receivables insurance	60	12	435
Provisions for costs Q12023	991	0	0
Provisions, total	7,583	6,709	9,057
Long-term	2,953	2,704	2,166
Short-term	4,630	4,005	6,891
Provisions, total	7,583	6,709	9,057

14. Employee benefit obligations

Employee benefit obligations	31 March 2023	31 December 2022	31 March 2022
Provisions for retirement and disability severance payments	385	385	429
Provisions for unused annual leaves	2,053	2,053	2,315
Provision for bonuses	1,961	1,581	1,788
Remuneration liabilities	2,594	2,645	2,415
Other provisions and liabilities	465	0	60
Employee benefit obligations, total	7,458	6,664	7,007
Long-term	373	373	396
Short-term	7,085	6,291	6,611
Employee benefit obligations, total	7,458	6,664	7,007

15. Contractual liabilities

Liabilities from contracts with customers	31 March 2023	31 December 2022	31 March 2022
Advances and prepayments received	0	0	0
Deferred income from licenses sold	2,910	2,529	1,028
Other	0	0	0
Liabilities under contracts with customers, total	2,910	2,529	1,028
Long-term	2,527	2,325	1,003
Short-term	383	204	25
Liabilities under contracts with customers, total	2,910	2,529	1,028

Revenues settled over time relate to licenses for the Urban lighting management system developed in-house at the subsidiary.

16. Other non-financial liabilities

Other non-financial liabilities	31 March 2023	31 December 2022	31 March 2022
Budgetary liabilities	6,393	7,269	4,956
PPK liabilities	0	51	40
Excess of liabilities over social security fund assets	81	11	227
Other	15	30	23
Other non-financial liabilities, total	6,489	7,361	5,246
Long-term	0	0	0
Short-term	6,489	7,361	5,246
Other non-financial liabilities, total	6,489	7,361	5,246

17. Accruals and prepayments

Accruals and prepayments	31 March 2023	31 December 2022	31 March 2022
Grants received to finance the acquisition or production of fixed assets	692	787	1,825
Other	0	0	0
Accruals and prepayments, total	692	787	1,825
Long-term	310	406	1,412
Short-term	382	381	413
Accruals and prepayments, total	692	787	1,825

On 31/08/2020, LUG Light Factory Sp. z o.o. signed an agreement at the Marshal's Office of the Lubuskie Voivodeship for funding of a research and development 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". The project is co-financed by the European Regional Development Fund under the Regional Operational Program - Lubuskie 2020, Priority Axis 1 "Economy and Innovation" and Action 1.1 "Research and innovation". The total value of the project is over PLN 4 million, including eligible expenses of exactly PLN 4,102,438.76, and will be spent on: salaries of the research team, hiring new employees for the R&D Department, purchase of research equipment and apparatus, software and purchase of materials for prototypes.

Funding for the Project will amount to PLN 2,324,289.99.

The project lasted two years (until 30/06/2022), and its goal was to develop a new group of LUGi-branded products of lighting solutions enabling personalization of lighting and its control within the framework of the innovative HCL 2.0 concept (the so-called Human Centric Lighting 2.0). Human Centric Lighting (HCL) is a concept in lighting design in which it is a guarantee not only of optimal conditions for visual work with the greatest possible visual comfort, but also conditions for the proper functioning of the human body and well-being. The project has produced 18 product innovations (lighting solutions), at least one inter-industry innovation, patent applications and utility model claims. The team conducting research and development work consisted of 15 people.

18. Contingent liabilities

Detailed list	Company	Guarantee / surety for	Currency	31 March 2023	31 December 2022	31 March 2022
Guarantee of proper performance	LUG Light Factory Sp. z o.o.	BNP Paribas Bank Polska S.A.	EUR	X	X	X
Guarantee of proper performance of the agreement	LUG Light Factory Sp. z o.o.	Bank Pekao S.A.	EUR	73	73	73
Guarantee of proper performance of the agreement	LUG Light Factory Sp. z o.o.	Bank Pekao S.A.	PLN	386	850	849
Guarantee of proper performance of tenancy agreement	LUG Light Factory Sp. z o.o.	Bank Pekao S.A.	EUR	61	X	X
Guarantee of proper performance of tenancy agreement	LUG Light Factory Sp. z o.o.	Bank Pekao S.A.	PLN	92	92	92
Tender guarantee in a public tender	LUG Light Factory Sp. z o.o.	Bank Pekao S.A.	PLN	X	X	X
Tender guarantee in a non-public tender	LUG Light Factory Sp. z o.o.	Bank Pekao S.A.	EUR	X	690	690
Guarantee of payment of penalties during the warranty period	LUG Light Factory Sp. z o.o.	Bank Pekao S.A.	PLN	331	385	384
Advance payment guarantee	LUG Light Factory Sp. z o.o.	Bank Pekao S.A.	PLN	X	X	X
Tender guarantee in a public tender	LUG Light Factory Sp. z o.o.	Santander Bank Polska S.A.	PLN	X	50	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	2 354
Guarantee of proper performance of the agreement	LUG Light Factory Sp. z o.o.	Santander Bank Polska S.A.	PLN	X	X	X
Advance payment guarantee	LUG Light Factory Sp. z o.o.	Santander Bank Polska S.A.	EUR	X	413	413
Guarantee of proper performance of the agreement, warranty and quality guarantee	LUG Services Sp. z o.o.	Santander Bank Polska S.A.	PLN		2 484	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		286	X
Tender guarantee – public tender	LUG Light Factory Sp. z o.o.	KUKE S.A.	PLN	9	X	X
Guarantee of proper performance of the agreement	LUG Services Sp. z o.o.	Cash	PLN		X	X
Warranty and quality guarantee	LUG Services Sp. z o.o.	Cash	PLN		84	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	X
			Total	3 114	7 761	5 857

The guarantees granted relate to the subsidiaries LUG Light Factory Sp. z o. o. and LUG Services Sp. z o.o. as presented in the table above.

19. Transactions with related parties

Affiliated entity	Sales to affiliated entities	Purchases from affiliated entities	Receivables from affiliated entities	Liabilities towards affiliated entities
Parent company	01/01/2023 - 31/03/2023	01/01/2023 - 31/03/2023	31 March 2023	31 March 2023
LUG SA	300	106	343	340
Subsidiaries	7,030	7,306	13,599	13,590
LUG Light Factory Sp. z o.o.	5,951	1,452	12,668	1,086
LUG GmbH	588	0	585	0
LUG do Brasil Ltda.	13	0	0	718
LUG Lighting UK Ltd.	375	0	280	0
LUG Argentina S.A.	0	376	0	2,967
BIOT Sp. z o.o.	99	39	39	48
LUG Turkey	0	0	0	188
LUG Services Sp. z o.o.	3	5,438	26	8,582
Associates	0	0	0	0
ESCOLIGHT	0	0	0	0
Other related entities	86	4	0	13
Luna Sp. z o. o.	0	0	0	1
Luna Sp. z o.o. Sp. K.	86	4	0	12

Affiliated entity	Sales to affiliated entities	Purchases from affiliated entities	Receivables from affiliated entities	Liabilities towards affiliated entities
Parent company	01/01/2022 - 31/03/2022	01/01/2022 - 31/03/2022	31 March 2022	31 March 2022
LUG SA	300	93	601	153
Subsidiaries	4,713	4,962	8,181	8,651
LUG Light Factory Sp. z o.o.	4,154	904	7,330	1,172
LUG GmbH	356	0	411	0
LUG do Brasil Ltda.	0	0	0	710
LUG Lighting UK Ltd.	134	0	179	0
LUG Argentina S.A.	0	701	0	2,696
BIOT Sp. z o.o.	59	32	262	32
LUG Turkey	0	0	0	149
LUG Services Sp. z o.o.	10	3,325	0	3,892
Associates	0	0	0	0
ESCOLIGHT	0	0	0	0
Other related entities	45	3	26	1
Luna Sp. z o. o.	45	3	26	1

20. Significant events in the period covered by the condensed financial statements

Information on material events in the first quarter of 2023, such as the pandemic, the armed conflict in Ukraine or inflation and their impact on the Group's operations are described in more detail in sections 3-4 of this report.

21. Events after the period covered by the condensed quarterly financial statements

The Group has not recorded any significant events after the period covered by the financial statements.

Statement of the Management Board

The Management Board of the parent company declares that, to the best of its knowledge, these consolidated quarterly financial statements and the comparative data have been prepared in accordance with the accounting principles applicable to the Group and that they give a true, fair and clear view of the Capital Group's property and financial position and its financial result.

The consolidated quarterly 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 quarterly consolidated financial statement of the LUG Capital Group contains data for the period from January 1, 2023 to March 31, 2023.

Comparative data are presented:

- as of December 31, 2022 for the consolidated statement of financial position,
- for the period from January 1, 2022 to March 31, 2022 for the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and the consolidated statement of changes in equity.

The statement was approved on March 15, 2023 by the Management Board composed of:

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

7.5 Condensed separate financial data of LUG S.A.

Separate statement of comprehensive income

Statement of Comprehensive Income	01/01/2023 - 31/03/2023	01/01/2022 - 31/12/2022	01/01/2023 - 31/03/2023
Sales revenues	300	1 900	300
Revenue from contracts with customers - sale of products and services	300	1 900	300
Revenue from contracts with customers - sale of goods and materials	0	0	0
Cost of products, goods and materials sold	0	0	0
Manufacturing costs of products and services sold	0	0	0
Value of goods and materials sold	0	0	0
Gross profit (loss) on sales	300	1 900	300
Other operating revenues	0	54	0
Sales costs	0	0	0
General management costs	-298	-1 477	-310
Impairment losses on trade and other receivables	0	-1 628	0
Other operating expenses	-6	-103	0
Profit (loss) on operating activities	-4	-1 254	-10
Financial revenues	48	734	14
Financial costs	0	-11	0
Profit (loss) before tax	44	-531	4
Income tax		88	0
Net profit (loss) from continued operations	44	-619	4
Net profit (loss) from discontinued operations	0	0	0
Net profit (loss)	44	-619	4

Other comprehensive income	0	0	0
Total comprehensive income	44	-619	4
Net profit (loss) per share (in PLN)			
Basic for the financial period	0,01	-0,09	0,00
Diluted for the financial period	0,01	-0,09	0,00
Net profit (loss) per share from continued operations (in PLN)			
Basic for the financial period	0,01	-0,09	0,00
Diluted for the financial period	0,01	-0,09	0,00
Net profit (loss) per share from discontinued operations (in PLN)			
Basic for the financial period	0,00	0,00	0,00
Diluted for the financial period	0,00	0,00	0,00

Separate statement of financial position

ASSETS	31 March 2023	31 December 2022	31 March 2022
Fixed assets	33 066	32 843	33 073
Tangible fixed assets	0	0	0
Intangible assets	0	0	0
Assets under the right to use	0	0	0
Shares in subsidiaries	32 155	32 155	31 891
Shares in associates	45	45	30
Other financial assets	823	600	1 107
Long-term receivables	0	0	0
Deferred tax assets	43	43	45
Current assets	2 208	2 317	2 682
Provisions		0	0
Trade receivables	163	213	605
Other receivables	315	320	2 018
Receivables due to current income tax	81	40	0
Other financial assets	1 622	1 617	0
Other non-financial assets	24	68	28
Cash and cash equivalents	3	59	31
Assets classified as held for sale	0	0	0
TOTAL ASSETS	35 274	35 160	35 755

LIABILITIES	31 March 2023	31 December 2022	31 March 2022
Equity	34 784	34 740	35 362
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	9 329	9 329	8 937
Retained earnings from previous years	-204	415	806
Net profit (loss) attributable to shareholders of the parent company	44	-619	4
Long-term liabilities and provisions	0	0	25
Interest-bearing credits and loans	0	0	0
Provisions for deferred income tax	0	0	25
Short-term liabilities and provisions	490	420	368
Interest-bearing credits and loans	0	0	0
Trade payables	388	268	190
Other financial liabilities	19	19	19
Provisions	38	26	35
Employee benefit obligations	15	15	15
Other non-financial liabilities	30	92	24
Current income tax liabilities	0	0	85
Liabilities directly related to assets classified as held for sale	0	0	0
TOTAL LIABILITIES	35 274	35 160	35 755

Separate statement of changes in equity

Statement of changes in equity	Share capital	Supplementary capital from sale of shares above nominal price	Other supplementary capital	Profit (loss) from previous years	Financial result for the current period	Total equity
01/01/2023 - 31/03/2023						
Equity as at 01/01/2023	1 800	23 815	9 329	-204	0	34 740
Total income for the reporting period						
Total income for the reporting period	0	0	0	0	44	44
Transactions with owners of the entity recognized directly in equity						
Issue of shares	0	0	0	0	0	0
Other						
Distribution of net profit	0	0	0	0	0	0
Other changes	0	0	0	0	0	0
Equity as at 31/03/2023	1 800	23 815	9 329	-204	44	34 784

Statement of changes in equity	Share capital	Supplementary capital from sale of shares above nominal price	Other supplementary capital	Profit (loss) from previous years	Financial result for the current period	Total
01/01/2022 - 31/12/2022						
Equity as at 01/01/2022	1 800	23 815	8 937	806	0	35 358
Total income for the reporting period						
Total income for the reporting period	0	0	0	0	-619	-619
Transactions with owners of the entity recognized directly in equity						
Issue of shares	0	0	0	0	0	0
Other						
Distribution of net profit	0	0	391	-391	0	0
Other changes	0	0	0	0	0	0
Equity as at 31/12/2022	1 800	23 815	9 329	415	-619	34 740

Statement of changes in equity	Share capital	Supplementary capital from sale of shares above nominal price	Other supplementary capital	Profit (loss) from previous years	Financial result for the current period	Total
01/01/2022 - 31/03/2022						
Equity as at 01/01/2022	1 800	23 815	8 937	806	0	35 358
Total income for the reporting period						
Total income for the reporting period	0	0	0	0	4	4
Transactions with owners of the entity recognized directly in equity						
Issue of shares	0	0	0	0	0	0
Other						
Distribution of net profit	0	0	0	0	0	0
Other changes	0	0	0	0	0	0
Equity as at 31/03/2022	1 800	23 815	8 937	806	4	35 362

Separate statement of cash flows

Statement of Cash Flows	01/01/2023 - 31/03/2023	01/01/2022 - 31/12/2022	01/01/2023 - 31/03/2023
Cash flows from operating activities			
Profit/loss before tax	44	-531	4
Total adjustments:	75	1 850	298
Depreciation	0	0	0
Income from interest and dividends	-49	-728	-13
Costs due to interest	0	0	0
Profit (loss) from investment activities	0	0	0
Change in provisions	12	-9	0
Change in inventories	0	0	0
Change in trade and other receivables	10	2 421	265
Change in other non-financial assets	44	-21	7
Change in liabilities, excluding loans and credits	58	187	39
Other adjustments from operating activities	0	0	0
Cash generated on operating activities	119	1 319	302
Income tax (paid) / refunded	-41	-243	-34
Net cash from operating activities	78	1 076	268
Cash flows from investment activities			
Inflows	66	595	69
Disposal of shares in subsidiaries	0	0	
Interest and dividends received	66	595	9
Repayment of loans granted	0	0	
Other investment inflows	0	0	60
Expenditure	-200	-1 633	-327
Acquisition of shares in subsidiaries and associates	0	-517	-327
Granting loans	-200	-1 116	0
Other investment expenditure	0	0	0
Net cash from investment activities	-134	-1 038	-258
Cash flow from financial activities			
Inflows	0	0	0
Net inflows from issue of shares and other equity instruments and capital surcharges	0	0	0
Credits and loans	0	0	0
Other financial inflows	0	0	0
Expenditure	0	0	0
Repayments of credits and loans	0	0	0
Interest on loans / credits	0	0	0
Other financial expenditure	0	0	0
Net cash from financial activities	0	0	0
Total net cash flow	-56	38	10
Cash and cash equivalents at the beginning of the period	59	21	21
Cash at the end of the period	3	59	31

7.6 Additional notes and explanations to the condensed quarterly separate financial statements

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 December 31, 2022 and the financial result for the period from January 1 to December 31, 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 quarterly individual financial statement are presented in PLN, and, unless indicated otherwise, are given in thousands (PLN thousand).

The comparative figures include the statement of financial position as of December 31, 2022, the statement of comprehensive income and statement of cash flows for the 3 months ended March 31, 2022 and the statement of changes in equity for the 3 months ended March 31, 2022.

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 3 months ended March 31, 2023 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.

1. Shares in subsidiaries and associates

Change in investments in subsidiaries and associates

Detailed List	31 March 2023	31 December 2022	31 March 2022
Balance at the beginning of the period	32 200	31 921	31 921
Increases due to:	0	279	0
- capital increase in subsidiaries	0	263	0
- other changes	0	16	0
Decreases due to:	0	0	0
- other changes (sales)	0	0	0
Balance at the end of the period	32 200	32 200	31 921

There was no increase in shares in subsidiaries and affiliates in Q1 2023.

The increase in the value of investments in subsidiaries in 2022 concerned the purchase of shares in BIOT Sp. z o.o. in the amount of PLN 263 thousand and in ESCOLIGHT Sp. z o.o. in the amount of PLN 16 thousand. There was no reduction of shares in subsidiaries in 2022.

Investments in subsidiaries and associates as of 31/03/2023

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	2 012	171	2 183	93%	93%	full
LUG Argentina S.A., Buenos Aires	790	0	790	50%	50%	full
LUG Turkey, Istanbul	25	0	25	67%	67%	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	32 637	-437	32 200			

Investments in subsidiaries and associates as of 31/12/2022

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	2 012	171	2 183	93%	93%	full
LUG Argentina S.A., Buenos Aires	790	0	790	50%	50%	full
LUG Turkey, Istanbul	25	0	25	67%	67%	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	32 637	-437	32 200			

Investments in subsidiaries and associates as of 31/03/2022

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	1 920	0	1 920	88%	88%	full
LUG Argentina S.A., Buenos Aires	789	0	789	50%	50%	full
LUG Turkey, Istanbul	25	0	25	67%	67%	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	32 529	-608	31 921			

Condensed financial information about subsidiaries for the period from January 1 to March 31, 2023 and as of March 31, 2023 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	58 265	29 000	28 178	1 087	196 389	79 359	117 030	138 123	57 606
LUG GmbH, Berlin	333	83	215	35	682	45	637	350	590
LUG do Brasil Ltda., Sao Paulo	-5 963	677	-6 694	54	133	1	131	6 096	13
LUG Lighting UK Ltd., London	261	25	227	9	405	0	405	145	375
LUG Argentina S.A., Buenos Aires	3 058	1 541	871	646	8 260	1 790	6 470	5 202	1 865
BIOT Sp. z o.o., Zielona Góra	-2 113	700	-2 064	-749	12 792	12 191	601	14 905	99
LUG Turkey, Istanbul	-162	38	-198	-2	28	0	28	190	0
LUG Services Sp. z o.o., Zielona Góra	-100	50	533	-683	14 204	562	13 642	14 304	8 625
ESCOLIGHT Sp. z o.o., Zielona Góra	-1 637	100	-1 290	-447	388	5	383	2 025	29

Condensed financial information about subsidiaries for the period from January 1 to March 31, 2022 and as of March 31, 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	54 560	29 000	24 201	1359	195 094	76 628	118 466	140 534	58 560
LUG GmbH, Berlin	376	83	262	31	502	50	452	126	357
LUG do Brasil Ltda., Sao Paulo	-5 914	677	-7 723	1 132	142	4	138	6 056	0
LUG Lighting UK Ltd., London	244	25	210	9	280	0	280	36	134
LUG Argentina S.A., Buenos Aires	2 282	1 541	996	-255	6 927	2 589	4 338	4 644	389
BIOT Sp. z o.o., Zielona Góra	-545	200	-598	-147	10 017	8 812	1 205	10 562	59
LUG Turkey, Istanbul	-132	38	-143	-27	27	0	27	159	0
LUG Services Sp. z o.o., Zielona Góra	418	50	495	-127	4 316	4	4 312	4 833	2 186
ESCOLIGHT Sp. z o.o., Zielona Góra	-777	100	-600	-277	216	0	216	992	0

2. Other long-term financial assets

Other long-term financial assets as of March 31, 2023 included loans granted (including interest):

- subsidiary BIOT Sp. z o.o. in the amount of PLN 1,452 thousand
- to ESCOLIGHT Sp. z o.o. in the amount of PLN 992 thousand

3. Share capital

Series/issue type of shares	Share privilege	Type of limitation of rights to shares	Number of shares	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		1 799 643		

Share capital – structure as of 31/03/2023

Shareholder	Number of shares as at 31/03/2023	Nominal value as at 31/03/2023	Percentage share as at 31/03/2023
	[shares]	[in PLN]	
Wtorkowski Ryszard	2 670 610	667 653	37%
Wtorkowska Iwona	1 120 000	280 000	16%
Fundusze Inwestycyjne OPERA	1 365 049	341 262	19%
MKK3 Sp. z o.o.	362 334	90 584	5%
Other shareholders	1 680 577	420 144	23%
Total	7 198 570	1 799 643	100%

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	31 March 2023	31 December 2022	31 March 2022
Excess of the issue price over the nominal value	25 754	25 754	25 754
Issuance costs	1 939	1 939	1 939
TOTAL	23 815	23 815	23 815

5. Correction of significant errors

In the period from 01/01 to 31/03/2023, no corrections of significant errors were made.

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.

7. Information on the seasonality or cyclicity of activities in the interim period

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

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.

9. Significant events after the end of the quarterly period not reflected in the financial statement

Information on significant events in the first quarter of 2023, such as the pandemic, armed conflict in Ukraine or inflation and their impact on the Company's operations is described in more detail in Chapters 3-4 of this report.

Statement of the Management Board

The Management Board of the parent company declares that, to the best of its knowledge, these condensed quarterly separate financial statements and the comparative figures have been prepared in accordance with the accounting principles applicable to the Group and that they give a true, fair and clear view of the company's assets, financial position and result.

These condensed quarterly separate financial statements have been prepared using accounting policies in accordance with International Financial Reporting Standards as endorsed by the European Union.

The condensed individual financial statement contains data for the period from January 1, 2023 to March 31, 2023.

Comparative data are presented:

- as of December 31, 2022 for the statement of financial position,
- for the period from January 01, 2022 to March 31, 2022 for the income statement, statement of other comprehensive income, statement of cash flows and statement of changes in equity.

The statement was approved on March 15, 2023 by the Management Board composed of:

Full name	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 March 31, 2023 together with a list of the most important events concerning them.
Information on the aforementioned topics can be found in the chapter "LUG S.A. Capital Group Activity in Q1 2023".
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 March 31, 2023.
Information on the aforementioned topics can be found in the chapter "LUG S.A. Capital Group Activity in Q1 2023".
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 2023 in the context of the results presented in the report for the fourth quarter of 2022.
The Management Board of LUG S.A. did not publish forecasts of the financial results of the company or the LUG S.A. Capital Group for 2023.
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 fourth 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 fourth 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 March 31, 2023, 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 March 31, 2023, 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 March 31, 2023, 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.

Information on significant events in Q1 2023, such as the pandemic, the armed conflict in Ukraine or inflation and their impact on the Group's operations are described in more detail in Chapters 3-4 of this report.

11. As a consequence of the COVID-19 coronavirus pandemic, restrictions were relaxed in the Polish territory as of May 16 this year, and an epidemic emergency became effective. 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 sections 3-4 of the Report.*

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.

The statement was approved on March 15, 2023 by the Management Board composed of:

Full name	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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