



# VIGO Photonics Group

CONSOLIDATED ANNUAL REPORT  
for the period from 1 January 2022 to 31 December 2022  
containing the interim condensed consolidated financial  
statements of the VIGO Photonics Group prepared in  
accordance with IFRS

Ożarów Mazowiecki, 17 April 2023

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## CEO's Letter to Shareholders



Ladies and Gentlemen,

I'm pleased to share with you the 2022 Annual Report of the VIGO Photonics Group. 2022 was an extremely challenging year. The geopolitical turmoil in the aftermath of Russia's invasion of Ukraine and the resulting disruption to the global economy, with surging energy prices, soaring inflation and, as a result, many companies seeing their costs multiplied, as well as disrupted component supply chains inevitably affected our sales and results.

In 2022, we kept our shareholders up to speed on how those turbulences were impacting our business and on the countermeasures we were taking. Looking back, I can say that those stupendous difficulties did not prevent us from attaining our goals: we reduced our cost base, pursued price increases with our clients, successfully managed supply chains and expanded our sales network and proposition.

We continue strengthening our business relationships and acquiring new clients, which speaks to the quality and reliability of our products. Despite the fact that our sales in 2022 were down year-on-year, we have been seeing a marked year-on-year rise in orders for our products for some time now, which is certainly helping to bring VIGO back on track of fast growth.

NASA's use of our detectors for its Artemis mission completed in late 2022 was our unqualified success, a testament to the quality and advancement of our solutions. VIGO's infrared detectors were used to monitor the operation of key environmental systems of the Orion spacecraft and they made it possible to gauge carbon dioxide, water and oxygen levels in the spacecraft and inside the astronauts' suits. We are very proud to have been part of the Artemis mission and to have had our detectors appreciated by such an important partner.

We continue expanding our international sales network, with the United States and Asia holding particular promise. In 2022, we also stepped up our presence in European markets by hiring business developers working directly with clients in Northern European markets (UK, Scandinavia) and Western European markets (France, Italy, Spain).

We attend multiple science events, industry conferences and trade fairs, which enables us to reach customers from all over the globe. In 2022, we started a partnership with Digi-Key Electronics, a leading distributor of electronic equipment in the US.

As VIGO Photonics grew as a global player, our Management Board had to expand too. Marcin Szrom was appointed Chief Operating Officer in November 2022. Marcin has extensive experience in the semiconductor and automotive industries and his responsibilities include helping the company streamline its operations as well as making the production processes and supply chain management more efficient. I strongly believe that with Marcin on board, VIGO's growth will be even more robust.

September 2022 saw the arrival of a new epitaxial reactor, which was commissioned in January 2023 and is used to make semiconductor materials. The reactor will enable us to double our production capacity in the semiconductor materials segment, allowing VIGO to serve more clients and launch new projects.

In 2022, revenue from sales reached PLN 67.8 million compared to PLN 71.5 million in 2021. EBITDA adjusted for grants was at PLN 14.9 million (PLN 27.3 million in 2021). EBIT was PLN 8.7 million (PLN 22.9 million in 2021). Net profit adjusted by deferred tax came in at PLN 7.6 million in 2022 versus PLN 22.6 million in 2021.

As I say at the start of my letter, VIGO's 2022 results were dented by much higher operating costs due to the global macroeconomic turmoil, disrupted supply chains and difficulties in accessing components, which pushed some orders to 2023. These difficulties, however, are already behind us and we are looking into the future with optimism.

In 2023, due to the shift in the market environment, more emphasis will be placed on developing the most promising short-term projects and strategic initiatives that align with key global megatrends, as well as those that can be financed by EU funds.

VIGO Photonics is well positioned for expansion in existing and new areas. We are a leader in mid-infrared technology applications and we are seeing favourable long-term trends in the technologies in which our products have a wide range of applications. These technological megatrends include system miniaturisation, IoT, continued growth in the consumer electronics and the automotive industries, national defence systems (higher state budget spending), as well as chip manufacturing and the growth of the semiconductor industry in Europe. We see excellent prospects for the development of infrared array technology for military and space applications, and the development of mid-infrared-based photonic integrated circuits (PIC).

In 2023 we also expect to see accelerated growth in sales in our core business of MCT, InGaAs and InAsSb detectors and detection modules through further development of R&D and sales teams.

To recap, our unique competitive edge provides opportunities to scale up our business and to create unique products for the largest global players. As our vision for growth becomes reality, long-term value for all Stakeholders will certainly increase.

In conclusion, on behalf of the VIGO Management Board, I extend our thanks to all our employees for their daily engagement. I also thank the Supervisory Board for their support and our Clients and Partners for the opportunity to work together and grow.

My thanks also go to VIGO's Shareholders and Investors for the trust you have placed in us.

I hope you enjoy reading our Annual Report.

Yours faithfully,

Adam Piotrowski

CEO of VIGO Photonics S.A.

**1 Consolidated financial statements****Statement of financial position as at 31.12.2022**

Item	Note	As at 31.12.2022 (PLN thousand)	As at 31.12.2021 (PLN thousand)
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>218,908</b>	<b>183,719</b>
Property, plant and equipment	4.1.2	113,502	99,219
Intangible assets	4.1.1	19,432	10,524
Right of use	3.14.3	3,854	3,888
Expenditure on development projects – assets under construction	4.1.4	53,444	43,351
Assets on account of long-term deferred tax	4.3.4	22,012	22,395
Investments in jointly controlled entities	4.1.3	6,666	4,320
Prepayments	4.1.4		22
<b>Current assets</b>		<b>35,106</b>	<b>34,324</b>
Inventories	4.1.5	15,281	6,899
Trade receivables	4.1.6	14,256	14,370
Other receivables	4.1.6	2,226	5,667
Other financial receivables	4.1.6	16	35
Prepayments	4.1.4	1,068	858
Cash and cash equivalents	4.1.8	2,258	6,495
<b>TOTAL ASSETS</b>		<b>254,015</b>	<b>218,043</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>		<b>138,524</b>	<b>131,228</b>
Share capital	4.2.1	729	729
Share premium account	4.2.2	8,865	8,865
Revaluation reserve	4.2.3	99	-24
Other capitals	4.2.5	121,611	91,149
Profit (loss) of the current period	4.2.4	7,219	30,509
<b>Long-term liabilities</b>		<b>81,896</b>	<b>57,478</b>
Bank and other loans	4.2.9	28,057	21,368
Lease obligations	4.2.10	800	818
Deferred income	4.2.14	52,854	35,066
Provision for pensions and similar benefits	4.2.8	184	226
<b>Short-term liabilities</b>		<b>33,596</b>	<b>29,337</b>
Bank and other loans	4.2.9	21,328	12,441
Lease obligations		46	46
Trade and other liabilities	4.2.10	4,408	8,103
Other liabilities	4.2.10	1,251	1,707
Other financial liabilities			18
Deferred income	4.2.14	2,611	2,363
Provision for pensions and similar benefits	4.2.8	1,953	1,717
Other provisions	4.2.8	2,000	2,942
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>254,015</b>	<b>218,043</b>

**Statement of comprehensive income for the period 1.01.2022 - 31.12.2022**

Specification	NOTE	1.01.2022- 31.12.2022 (PLN thousand)	1.01.2021- 31.12.2021 (PLN thousand)
<b>Revenue from sales</b>	4.3.1	<b>67,874</b>	<b>71,497</b>
Revenue from the sale of products	4.3.1	63,513	69,428
Revenue from the sale of services	4.3.1	3,980	2,023
Revenue from the sale of goods and materials	4.3.1	381	46
<b>Cost of products, goods and materials sold</b>	4.3.5	<b>32,795</b>	<b>25,691</b>
<b>Gross profit (loss) on sale</b>		<b>35,079</b>	<b>45,806</b>
Other operating income	4.4	8,270	5,902
Selling costs	4.3.5	10,395	4,742
General and administrative expenses	4.3.5	20,674	20,136
Other operating costs	4.5	3,576	3,918
<b>Profit (loss) on operating activities</b>		<b>8,704</b>	<b>22,912</b>
Financial income	4.6	424	530
Financial costs	4.7	1,444	867
<b>Profit/ loss before tax</b>		<b>7,684</b>	<b>22,574</b>
<b>Income tax</b>	4.3.4	<b>464</b>	<b>-7,935</b>
Current income tax		81	
Deferred income tax		383	-7,935
<b>Net profit (loss) on continued operations</b>		<b>7,219</b>	<b>30,509</b>
<b>Profit (loss) after tax</b>		<b>7,219</b>	<b>30,509</b>
<b>Components of other comprehensive income:</b>		123	61
<b>Items that will not be reclassified to the income statement in subsequent periods</b>		<b>123</b>	<b>61</b>
Actuarial gains (losses) on defined benefit plans	4.3.3	123	61
<b>Total comprehensive income</b>		<b>7,342</b>	<b>30,570</b>
Net profit (loss) per share (in PLN)	4.2.7	<b>9.90</b>	<b>41.85</b>
Basic for the financial period		9.90	41.85
Diluted for the financial period	4.3.1	9.90	41.85

**Consolidated statement of changes in equity for the period from 01.01.2022 to 31.12.2022**

(PLN thousand)	Share capital	Share premium account	Revaluation reserve	Other capitals	Profit (loss) of the current period	Total equity
<b>Twelve months ended 31 December 2022</b>						
<b>Equity as at 1 January 2022</b>	<b>729</b>	<b>8,865</b>	<b>-24</b>	<b>91,148</b>	<b>30,509</b>	<b>131,228</b>
Profit (loss) of the period					7,219	7,219
Distribution of profit (loss) for 2021				30,509	-30,509	
Conditional increase in capital				-47		-47
Other comprehensive income: actuarial gains/losses			123			123
<b>Equity as at 31.12.2022</b>	<b>729</b>	<b>8,865</b>	<b>99</b>	<b>121,611</b>	<b>7,219</b>	<b>138,524</b>
<b>Twelve months ended 31 December 2021</b>						
<b>Equity as at 1 January 2021</b>	<b>729</b>	<b>8,865</b>	<b>-85</b>	<b>58,525</b>	<b>32,547</b>	<b>100,582</b>
Profit (loss) of the period					30,509	<b>30,509</b>
Distribution of profit (loss) for 2020				<b>32,547</b>	-32,547	
Conditional increase in capital				76		76
Other comprehensive income: actuarial gains/losses			62			62
<b>Equity as at 31.12.2021</b>	<b>729</b>	<b>8,865</b>	<b>-23</b>	<b>91,148</b>	<b>30,509</b>	<b>131,228</b>

**Consolidated statement of cash flows (Note 4.8)**

(PLN thousand)	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
<b>OPERATING ACTIVITIES</b>		
<b>Profit/ loss before tax</b>	<b>7,684</b>	<b>22,574</b>
<b>Income tax</b>	<b>465</b>	<b>-7,935</b>
<b>Net profit/ loss</b>	<b>7,219</b>	<b>30,509</b>
<b>Total adjustments:</b>	<b>-3,359</b>	<b>-9,810</b>
Depreciation/ amortisation	9,362	6,753
FX gains (losses)	293	35
Interest and profit distributions (dividends)	1,726	266
Profit (loss) on investing activities	-240	98
Change in the balance of provisions	-625	354
Change in the balance of inventories	-8,382	2,325
Change in the balance of receivables	3,555	-8,588
Change in liabilities, except for bank and non-bank loans	542	2,923
Change in lease obligations	-64	864
Change in prepayments	-284	-435
Change in accrued income	-7,463	-5,380
Profit (loss) of entities accounted for using the equity method	541	
Other adjustments	-2,320	-9,025
<b>Cash from operating activities</b>	<b>3,860</b>	<b>20,699</b>
Income tax (paid)/ received	-81	
<b>A. Net cash flows from operating activities</b>	<b>3,779</b>	<b>20,699</b>
<b>INVESTING ACTIVITIES</b>		
<b>Inflows</b>	<b>25,769</b>	<b>18,106</b>
Grants received	25,449	15,053
Proceeds from the sale of tangible assets	270	2
Proceeds from investment funds		3,033
Loans repaid		18
<b>Outflows</b>	<b>-47,905</b>	<b>-48,371</b>
Acquisition of intangible and tangible assets	-23,664	-29,394
Expenditure on in-process development	-21,354	-18,977
Expenditure on acquisition of shares	-2,887	
<b>B. Net cash flows from investing activities</b>	<b>-22,136</b>	<b>-30 265</b>
<b>FINANCING ACTIVITIES</b>		
<b>Inflows</b>	<b>27,726</b>	<b>11,469</b>
Bank and other loans	27,726	11,469
<b>Outflows</b>	<b>-13,598</b>	<b>-8,433</b>
Repayment of bank and non-bank loans	-12,598	-8,092
Interest	-983	-290
Lease payments	-17	-51
<b>C. Net cash flows from financing activities</b>	<b>14,128</b>	<b>3,036</b>
<b>D. Total net cash flows</b>	<b>-4,229</b>	<b>-6,530</b>
<b>E. Balance sheet change in cash, including</b>	<b>-4,237</b>	<b>-6,754</b>
– change in cash due to FX differences	8	224
<b>F. Cash at the beginning of the period</b>	<b>6,495</b>	<b>13,249</b>
<b>G. Cash at the end of the period</b>	<b>2,258</b>	<b>6,495</b>

**2 Selected consolidated figures**

Financial highlights (PLN thousand)	01.01.2022-31.12.2022		01.01.2021-31.12.2021	
	PLN	EUR	PLN	EUR
<b>Statement of comprehensive income</b>				
Net revenue from the sale of products, goods and materials	67,874	14,470	71,497	15,619
Cost of sales	32,795	6,992	25,691	5,612
Operating profit	8,704	1,856	22,912	5,005
Profit before tax	7,684	1,628	22,574	4,932
Net profit	7,219	1,539	30,510	6,665
Number of shares	729,000	729,000	729,000	729,000
Net profit per ordinary share (PLN/EUR)	9.90	2.11	41.85	9.14
<b>Statement of financial position</b>				
Non-current assets	218,908	46,677	183,719	39,944
Current assets	35,106	7,486	34,324	7,463
Equity	138,524	29,537	131,228	28,532
Long-term liabilities	81,896	17,462	57,479	12,497
Short-term liabilities	33,596	7,163	29,337	6,378
Book value per share (PLN/EUR)	190.02	40.52	180.01	39.14
<b>Statement of cash flows</b>				
Net cash flows from operating activities	3,779	806	20 699	4,522
Net cash flows from investing activities	-22,136	-4,719	-30,265	-6,612
Net cash flows from financing activities	14,128	3,012	3,036	663

EUR/PLN exchange rate	2022	2021
Statement of financial position	4.6899	4.5994
Statement of comprehensive income and statement of cash flows	4.6907	4.5775

### 3 Introduction to the consolidated financial statements

#### 3.1 Key information about the Group

VIGO Photonics Group (“Group”, “Company”, “Issuer”) is a technology-based manufacturing company specialising in semiconductor materials and devices for photonic and microelectronic applications. VIGO Photonics is a leader in the global market of mid-infrared photon detectors. All products are based on its proprietary, unique technology. The Group provides ready-made and customised solutions for developing products dedicated to a given customer's application.

The Group has a complete production line for high-throughput semiconductor devices – from epitaxy of materials from complex semiconductors of groups II-VI (tellurium, cadmium, mercury) and groups III-V of the periodic table of elements (indium, arsenic, gallium, antimony), to the production of detector chips and lasers, to their microassembly and integration into electronics. The Group also has its own modern measurement laboratories, which enable fast and accurate measurements of products and semi-finished products at every stage of production.

Detectors currently manufactured by the Group are used in the world's largest research centres and in the development of advanced technical equipment, in applications such as:

- Railway traffic safety (failure detection systems in the running gear of high-speed rail systems and fire detection systems)
- Environmental protection (measurement of the threat to the environment posed by harmful chemical substances, monitoring of emissions of hazardous substances into the air, air quality surveillance)
- Industrial applications (industrial scanners for temperature distribution, industrial automation equipment)
- Military applications (missile guidance systems, laser-beam vehicle-tracking alert systems)
- Security (detection of explosive and hazardous substances, prevention systems against terrorist activities, systems for checking the contents of passengers' luggage)
- Research and science (measurement of high-temperature plasma parameters for thermonuclear fusion research, measurement of ultra-short pulses of infrared radiation emitted by lasers and synchrotrons, spectrometers for measuring extremely low concentrations of substances)
- Space industry (laser communications in open Space, measurement equipment for space applications).

In order to meet the dynamic development of photonics market, VIGO Photonics has added epitaxial semiconductor layers to its offer. Developed by VIGO Photonics, the epitaxial layers, based on indium phosphide and gallium arsenide, are the basis for the production of cascade edge lasers, vertical cavity resonance lasers (VCSEL), other sources of infrared radiation and microelectronic components (transistors, diodes).

The Group puts great emphasis on research and development of new products, thus continuously maintaining high competitiveness and quality of offered products since the 1990s. The technological advancement of VIGO Photonics and the quality of its products as well as its position in the global market have been confirmed by the use of infrared detectors produced by VIGO in the Mars rover Curiosity, which landed on the Red Planet on 6 August 2012 as part of the NASA program and the subsequent detection of traces of methane on Mars in December 2014 with the use of these detectors. The Company's detectors were also used by the European Space Agency as part of the Exomars mission. In October 2016, Schiaparelli landing module, equipped with VIGO Photonics detectors, attempted a landing on Mars.

The Group is a going concern.

The Group's core business is the manufacture of electronic components (PKD 2611Z).

#### 3.2 Contact details

Name:	VIGO Photonics
Primary place of business:	Ożarów Mazowiecki
Registered office:	Poland
Address:	ul. Poznańska 129/133, 05-850 Ożarów Mazowiecki
NIP:	527-020-73-40
REGON:	010265179
Telecommunications numbers:	Phone (+48 22) 733 54 00 Fax (+48 22) 733 54 26
Email address:	<a href="mailto:info@vigo.com.pl">info@vigo.com.pl</a>
Website:	<a href="http://www.vigo.com.pl">www.vigo.com.pl</a>

#### 3.3 Description of VIGO Photonics Group

The Group includes the following entities:

- VIGO Photonics Taiwan – a company established in 2020 as a sales office in the East Asia region. The Group has a 100% stake VIGO Photonics Taiwan worth PLN 76 thousand. Currently, the company is being liquidated and the value of the shares has been taken to other operating costs. – the company is not consolidated
- VIGO Photonics Inc – a company established in 2021 as a sales office in the North American region. The Group has a 100% stake VIGO Photonics Inc. worth PLN 464 thousand. The company is fully consolidated.
- VIGO WE Innovation Sp. z o.o. – a company established in 2017 to carry out investments in innovative projects. The Group holds a 50% stake in VIGO WE Innovation Sp. z o. o. VIGO WE Innovation is being transformed into an Alternative Investment Company with a value of PLN 6,913 thousand – the company is not consolidated
- VIGO Ventures ASI Sp. z o. o. – a company established in 2021 to take over the activities of VIGO WE Innovation Sp. z o. o. As at 30 June 2022, the Group held 100% of shares in VIGO Ventures ASI Sp. z o. o. with a value of PLN 50 thousand. On 16 August 2022, the Group sold 50% of its stake in VIGO Ventures ASI Sp. z o. o. to Warsaw Equity ASI Sp. o.o. for PLN 75 thousand. As at the balance sheet date, the value of shares in this company is PLN 2,411 thousand – the company is not consolidated.

Decisions on material activities of the VIGO WE Innovation Sp. z o.o. and VIGO Ventures ASI Sp. z o.o. require the unanimous consent of the parties sharing control. All investors jointly exercise control over the investees. They act collectively to manage significant activities. Therefore, no single investor controls the investee. In the opinion of the Company's Management Board, as at 17 April 2023, there was no change in one or more elements of the joint control over VIGO WE Innovation Sp. z o. o. and VIGO Ventures ASI Sp. z o.o.

### 3.4 Membership of the Company's Management Board and Supervisory Board

Members of the Management Board as at the balance sheet date:

- Adam Piotrowski – President of the Management Board (CEO), General Director
- Łukasz Piekarski – Member of the Management Board, Financial Director (CFO)

On 18 November 2022, the Supervisory Board of the Company adopted the following resolutions regarding changes in the Issuer's Management Board:

1. The Supervisory Board decided to extend the membership of the Management Board to 3 persons.
2. On 1 February 2023, the Supervisory Board appointed Mr Marcin Szrom to the Management Board.

Accordingly, as of 1 February 2023, the Management Board of the Company has consisted of the following members:

1. Adam Piotrowski – President of the Management Board
2. Łukasz Piekarski – Member of the Management Board
3. Marcin Szrom – Member of the Management Board.

The membership of the Supervisory Board on the balance sheet date and on the report preparation date is as follows:

- Przemysław Danowski – Chairman of the Supervisory Board
- Marek Wiechno – Member of the Supervisory Board
- Zbigniew Piotr Więclaw – Member of the Supervisory Board
- Janusz Kubrak – Member of the Supervisory Board
- Piotr Nadolski – Member of the Supervisory Board
- Krzysztof Kaczmarczyk – Member of the Supervisory Board
- Mirosław Grudzień – Member of the Supervisory Board.

There were no changes in the composition of the Supervisory Board in the financial year.

### 3.5 Periods presented

The standalone financial statements include data for the period from 1 January to 31 December 2022. Comparative data are presented as at 31 December 2021 for the standalone statement of financial position and for the period from 1 January to 31 December 2021 for the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity.

### 3.6 Functional and presentation currency

Items included in the consolidated financial statements are measured in the currency of the primary economic environment in which the Group operates (functional currency). The consolidated financial statements are presented in Polish zloty (PLN), which is the Group's functional and presentation currency. Unless otherwise indicated, all amounts presented in the consolidated financial statements are stated in thousands of PLN.

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rate current at the date of the transaction. Foreign exchange gains and losses on the settlement of such transactions and on the balance sheet measurement of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income, unless deferred in equity, when they qualify for recognition as cash flow hedges and net investment hedges.

Due to the presentation of amounts in the consolidated financial statements rounded to the nearest thousand, differences of +/- 1 may appear in the report.

### 3.7 Going concern assumption

The Group's consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern for at least 12 months after the balance sheet date, i.e. until 31 December 2023.

As at the date of signing the report, the Group's Management Board does not identify any facts or circumstances that would indicate a threat to the Company's ability to continue as a going concern for a period of 12 months after the end of the reporting period as a result of the deliberate or compulsory abandonment or significant limitation of its current activities.

Up to the date of preparation of the consolidated financial statements for the period from 1 January to 31 December 2022, there were no events that were not but should have been recognised in the accounts of the reporting period. At the same time, there are no material events relating to previous years in the present financial statements.

Taking into account the overall economic and legal position of the Company, including the known economic and social impact of the COVID-19 epidemic, as well as the identified risks related to the war in Ukraine, as at the date of approval of these consolidated annual financial statements, no circumstances indicating a threat to the Group's going concern have been identified. The impact of the COVID-19 pandemic on the Group's operations is detailed in Section 5.4.4 of this report. The impact of the war in Ukraine is detailed in Section 5.4 of this report.

### 3.8 Audit firm authorised to audit the financial statements

On 17 September 2020, the Company's Supervisory Board selected the firm authorised to audit and perform an interim review of the financial statements for the years 2021, 2022 and 2023. The company selected to perform this function was Mazars Audyt sp. z o.o. with its registered office in Warsaw, address: 00-549 Warszawa, ul. Piękna 18, entered in the list of audit firms under number 186. The Supervisory Board made this choice having regard to guaranteeing full independence and objectivity of the selection itself as well as fulfilment of tasks by the statutory auditor. On 15 March 2021, the Company entered into an agreement with Mazars Audyt sp. z o.o. to carry out an audit and an interim review of the consolidated financial statements. The agreement was signed for three years. It was amended by Annex 1 of 28 February 2022 by expanding its subject to include the audit and interim review of consolidated financial statements.

The remuneration of Mazars Audyt sp. z o.o. will be paid separately for:

- Audit of the standalone annual financial statements for 2021 – PLN 37,000.00, for 2022 – PLN 28,000.00 and for 2023 – PLN 28,000.00
- Audit of the consolidated annual financial statements for 2022 – PLN 10,000.00 and for 2023 – PLN 10,000.00.
- Interim review of the consolidated financial statements as at 30.06.2021 – PLN 15,000.00, as at 30.06.2022 – PLN 16,000.00 and as at 30.06.2023 – PLN 16,000.00
- Interim review of the consolidated financial statements as at 30.06.2022 – PLN 6,000.00, as at 30.06.2023 – PLN 8,000.00
- Assurance service whereby the statutory auditor will assess the Company's Supervisory Board report on remuneration prepared for 2021 – PLN 5,000.00, for 2022 – PLN 5,000.00, for 2023 – PLN 5,000.00.

### 3.9 Organisational or capital connections of the Company

The Group includes the following entities:

- VIGO Photonics Taiwan – a company established in 2020 as a sales office in the East Asia region. The Group has a 100% stake VIGO Photonics Taiwan worth PLN 76 thousand. Currently, the company is being liquidated and the value of the shares has been taken to other operating costs.

- VIGO Photonics Inc – a company established in 2021 as a sales office in the North American region. The Group has a 100% stake VIGO Photonics Inc. worth PLN 464 thousand.
- VIGO WE Innovation Sp. z o.o. – a company established in 2017 to carry out investments in innovative projects. The Group holds a 50% stake in VIGO WE Innovation Sp. z o. o. VIGO WE Innovation is being transformed into an Alternative Investment Company with a value of PLN 6,913 thousand.
- VIGO Ventures ASI Sp. z o. o. – a company established in 2021 to take over the activities of VIGO WE Innovation Sp. z o. o. As at 30 June 2022, the Group held 100% of shares in VIGO Ventures ASI Sp. z o. o. with a value of PLN 50 thousand. On 16 August 2022, the Group sold 50% of its stake in VIGO Ventures ASI Sp. z o. o. to Warsaw Equity ASI Sp. o.o. for PLN 75 thousand. As at the balance sheet date, the value of shares in this company is PLN 2,411 thousand.

The Group has a 50% stake in VIGO WE INNOVATION Sp. z o.o. ("VWI") and in VIGO VENTURES ASI Sp. z o. o. ("VVASI"). The purpose of this investment was to create an investment vehicle to develop innovative ventures (start-ups and spin-offs) in the field of production of advanced technical devices and components. VWI's investment strategy particularly includes ventures related to photonics.

Decisions on significant activities of Vigo Ventures require a unanimous consent of the parties sharing control. In accordance with the provisions of the Articles of Association of Vigo Ventures, the Supervisory Board exercises continuous supervision over its activities in all areas of its operation. Resolutions of this supervisory body are adopted only unanimously in the presence of all its members. All investors jointly exercise control over the investee. They act collectively to manage significant activities. Therefore, no single investor controls the investee because no single investor can exercise management of the investee. In view of the foregoing, the Management Board of VIGO represents that as at 31 December 2022, in its opinion, there is no change in one or more elements of joint control over Vigo Ventures. Major shareholders do not have voting rights other than those carried by their shares.

### 3.10 Approval of the financial statements for publication

These consolidated financial statements were approved for publication by the Management Board on 17 April 2023 and will be published on 18 April 2023.

### 3.11 Merger of commercial companies

During the reporting period for which the consolidated financial statements were prepared, the Company did not merge with any other business entity.

### 3.12 Reference to published estimates

The Company did not publish any estimates for the period presented.

### 3.13 Adopted accounting principles significant for the Group

#### 3.13.1 Compliance with International Financial Reporting Standards

These annual financial statements have been prepared in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations promulgated as regulations of the European Commission, hereinafter referred to as "EU IFRS".

EU IFRS comprise standards and interpretations accepted by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) and endorsed for use in the EU.

The entity applies the same accounting policies in preparing the 2022 consolidated annual financial statements as it did in preparing the 2021 annual financial statements, except for amendments to standards and new standards and interpretations endorsed by the European Union for reporting periods beginning on or after 1 January 2022.

The following significant points of the accounting policy are changed:

- Investments in subsidiaries – full consolidation
- Perpetual usufruct right of land – in accordance with IFRS 16, recognised as a lease.

In 2022, the Group adopted all new and endorsed standards and interpretations issued by the International Accounting Standards Board and the International Accounting Standards Interpretations Committee and approved for use in the EU, applicable to its operations and effective for reporting periods from 1 January 2022.

The data included in the report have been prepared with the observance of the principles of valuation of assets and liabilities and measurement of net profit or loss determined as at the balance sheet date. The accounting policies have not changed compared to those described in the Company's annual report

for 2021, except for investments in subsidiaries that are consolidated using the line-by-line method, and the perpetual usufruct of land, which is recognised as a lease in accordance with IFRS 16.

The consolidated financial statements have been prepared under the historical cost convention, except for assets qualified for fair value measurement.

### 3.13.2 Changes to standards or interpretations

#### 1. Standards and interpretations and amendments to standards and interpretations that were applied in the financial year of 2022

The following amendments to existing standards issued by the International Accounting Standards Board (IASB) and endorsed for use in the European Union (EU) were applied for the first time in the Group's financial statements for 2022:

- **Amendments to IFRS 16 "Leases"** – Covid-19-related rent concessions after 30 June 2021 (effective for annual periods beginning on or after 1 April 2021).
- **Amendments to IFRS 3 "Business Combinations"** – amendments to the references to the conceptual framework along with amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022).
- **Amendments to IAS 16 "Property, Plant and Equipment"** – proceeds before intended use (effective for annual periods beginning on or after 1 January 2022).
- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** – Onerous Contracts – Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022).
- **Annual Improvements to IFRSs 2018-2020 Cycle** – amendments made as part of the procedure of introducing annual improvements to IFRSs (IFRS 1, IFRS 9, IFRS 16 and IAS 41) mainly aimed at resolving inconsistencies and clarifying the terminology (the improvements to IFRS 1, IFRS 9 and IAS 41 apply to annual periods beginning on or after 1 January 2022. The amendments to IFRS 16 only regard an illustrative example, so no effective date is stated).

The above amendments to the standards did not have a significant impact on the Group's financial statements for 2022.

#### 2. Standards and interpretations and amendments to standards and interpretations that were issued by the IASB and endorsed by the EU, but have not become effective yet and have not been adopted by the Group for early application

New standards and amendments to existing standards that have already been issued by the IASB and endorsed by the EU, but have not become effective yet and the Group has not decided to adopt them early:

- **IFRS 17 "Insurance Contracts"** with subsequent amendments to IFRS 17 – published by the IASB on 25 June 2020 – endorsed by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023).
- **Amendments to IFRS 17 "Insurance Contracts"** – initial application of IFRS 17 and IFRS 9 – comparative information, endorsed in the EU on 8 September 2022 (effective for annual periods beginning on or after 1 January 2023).
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Disclosure of Accounting Policies, endorsed by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023).
- **Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** – Definition of Accounting Estimates endorsed by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023).
- **Amendments to IAS 12 "Income Taxes"** – deferred tax related to assets and liabilities arising from a single transaction, endorsed by the EU on 11 August 2022 (effective for annual periods beginning on or after 1 January 2023).

According to the estimates of the Group, the foregoing new standards, interpretations and amendments to the existing standards would not have any material impact on the financial statements if they had been applied by the Group.

#### 3. Standards and interpretations and amendments to standards and interpretations that issued by the IASB but not yet endorsed by the EU

IFRSs as endorsed by the EU currently do not differ significantly from the regulations issued by the International Accounting Standards Board (IASB), with the exception of the following new standards and amendments to standards that have not yet been endorsed for use by the EU:

- **Amendments to IAS 1 "Presentation of Financial Statements"** – Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023).
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Non-current Liabilities with Covenants for annual periods beginning on or after 1 January 2024).
- **Amendments to IFRS 16 "Leases"** – lease liability in a sale and leaseback (effective for annual periods beginning on or after 1 January 2024).
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, and subsequent amendments (the date of entry into force of the amendments was postponed until the completion of research on the equity method).

According to the estimates of the Group, the foregoing new standards, interpretations and amendments to the existing standards would not have any material impact on the financial statements if they had been applied by the Group.

### 3.13.3 Preparation of consolidated financial statements according to IFRS for the first time

These consolidated financial statements have been prepared for the first time in accordance with IFRS 10.

The Group presented the third statement of financial position as at the beginning of 2021 in addition to the financial statements required as minimum comparative information in accordance with paragraph 38A of IAS 1 in connection with the retrospective application of accounting principles, and retrospectively restated items in the financial statements or reclassified items in the financial statements.

The International Accounting Standards Board issued International Financial Reporting Standard 1 ("IFRS 1") "First-time Adoption of International Financial Reporting Standards", which applies to the preparation of financial statements for periods beginning on or after 1 January 2004. IFRS 1 applies to entities that prepare financial statements in accordance with IFRS for the first time and entities that applied IFRS, but without a statement of non-compliance with specific standards. IFRS 1 requires that the first financial statements prepared in accordance with IFRSs should be the first annual financial statements in which an entity applies all IFRSs, along with a statement of full compliance with all IFRSs.

Accordingly, these financial statements are the first full annual consolidated financial statements drawn up in accordance with IFRSs endorsed by the EU.

For the purposes of these financial statements, the date of transition to all IFRSs is 1 January 2021. In accordance with IFRS 1, the consolidated financial statements have been prepared as if the Group had always applied IFRSs.

Changes in equity due to first-time adoption of IFRSs	Amount in PLN thousand
<b>Equity as at 01.01.2021</b>	<b>100,582</b>
Adjustment to the right-of-use amortisation	-48
Adjustment of interest on the lease liability	-3
Adjustment of costs of perpetual usufruct of land	51
<b>Total adjustments</b>	
<b>Equity as at 01.01.2021</b>	<b>100,582</b>

Changes in the statement of comprehensive income due to first-time adoption of IFRS	Amount in PLN thousand
<b>Net profit for 01.01.2021-31.12.2021</b>	<b>30,510</b>
Adjustment to the right-of-use amortisation	-48
Adjustment of interest on the lease liability	-3
Adjustment of costs of perpetual usufruct of land	51
<b>Total adjustments</b>	
<b>Net profit for 01.01.2021-31.12.2021</b>	<b>30,510</b>

Total adjustments due to first-time adoption of IFRSs	Amount in PLN thousand
<b>Equity as at 31.12.2021</b>	<b>131,228</b>
Adjustment to the right-of-use amortisation	-48
Adjustment of interest on the lease liability	-3
Adjustment of costs of perpetual usufruct of land	51
<b>Total adjustments</b>	
<b>Equity as at 31.12.2021</b>	<b>131,228</b>

### 3.13.4 Intangible assets and development expenditure

Intangible assets and development expenditure are recognised at cost. After initial recognition, intangible assets are measured at cost less accumulated amortisation and impairment losses. The Group does not measure development work at fair value due to the lack of an active market for unique completed development work. Intangible assets include assets with an expected economic useful life in excess of 12 months.

The Group divides intangible assets into the following categories:

- Capitalised development work
- Right of perpetual usufruct of land
- Other intangible assets

Development work is capitalised only when it jointly meets all of the following criteria:

- The ability to complete the intangible asset from a technical point of view so that it is suitable for use or sale
- The Group has the intention to complete the intangible asset and use or sell it
- Ability to use or sell the intangible asset
- The Group is able to determine how the intangible asset will generate probable future economic benefits
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- The ability to measure, reliably, the expenditure incurred during the development work.

Where it is not possible to separate the value of research expenditure from development expenditure, development work is expensed in full.

Intangible assets with an indefinite useful life are tested for impairment annually.

For the purpose of impairment testing, assets are grouped at the lowest level at which they generate cash flows independently of other assets or groups of assets (so-called cash-generating units). Assets that generate cash flows independently are tested individually.

If the carrying amount exceeds the estimated recoverable amount of the assets or cash-generating units to which the assets belong, the carrying amount is reduced to the recoverable amount. The recoverable amount is the higher of the two values: fair value less costs to sell or value in use. In determining value in use, estimated future cash flows are discounted to present value using a discount rate that reflects current market assessments of the time value of money and the risks associated with the asset.

Impairment losses are recognised in the result under other operating expenses.

At subsequent balance sheet dates, indications of the possibility of reversing impairment losses are assessed. The reversal of write-downs is recognised in profit or loss under other operating income.

Other intangible assets include, in particular, the acquired software and licences. In the case of intangible assets with indefinite useful lives, the Group does not recognise amortisation charges, but only regularly tests those assets for impairment.

For intangible assets with finite useful lives, the Group applies the following depreciation periods:

Group	Amortisation period
Capitalised development work	3-5 years
Other intangible assets	3 years

In justified cases, based on the decision of the Management Board, supported by technology utilisation forecasts, the amortisation period of capitalised development work may be extended beyond 5 years.

Amortisation costs are charged to “Cost of goods sold”, “Administrative expenses” or “Selling costs” in the statement of income, while those resulting from impairment losses are charged to “Other operating costs”.

The Group recognises the right to use of land in accordance with IFRS 16 as a lease.

### 3.13.5 Tangible assets

Tangible assets are recognised in the Company's books at cost.

Property, plant and equipment comprise tangible assets and tangible assets under construction. Property, plant and equipment include tangible assets with an expected useful economic life in excess of 12 months.

The Group distinguishes the following tangible asset categories:

- buildings
- technical equipment and machinery
- vehicles
- furniture and equipment.

All groups of tangible assets are measured at cost and after initial recognition less depreciation and impairment losses. The Group does not remeasure any group of tangible assets.

The Group applies straight-line depreciation for all groups of tangible assets.

The following depreciation periods are applied for each group of tangible assets:

Group	Depreciation period
Buildings	40 years
Plant and machinery, including:	
laboratory equipment	20 years
other technical equipment	10 years
computer equipment	5 years
vehicles	5 years
furniture and equipment.	10 years

In accordance with the provisions of IAS 16, the Group periodically, at least as at the balance sheet date, verifies the adopted depreciation rates, analysing whether they correspond with the economic useful lives of its tangible assets.

In the statement of comprehensive income, depreciation costs are charged to “Cost of goods sold”, “Administrative expenses” or “Selling costs”, while impairment losses are charged to “Other operating costs”.

Non-current assets held for sale are measured in accordance with IFRS 5, i.e. at the lower of the following: the net carrying amount of the asset and its fair value less costs to sell, and are presented separately in the statement of financial position.

### 3.13.6 Investments in subsidiaries, joint ventures and associates

In accordance with IAS 27, the Group recognises investments in subsidiaries, joint ventures and associates at cost when preparing consolidated financial statements.

### 3.13.7 Inventories

Inventories are recognised at cost.

Inventories are assets held for sale in the ordinary course of business, being in the course of production for such sale or having the form of materials or supplies of raw materials consumed in the production process or in the course of providing services. The Group distinguishes the following groups in this item of the statement of financial position: materials, semi-finished products and work in progress, finished products, goods, advances on deliveries.

The Group recognises goods and materials in its books at cost not higher than the net realisable sales price. The cost of inventories (cost of purchase or manufacture) comprises all costs of purchase, costs of processing and other costs incurred in bringing the inventories to their present location and condition.

The Group uses the FIFO method to measure the cost of inventories.

When the purchase price or production cost recorded in the books exceeds the realisable selling price, the Group posts impairment allowances. In addition, the Company periodically tests inventories for their continued usefulness and makes allowances based on the period in which they remain in stock. Impairment allowances are charged to costs of the period and recognised in other operating costs.

Each time the Company assesses impairment and posts allowances on the items that it knows to be impaired and will be unusable in the continuing operations.

#### 3.13.8 Loan and other receivables

The Company measures loans and receivables at amortised cost using the expected credit loss model.

The Group posts impairment allowances based on the default ratio. The amount of the allowance on receivables is charged to other operating costs, while the reversal of the allowance increases other operating income in the statement of comprehensive income.

The Group applies the following methodology for calculating the default ratio:

To calculate the default ratio, balances are divided into homogeneous groups based on the similarity of credit risk and past customer behaviour. The Company has one homogeneous group: receivables from customers.

For that group, the analysis is performed in the following steps:

- Step 1: defining the historical periods for which the analysis of the amount of allowances for bad debts and the age ranges is performed. The Group has decided that the bad debt analysis will be conducted for the last 3 years in order to determine the overall default ratio. It was agreed that the default ratio would be determined for the following age ranges: (1) up to date (2) up to 30 days (3) 31-90 days (4) 91-180 days (5) 181-365 days and (6) over 365 days.
- Step 2: The profit of repayments from corporate customers in the last three financial years is determined. A comparison is then made between the balance of written off receivables and the balance of up-to-date receivables to determine the default ratio in the stated range.
- Step 3: An analysis is performed of the likely impact of future factors on the value of credit losses.
- Step 4: An impairment allowance is calculated using the ratio determined in Step 3.

#### 3.13.9 Other financial assets

As at the balance sheet date, the Company holds other financial assets classified as financial assets measured at fair value through profit or loss.

#### 3.13.10 Cash and cash equivalents

Cash at bank and on hand is measured at amortised cost.

Cash presented in the consolidated statement of cash flows consists of funds in bank accounts.

#### 3.13.11 Equity

**Share capital.** This is the capital contributed by the shareholders. It is stated at its nominal value, in accordance with the Company's Articles of Association and the record in the National Court Register.

**Share premium account.** Under this heading, the Group presents amount of the share premium.

**Revaluation reserve.** Under this heading the Group presents, e.g. the value of capitals resulting from valuations, as shown in other comprehensive income, and actuarial gains/ losses, presented in accordance with IAS 19.

**Other capitals.** Under this heading, the Group presents retained earnings from previous years, including undistributed profits. The Company discloses here the capital created in accordance with the provisions of Article 396 of the Commercial Companies Code.

**Profit (loss) of the current period.** Under this heading, the Group presents the result (profit or loss) of the current financial year.

### 3.13.12 Provisions

Provisions are liabilities whose amount or timing is uncertain. The Group recognises provisions when it has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The Group reviews its provisions at the end of each reporting period to ensure that the above conditions are met and to develop the most appropriate estimate of the provision amount. The Group discounts provisions where the effect of doing so is material.

Provisions are recognised at the estimated amount of expenditure required to settle the present obligation, based on the most reliable evidence available at the date of the consolidated financial statements, including the risks and uncertainties.

A detailed description is provided in Section 4.2.8.

### 3.13.13 Financial assets and liabilities

The Group classifies financial assets on initial recognition as:

- Assets measured at amortised cost or
- Assets measured at fair value through profit or loss.

An asset is measured at amortised cost if the following two conditions are met: the asset is held within a business model that is designed to hold such in order to earn contractual cash flows; and, its contractual terms give rise at specified times to cash flows that are solely payments of principal and interest on the unpaid portion of the principal.

The Group's financial assets measured at amortised cost include trade receivables with an allowance corresponding to the expected credit loss model, cash at bank and on hand and other financial assets. Gains and losses on measurement of financial assets and liabilities measured at fair value are recognised in profit or loss of the current period.

The Group's financial assets and liabilities measured at fair value recognised in current period profit or loss include forward derivatives. The Group also classifies investments in investment funds as assets measured at fair value.

The Group derecognises an asset only when the contractual rights to the cash flows generated by the asset expire or when the financial asset together with substantially all the risks and rewards of ownership are transferred to another entity. If the Group does not transfer or retain substantially all the risks and rewards of ownership and retains control of the asset, it recognises a retained interest in the asset and a related liability for potential payments. If, on the other hand, the Group retains substantially all the risks and rewards of ownership of the transferred asset, it continues to recognise the related financial asset. On initial recognition, financial liabilities are classified into one of two categories:

- Liabilities measured at amortised cost or
- Liabilities measured at fair value.

The Group classifies trade liabilities and bank loans as financial liabilities measured at amortised cost.

Financial liabilities measured at fair value through profit or loss are recognised at fair value and the resulting gains or losses are recognised in the income statement taking into account interest paid on the financial liability.

In 2022 and 2021, the Group held only financial liabilities measured at amortised cost.

Amortised cost is the amount at which a financial liability is measured at initial recognition, less principal repayments, plus or minus the cumulative amortisation using the effective interest rate of any difference between the initial value and the value at maturity.

The calculation of the effective interest rate includes all commissions and points paid and received by the counterparties that are an integral part of the effective interest rate, transaction costs and any other bonuses or discounts.

The Group derecognises financial liabilities only when the relevant obligations of the Group are discharged, cancelled or when they expire.

### 3.13.14 Deferred income tax

The Group is a payer of the corporate income tax ("CIT"). The line item "Income tax" in the statement of comprehensive income consists of the current and deferred tax.

The current part, which is charged to the Company's profit or loss, is calculated at the end of each reporting period on the basis of the taxable amount, determined taking into account the differences between accounting profit and pre-tax profit.

The deferred part of the tax is calculated using the balance sheet method, i.e. by comparing the balance sheet value of individual asset and liability items from the statement of financial position with their tax value.

The Group recognises deferred tax liabilities when the temporary differences between the tax and balance sheet values are positive, which means that in the future they will lead to an increase in the current tax charge.

Deferred tax assets arise when:

1. There are deductible temporary differences, which are temporary differences that will reduce the taxable amount in the future
2. Unused tax losses are carried forward
3. The Group carries forward unused tax credits.

The Group conducts business activities in the Special Economic Zone in Ożarów Mazowiecki and for this reason posts deferred tax assets (zone exemption) on account of investment relief.

A deferred tax asset is recognised when it is probable that there will be future income against which the tax relief can be written off. The Group recognises deferred tax assets in correspondence with the profit (loss) of the period in which the recognition criterion is met. Deferred tax assets are settled in correspondence with the income statement, in the amount of utilisation of the tax exemption in the specific accounting period.

### 3.13.15 Employee benefits

The Company has the following employee benefits:

- Current benefits, i.e. wages, annual leave, sick leave, bonuses, Social Fund
- Retirement severance payments.

The Group recognises the cost of employee benefits in the period in which the employee works for the Company and not when the benefit is paid or payable.

Short-term employee benefits (i.e. those expected to be settled in full within 12 months after the annual period in which the service is provided) are expensed in the period in which the employee renders service. Unpaid benefit obligations are measured at undiscounted value.

Bonuses are recognised only when the Company has a firm legal or constructive obligation to pay them and their cost can be reliably estimated.

Social fund assets do not meet the definition of assets in the IFRS Framework because they are not controlled but only administered by the Group and decisions on how to use them are made by the internal social committee.

Full exclusion of the fund will only be possible if the value of its assets is the same as the value of allocations and increases. In the financial statements the assets and liabilities of the fund will be offset and the surplus will be shown in the statement of financial position – usually as a component of employee liabilities. At the same time, more information on the Social Fund will be contained in the notes.

### 3.13.16 Grants received

Government grants are not recognised until there is reasonable assurance that the Group will meet the conditions attached to the grant and that the grant will be received.

For the purposes of accounting for grants, the Group applies the income approach described in IAS 20, whereby grants are recognised as income over one or more periods. Grants are recognised as income on a systematic basis over periods to ensure their commensurability with the related costs the grants are intended to compensate.

In the case of grants to assets, the Group accounts for the grant through deferred income over the depreciation period of the asset covered by the grant.

The Group recognises grant proceeds under “Other operating income”.

### 3.13.17 Deferred income

Apart from settled grants and investment relief concerning activity in economic zones, as described in other sections, under deferred income the Group recognises the amounts of uninvoiced revenue in relation to which the conditions for recognising such revenue have not yet been met as they are contractual liabilities. The Group did not distinguish the item of contract liabilities due to insignificant value of prepayments.

### 3.13.18 Operating segments

An operating segment is a part of the Group:

- Engaged in business activities in connection with which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other parts of the same enterprise)

- Whose performance is regularly reviewed by the main body responsible for making operating decisions in the Company and using such results in making decisions about resources allocated to the segment and in assessing the segment's performance
- For which separate financial information is available.

The Group's Management Board decided to identify segments based on the criterion of differentiated products and services.

The Company identified two operating segments that meet the requirements laid down in IFRS 8. These are:

- Semiconductor modules segment
- Semiconductor materials segment.

Internal reports on segment results are prepared on a monthly basis in an abbreviated version and on an extended basis in quarterly periods. The body that regularly reviews internal financial reports for the purpose of making major investment decisions is the Company's Management Board, which is responsible for the allocation of resources.

### 3.13.19 Revenue recognition

The Group's principal activity is the manufacture and sale of detectors and semiconductor materials. Revenue is defined as the gross inflow of economic benefits for a given period arising in the (ordinary) course of the Group's business and resulting in an increase in equity, other than an increase in equity resulting from shareholder contributions.

The Group recognises revenue in accordance with IFRS 15.

Revenue is recognised when the customer obtains control of the goods or services. The customer obtains such control when it has the ability to manage the use of the goods or services and to obtain benefits from them. However, a transfer of control under IFRS 15 may occur at a particular point in time or over time, e.g. in the course of provision of services.

In the latter case, one of the following three criteria must be met:

1. The purchaser simultaneously receives and consumes the benefits delivered as the performance obligations are met.
2. The asset created or improved is controlled by the purchaser as the work progresses.
3. The entity's actions do not create an asset that can be used by the entity in the alternative and the entity has a legally enforceable right to receive payment for services already rendered.

If none of these three conditions is met, the transfer of control takes place at a specific moment in time. In this case, the following criteria can be used:

1. Currently, the entity has the right to pay for the asset.
2. The purchaser has a legal right to the asset.
3. Significant risks and rewards of ownership have passed to the buyer.
4. The buyer has accepted the asset.

The Group uses the following 5-element revenue recognition process to determine whether revenue should be spread over time or recognised once at a particular point in time.

Stage 1: Identifying contracts with customers.

The Group may recognise revenue if the sale is recognised in the form of a contract. The contract may be written, oral or may be apparent from the conduct of the parties that reveals their intentions sufficiently. In determining whether a contract with a customer has been formed, the terms of termination may be relevant. Contracts entered into simultaneously or in conjunction with other contracts may also be relevant.

Stage 2: Identifying the obligations that must be performed under the terms of the contract.

Revenue relates to the fulfilment of a promise to provide the customer with goods or services that are the subject of the sale, meeting the following cumulative conditions (§ 22 IFRS 15):

- 1) The customer can benefit from them independently or in combination with other resources available to the customer (i.e. the goods or services can be separated).
- 2) The entity's promise to transfer the goods or services to the customer can be distinguished from other promises in the contract (i.e. it stands out in the body of the contract). Example: an entity should recognise its obligations to provide products and services separately if it sells products and provides an optional service to customers under a warranty.

Stage 3: Setting the transaction price at the amount of consideration to which the entity expects to be entitled.

Depending on the nature of the sales contract, the consideration may be a fixed amount or (if it depends on the occurrence of a future event) a variable amount, depending on rebates, price discounts, refunds, incentives, performance bonuses, etc.

Stage 4: Allocating the transaction price to the individual obligations.

If the contract contains separate obligations to be fulfilled (identified in Stage 2), the transaction price should be allocated to them accordingly. The best basis for determining the individual price is the price at which the entity can sell the good or service separately.

Stage 5: Revenue recognition when the entity fulfils the obligation.

The contractual obligations are fulfilled when the entity transfers the promised goods or services to the customer, i.e. when the customer obtains control over them. The amount of revenue is the amount of consideration attributable to the obligation fulfilled. The obligation may be satisfied at a particular point in time (typically upon the delivery of goods) or over a period of time (typically with the provision of services). In the latter case, the entity should choose an appropriate method to measure the progress of the obligation being satisfied.

When preparing financial statements, the Group recognises revenue on the basis of INCOTERMS 2010. The main rule applied by VIGO is EXW, which means that the delivery is considered to have been made when the goods are made available to the buyer at a designated place, with no obligation for the seller to undertake any further steps.

Significant payment terms:

- Payment normally becomes due when risk is transferred to the buyer, standard payment terms are 30 days.
- Contracts do not contain a significant element of funding.
- The amount of remuneration is not variable and therefore the estimated variable remuneration is usually not capped.
- A 1-year commercial guarantee is provided substantially corresponding to the customary product liability terms.

The Group recognises revenue from the provision of services in accordance with the percentage of completion method, measuring work progress at the end of the accounting period. Under this approach, revenue is recognised in the periods in which the services are performed. The percentage of completion is determined on the basis of the actual performance of the work based on the agreed schedules. Contract costs and revenue are measured accordingly. As at the balance sheet date, the Group does not have any contracts in progress.

### 3.14 Significant values based on professional judgment and estimates

The Company's Management Board is required to make estimates, judgements and assumptions about the valuation amounts of individual assets and liabilities. The estimates and related assumptions are based on historical experience and other factors considered relevant. Actual results may differ from the estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. A change in an accounting estimate is recognised in the period in which the estimate is revised if it affects that period only, or in the current and future periods if it affects them in the same way as the current period.

The following are the key assumptions about the future and other bases for estimating uncertainties at the balance sheet date that have a significant impact on the risk of material adjustments to the carrying amounts of assets and liabilities in the next financial year.

#### 3.14.1 Professional judgement

In the process of applying accounting policies to the items listed below, the greatest importance was attached to management's professional judgement, in addition to accounting estimates.

##### **Allowance for overdue receivables**

The Group revises its trade receivables at each balance sheet date. When determining the level of recoverability of trade receivables, account is taken of changes in their quality from the date of granting the trade credit to the date of preparing the financial statements.

During the financial period, allowances for receivables of PLN 40 thousand were recognised in accordance with IFRS 9.

##### **Allowance for aged inventories in stock**

At each balance sheet date, the Group analyses the ageing of inventories held in stock and makes an individual assessment of the price obtainable as at the balance sheet date. On that basis, it takes a decision to create an revaluation allowance.

In the financial period, the allowances on inventories in stock were increased by PLN 574 thousand.

The Group releases finished goods, previously held only as replacement products in the case of delays in the production process due to the judgement of the management, who decided that in connection with the planned increase in the production volume, most of the inventories in stock will be used in the production process in the following financial year.

#### Allowance for perpetual usufruct of land.

The Group did not recognise any impairment allowance for perpetual usufruct of land. That decision was made on the basis of a valuation report received from an independent valuer determining the fair value of the right of perpetual usufruct of land.

#### Timing of putting development projects into use

The Group settles development costs after the financial inspection by the supervising institution. On receipt of a positive official report confirming the completion of the project, the Company settles the related expenditure.

Expenditure on development financed from cash flows are settled after obtaining a positive outcome of the project. Where the development project is unsuccessful, as soon as the Group becomes aware of this fact, the related expenditure is taken to other operating costs.

#### 3.14.2 Estimation uncertainty

Discussed below are the key assumptions regarding the future and other key sources of uncertainty at the balance sheet date that carry a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**Impairment of assets (notes 4.1.1, 4.1.2).** At each balance sheet date, the Group assesses whether there are any indications that any of its assets may be impaired. If this is the case, the Group estimates the recoverable amount of the asset. The Management Board verified the value of assets as at the balance sheet date and found no evidence of impairment.

**Valuation of provisions (note 4.2.8).** Provisions for employee benefits were estimated using actuarial methods. The discount rate, the salary growth rate and the turnover rate are the key actuarial assumptions affecting provisions for employee benefits. The choice of the discount rate is related to the current situation in the treasury bond market, while the choice of planned salary increases reflects the Group's strategy of shaping the remuneration policy in future. Further to this, the balance of provisions for employee benefits is influenced by the employee turnover rate, which depends on the historical turnover of employees.

In accordance with IAS 19, the Group discloses a sensitivity analysis for each significant actuarial assumption at the end of the reporting period, showing how the liability would be affected by changes in the relevant actuarial assumptions.

Accordingly, a sensitivity analysis was performed for the following assumptions:

1. Change in the discount rate of  $\pm 0.5$  p.p.
2. Change in the growth rate of future salaries of  $\pm 0.5$  p.p.
3. Change in the employee turnover ratio of  $\pm 0.5$  p.p.

The sensitivity analysis was carried out on the assumption that all other actuarial assumptions would remain unchanged. The results of the calculations are as follows:

Item (PLN thousand)	Carrying amount	Sensitivity analysis					
		Discount rate		Salary growth rate		Turnover rate	
		- 0.5%	+ 0.5%	- 0.5%	+ 0.5%	- 0.5%	+ 0.5%
Retirement severance payments	154	166	144	144	166	162	147
Disability severance payments	33	35	31	31	35	35	32
Unused holiday leaves	1,950	1,950	1,950	1,950	1,950	1,950	1,950
<b>Total</b>	<b>2,138</b>	<b>2,151</b>	<b>2,125</b>	<b>2,125</b>	<b>2,151</b>	<b>2,147</b>	<b>2,129</b>

**Provisions for future claims.** In the financial period, a provision of PLN 584 thousand was recognised for possible costs of complaints to be incurred in 2023. Based on the professional judgement of the management, the provision

is 0.85% of the sales revenue of 2022. If this level was 0.5 p.p. higher than the Company's estimate, the provision would increase to PLN 928 thousand.

**Provisions for disputed liabilities.** No provision for possible future liabilities was recognised in the financial period.

**Deferred tax assets.** In 2022, the Group did not recognise any deferred tax related to the investment tax credit in connection with its business activities in the Tarnobrzeg Special Economic Zone (TSEZ) or other temporary differences due to the low likelihood of the asset being used during the life of the Economic Zone in Poland.

#### **Fair value of derivatives and other financial instruments (note 4.2.12)**

The fair value of financial instruments is based on the valuation of those instruments at the balance sheet date received from financial institutions. Other financial instruments are not measured at fair value as it is assumed that their fair value is substantially the same as their carrying amount.

**Revenue recognition.** The Group uses the percentage of completion method when accounting for long-term contracts for transactions in progress for the provision of services. Under this method, the Company is required to estimate the proportion of work completed to date to the overall work to be completed.

**Depreciation and amortisation rates.** The amount of depreciation and amortisation rates is determined on the basis of the expected economic useful life of tangible and intangible assets. Each year, the Group verifies the adopted periods of economic useful life based on current estimates.

The carrying amounts of all the estimates described above and their changes during the year as well as the impact on the profit or loss are presented in the relevant notes.

#### **3.15 Financial risk management objectives and policies**

Apart from derivatives, the main financial instruments used by the Group include bank loans, cash and cash equivalents, trade and other receivables and liabilities and short-term deposits generated directly in the course of the Group's business. The main purpose of those financial instruments is to raise funds for activities of the Group's member entities.

The Group's policy is not to trade in financial instruments now or during the period covered by the audited financial statements.

The principal risks arising from the Group's financial instruments include interest rate risk, liquidity risk, currency risk and credit risk.

The Management Board reviews and approves rules for managing each of those risks – those rules are briefly discussed below. The Group also monitors market price risk relating to all its financial instrument holdings. The size of this risk during the period is shown below.

#### **Basic risk management principles**

The Management Board is responsible for establishing a risk management framework and supervising identified risks. The Group's risk management rules are designed to identify and analyse the risks to which the Company is exposed, set appropriate limits and controls and monitor risks and risk appetite. Risk management rules and systems are reviewed regularly to take account of changing market conditions and changes in the Group's business. With appropriate training and established management standards and procedures, the Group seeks to build a stimulating and constructive control environment, in which all employees understand [...] their respective roles and responsibilities.

#### **Market risk**

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and stock prices will affect the Group's performance or the value of its financial instrument holdings. The objective of market risk management is to maintain and control the Group companies' exposure to market risk within approved parameters while seeking to optimise returns.

In the opinion of the Management Board, the market risk in relation to the Company concerns primarily exposure to the risk of changes in the PLN/EUR exchange rate as the Group trades mainly as an exporter.

Other market risks relate to changes in interest rates on financial liabilities and cash and cash equivalents. Short-term trade receivables in foreign currency accounted for 95% of total trade receivables as at 31 December 2022, while short-term trade liabilities in foreign currency accounted for 45% of total trade liabilities as at that date (as at 31 December 2021: 62% and 37%, respectively).

The Group uses financial instruments to hedge its foreign exchange risk.

**Currency risk**

The Group continuously analyses fluctuations in the EUR/PLN exchange rate. The table below shows the estimated sensitivity of the pre-tax profit to EUR exchange rate fluctuations (assuming no hedging through financial instruments):

Year ended 31.12.2022 (PLN thousand)	Impact on net profit	Impact on equity	Impact on net profit	Impact on equity
	EUR + 10%/- 10%*		USD + 10%/-10%	
Cash	+/-36		+/-39	
Loans and receivables	+/-1,301		+/-1,386	
Trade liabilities	+/-322		+/-343	
Bank loans	+/- 4,938		+/-5,261	
<b>Total</b>	<b>+/-6,597</b>		<b>+/-7,029</b>	
Year ended 31.12.2021 (PLN thousand)	Impact on net profit	Impact on equity	Impact on net profit	Impact on equity
	EUR + 10%/- 10%*		USD + 10%/-10%	
Cash	+/-322		+/-322	
Loans and receivables	+/-1,386		+/-1,386	
Trade liabilities	+/-369		+/-369	
Bank loans	+/-3,378		+/-3,378	
<b>Total</b>	<b>+/-5,438</b>		<b>+/-5,438</b>	

\*The analysis for 2022 includes changes of 10% due to the assumption that the risk related to the possibility of fluctuations in the exchange rate of one currency in relation to another will not increase.

The carrying amounts of the Group's monetary assets and liabilities denominated in foreign currencies at the balance sheet date are as follows:

Assets (in PLN thousand)	31.12.2022	31.12.2021
Currency in EUR	13,804	21,124
Currency in USD	1,797	1,458

Liabilities (in PLN thousand)	31.12.2022	31.12.2021
Currency in EUR	54,337	39,751
Currency in USD	307	295
Currency in GBP	51	12

**Interest rate risk**

Interest rate risk is mainly related to the Group's use of bank loans. Loans are based on variable interest rates which exposes the Group to the risk of changes in profit and cash flows. Due to the current level of borrowings, it is assumed that the effects of changes in interest rates had a moderate impact on the financial results for 2022.

For the purpose of interest rate sensitivity analysis, based on historical value changes and the knowledge and experience of financial markets, interest rate movements that are "reasonably possible" were (as at 31.12.2022) at -1/+1 percentage points for PLN with respect to bank loans.

PLN thousand	Impact on net profit	Impact on equity	Impact profit after tax	Impact on equity
	31.12.2022 + 1p.p./- 1p.p.		31.12.2021 + 1p.p./- 1p.p.	
<b>Liabilities measured at amortised cost, including</b>				

PLN thousand	Impact on net profit	Impact on equity	Impact profit after tax	Impact on equity
	31.12.2022 + 1p.p./- 1p.p.		31.12.2021 + 1p.p./- 1p.p.	
- bank and non-bank loans received	+ / -494		+/-338	
	EUR	+ / -494	+/-338	

### Credit risk

The Management Board developed a credit policy whereby each customer's creditworthiness is assessed before payment terms and other contractual conditions are offered. In the assessment, the customer's rating by external companies and in some cases bank references are taken into account where possible. A transaction limit is set for each customer, which represents the maximum amount of a transaction for which the Management Board's approval is not required.

The Group regularly monitors the timeliness of payment of receivables, calls on customers to make payment in the event of delays and, as a last resort, proceeds to debt enforcement.

The vast majority of customers have been transacting with the Group for at least three years. Losses incurred by the Group as a result of non-payment are marginal. The Group's exposure to credit risk is mainly due to the individual characteristics of each customer. The Management Board believes that credit risk is low as its business partners are mainly reputable companies.

The largest customer in 2022 accounted for 11.4% (2021: 28.4%) of the Group's revenue. The balance due from the Company's largest customer accounts for 14.7% of total gross trade receivables at 31 December 2022 (31 December 2021: 31.9%). All receivables are repaid in accordance with written agreements. The Group does not see any material risk in this regard.

### Maximum exposure to credit risk

Financial assets (in PLN thousand)	Carrying amount	
	31.12.2022	31.12.2021
Trade and other receivables	16,499	20,073
Cash and cash equivalents	2,258	6,495

### Liquidity risk

Liquidity risk is the risk that the Group will have difficulties meeting its obligations associated with financial liabilities that are settled in cash or other financial assets. The Group's liquidity management is designed to ensure, to the greatest extent possible, that the Group always has sufficient liquidity to meet its obligations as they fall due, both in normal and emergency situations, without being exposed to unacceptable losses or to reputation risk.

The Group minimises liquidity risk through continuous debt collection, which ensures a constant inflow of cash. In addition, the Group controls and conducts activities to meet the terms and conditions of its bank loan agreements. To ensure funding for its operations, the Group relies on external financing – bank credit.

The Group's liquidity risk management tools include:

- Regular monitoring of cash needs and expenditures
- Continuous debt collection, which ensures a constant inflow of cash
- Steps designed to meet contractual conditions and covenants
- Using external sources of financing in the form of bank credit.

### Liquidity risk

Specification (PLN thousand)	On demand	3 months	3 to 12 months	1 to 5 years	> 5 years
<b>31.12.2022</b>	<b>6,505</b>	<b>3,222</b>	<b>18,106</b>	<b>28,057</b>	
Interest bearing borrowings		3,222	18,106	28,057	
Trade and other liabilities	6,505				
<b>31.12.2021</b>	<b>10,691</b>	<b>1,634</b>	<b>10,808</b>	<b>21,368</b>	
Interest bearing borrowings		1,634	10,808	21,368	

Specification (PLN thousand)	On demand	3 months	3 to 12 months	1 to 5 years	> 5 years
Trade and other liabilities	10,691				

The Group assesses that in the context of its financial resources to the current debt, the liquidity risk is moderate.

### Capital management

The Group's fundamental principle of its capital management policy is to maintain a solid capital base that will buoy confidence of investors, lenders and the market at large, thus ensuring the future growth of the Group companies. Capital management risk is the failure to achieve those objectives. The Group monitors changes in the shareholding structure, capital ratios and the level of dividends paid to shareholders.

The Group's objective is to achieve return on equity at a level satisfactory to shareholders. The Management Board monitors the return on equity, which is defined as operating profit to equity. The Management Board seeks to maintain a balance between the net profitability achievable with a higher leverage and the benefits and security achieved with a solid capital position.

For the reporting period from 1 January 2022 to 31 December 2022, net profitability, calculated as net profit for the reporting period to equity less net profit, was 8.77% (2021: 32.81%). The Company's debt ratio, calculated as the ratio of total borrowings to total equity, was 33.90% as at 31 December 2022 (2021: 25.27%).

No changes in the Group's approach to capital management took place during the reporting period from 1 January 2022 to 31 December 2022.

The Group also monitors its capital position using the leverage ratio, is calculated as net debt to total equity plus net debt. The Group's net debt includes interest-bearing borrowings, trade and other liabilities, less cash and cash equivalents.

### Capital management

Specification (in PLN thousand)	31.12.2022	31.12.2021
Interest bearing borrowings	49,385	33,810
Trade and other liabilities	6,505	10,691
Less cash and cash equivalents	2,258	6,495
<b>Net debt</b>	<b>53,632</b>	<b>38,006</b>
Equity	138,524	133,765
<b>Total equity</b>	<b>138,524</b>	<b>131,228</b>
<b>Equity and net debt</b>	<b>192,156</b>	<b>169,234</b>
Leverage	0.2570	0.1998

### 3.16 Comparability of financial data for the current and previous year

Due to the need to prepare consolidated financial statements, the following significant points in the accounting policy are changed:

- Investments in subsidiaries – full consolidation
- Perpetual usufruct right of land – in accordance with IFRS 16, recognised as a lease.

### 3.17 PLN exchange rates

In the period covered by the financial statements, the following PLN/EUR exchange rates, as determined by the National Bank of Poland, were applied:

Ref.	Description	1.01.2022 – 31.12.2022	1.01.2021 – 31.12.2021
1.	Average exchange rate of the National Bank of Poland at the balance sheet date	4.6899	4.5994
2.	Average exchange rate for the period	4.6907	4.5575
3.	Highest average exchange rate for the period	5.0372	4.7210
4.	Lowest average exchange rate for the period	4.4879	4.4541

The data of the statement of financial position were converted using the average exchange rate of the National Bank of Poland at the balance sheet date. Items of the income statement and the statement of cash flows were translated at an exchange rate that is the arithmetic average of the average exchange rates applicable on the last day of each month in the period based on information published by the National Bank of Poland.

## 4 Additional information and notes to the financial statements

### 4.1 Assets

#### 4.1.1 Intangible assets

##### Changes in intangible assets (by type groups) in 2022

Specification (PLN thousand)	Completed development	Other (including computer software)	Total
<b>Gross carrying amount as at 01.01.2022</b>	<b>15,480</b>	<b>2,603</b>	<b>18,083</b>
Increases, due to:	13,026		13,026
- development projects completed and accepted	13,026		13,026
Decreases, due to:	2,173		2,173
- liquidation	2,173		2,173
<b>Gross carrying amount as at 31.12.2022</b>	<b>26,333</b>	<b>2,603</b>	<b>28,937</b>
<b>Depreciation/ amortisation as at 01.01.2022</b>	<b>6,015</b>	<b>1,571</b>	<b>7,586</b>
Increases, due to:	3,543	550	4,093
- depreciation/ amortisation	3,543	550	4,093
Decreases, due to:	2,173		2,173
- liquidation	2,173		2,173
<b>Depreciation/ amortisation as at 31.12.2022</b>	<b>7,385</b>	<b>2,120</b>	<b>9,505</b>
<b>Net carrying amount as at 31.12.2022</b>	<b>18,948</b>	<b>483</b>	<b>19,432</b>

##### Changes in intangible assets (by type groups) in 2021

Specification (PLN thousand)	Perpetual usufruct of land	Completed development	Other (including computer software)	Total
<b>Gross carrying amount as at 01.01.2021</b>	<b>3,050</b>	<b>14,457</b>	<b>2,621</b>	<b>20,128</b>
Increases, due to:	45	1,889	13	1,947
- acquisition	45		13	58
- development projects completed and accepted		1,889		1,889
Decreases, due to:	3,050	865	33	3,948
- liquidation		865	33	898
- transfer to the right of use	3,050			3,050
<b>Gross carrying amount as at 31.12.2021</b>	<b>45</b>	<b>15,480</b>	<b>2,603</b>	<b>18,127</b>
<b>Depreciation/ amortisation as at 01.01.2021</b>		<b>4,185</b>	<b>1,048</b>	<b>5,233</b>
Increases, due to:		2,694	549	3,243
- depreciation/ amortisation		2,694	549	3,243
Decreases, due to:		865	26	891
- liquidation		865	26	891
<b>Depreciation/ amortisation as at 31.12.2021</b>		<b>6,015</b>	<b>1,571</b>	<b>7,586</b>

Specification (PLN thousand)	Perpetual usufruct of land	Completed development	Other (including computer software)	Total
<b>Net carrying amount as at 31.12.2021</b>	<b>45</b>	<b>9,465</b>	<b>1,033</b>	<b>10,543</b>

**Value and area of land in perpetual usufruct (right of use)**

Property address	Land and mortgage register or file number	Plot area [m2] at 31.12.2022	Plot area [m2] at 31.12.2021	Value as at 31.12.2022 (PLN thousand)	Value as at 31.12.2021 (PLN thousand)
05-850 Ożarów Mazowiecki, ul. Poznańska 129/133	WA1P/00087633/6	1,302	1,302	363	363
05-850 Ożarów Mazowiecki, ul. Poznańska 129/133	WA1P/00082343/1	2,750	2,750	252	252
05-850 Ożarów Mazowiecki, ul. Poznańska 129/133	WA1P/00083348/3	4,928	4,928	2,435	2,435
<b>Total</b>		<b>10,674</b>	<b>10,674</b>	<b>3,050</b>	<b>3,050</b>

In 2022, the Group did not conduct any research that would require the related costs to be recognised in the statement of comprehensive income. All expenditure on development incurred in 2022 was capitalised in the statement of financial position.

The Group assesses that the following intangible assets are material in the context of its financial statements:

Specification (in PLN thousand)	Carrying amount as at 31.12.2022	Outstanding amortisation period (months)
Medium-wave module technology	332	24
Exposure detector technology	255	24
Exposure detector technology	493	24
Exposure detector chip technology	863	24
Exposure detector module technology	297	24
INDII detector technology	479	27
Semiconductor materials technology	1,400	147
CHEQUERS technology	1,174	34
HOT-TANGO detector production technology	90	36
MCT technology	136	26
Dual-colour matrix technology	46	26
Monolithic lens technology	162	26
ACCORDS module technology	816	39
Chip production and testing technology	2,243	60
Acquisition system production technology	1,343	40
LWIR heterostructure technology	1,247	60
Production technology of photodiode type detectors	1,158	40
POTOK+ software	892	53
Automatic machining and measurement technology	823	55
Serial production technology	741	48
Infrared sensor bonding technology	648	60
Digital module production technology	611	55
WIDEPower semiconductor materials technology	592	46

Specification (in PLN thousand)	Carrying amount as at 31.12.2022	Outstanding amortisation period (months)
Production management software	435	20
BONWAT electrical contact manufacturing technology	385	48
MWIR detector technology based on III-V materials	339	53
MULTIBAND4E detector production technology	327	55
Flip-chip and Wirebonder automation technology	317	53
Hybrid adhesives technology	297	53
INTIR32E modules production technology	94	55

Specification (in PLN thousand)	Carrying amount as at 31.12.2021	Outstanding amortisation period (months)
PLAISIR technology	96	12
INAS photodiode technology	27	3
Petra module technology	273	10
Medium-wave module technology	498	36
Exposure detector technology	383	36
Exposure detector technology	740	36
Exposure detector chip technology	1,294	36
Exposure detector module technology	445	36
INDII detector technology	692	39
Semiconductor materials technology	1,514	159
CHEQUERS technology	1,589	46
HOT-TANGO detector production technology	120	48
MCT technology	198	38
Dual-colour matrix technology	67	38
Monolithic lens technology	237	38
ACCORDS module technology	1,067	51

#### 4.1.2 Property, plant and equipment

##### Changes in property, plant and equipment (by type groups) 2022

Specification (PLN thousand)	Buildings and structures	Machinery and devices	Vehicles	Other tangible assets	Tangible assets under construction	Total
<b>Gross carrying amount as at 01.01.2022</b>	<b>37,584</b>	<b>35,438</b>	<b>935</b>	<b>16,332</b>	<b>32,368</b>	<b>122,657</b>
Increases, due to:	8,233	10,091	1,704	12,014	18,464	50,506
- acquisition of tangible assets	8,233		1,704	545		10,482
- settlement of tangible assets under construction				11,469	18,464	29,933
Decreases, due to:		163	559	61	29,157	29,940
- liquidation		163	559	61		783
- taking fixed assets into inventory					29,157	29,157
<b>Gross carrying amount as at 31.12.2022</b>	<b>45,817</b>	<b>45,367</b>	<b>2,079</b>	<b>28,285</b>	<b>21,675</b>	<b>143,222</b>

Specification (PLN thousand)	Buildings and structures	Machinery and devices	Vehicles	Other tangible assets	Tangible assets under construction	Total
<b>Depreciation/ amortisation as at 01.01.2022</b>	<b>4,290</b>	<b>12,816</b>	<b>782</b>	<b>5,550</b>		<b>23,438</b>
Increases, due to:	1,166	3,481	312	2,075		7,034
- depreciation/ amortisation	1,166	3,481	312	2,075		7,034
Decreases, due to:		138	559	55		752
- liquidation		138	559	55		752
<b>Depreciation/ amortisation as at 31.12.2022</b>	<b>5,456</b>	<b>16,159</b>	<b>535</b>	<b>7,570</b>		<b>29,720</b>
<b>Net carrying amount as at 31.12.2022</b>	<b>40,360</b>	<b>29,207</b>	<b>1,545</b>	<b>20,714</b>	<b>21,675</b>	<b>113,502</b>

**Changes in property, plant and equipment (by type groups) 2021**

Specification (PLN thousand)	Buildings and structures	Machinery and devices	Vehicles	Other tangible assets	Tangible assets under construction	Total
<b>Gross carrying amount as at 01.01.2021</b>	<b>37,769</b>	<b>33,623</b>	<b>935</b>	<b>13,672</b>	<b>3,381</b>	<b>89,380</b>
Increases, due to:	42	1,869		2,684	31,769	36,364
- acquisition of tangible assets	42	1,068		702		1,813
- settlement of tangible assets under construction		800		1,982		2,783
- increase in value					31,769	31,769
Decreases, due to:	227	54		23	2,782	3,086
- liquidation	227	54		23		304
- taking fixed assets into inventory					2,782	2,782
<b>Gross carrying amount as at 31.12.2021</b>	<b>37,584</b>	<b>35,438</b>	<b>935</b>	<b>16,332</b>	<b>32,368</b>	<b>122,657</b>
<b>Depreciation/ amortisation as at 01.01.2021</b>	<b>3,509</b>	<b>10,139</b>	<b>678</b>	<b>4,304</b>		<b>18,630</b>
Increases, due to:	988	2,721	104	1,270		5,083
- depreciation/ amortisation	988	2,721	104	1,270		5,083
Decreases, due to:	207	44		23		274
- liquidation	207	44		23		274
<b>Depreciation/ amortisation as at 31.12.2021</b>	<b>4,290</b>	<b>12,816</b>	<b>782</b>	<b>5,550</b>		<b>23,438</b>
<b>Net carrying amount as at 31.12.2021</b>	<b>33,294</b>	<b>22,622</b>	<b>153</b>	<b>10,782</b>	<b>32,368</b>	<b>99,219</b>

**Tangible assets and intangible assets under construction (in PLN thousands)**

As at 01.01.2022	Expenditure incurred during the financial year	Settlement of expenditure						Impairment allowances	As at 31.12.2022
		Buildings, premises and civil and water engineering facilities	Technical equipment and machines	Vehicles	Other tangible assets	Intangible assets	Other		
<b>32,368</b>	18,464	8,042	9,593	53	11,469			<b>21,675</b>	

As at 01.01.2021	Expenditure incurred during the financial year	Settlement of expenditure						Impairment allowances	As at 31.12.2021
		Buildings, premises and civil and water engineering facilities	Technical equipment and machines	Vehicles	Other tangible assets	Intangible assets	Other		
<b>3,381</b>	31,769		800		1,982			<b>32,368</b>	

**Capitalised borrowing costs (in PLN thousand)**

Specification	01.01.2022-31.12.2022	01.01.2021-31.12.2021
Property, plant and equipment	240	19
<b>Total</b>	<b>240</b>	<b>19</b>

**Capital expenditure in 2022 and planned expenditure for 2023**

In the financial year of 2022, the Group incurred capital expenditures of PLN 36 million for the purchase of tangible assets and intangible assets (apart from expenditures for development in progress) (in 2021: PLN 30 million).

Securities on tangible assets are described in Section 4.2.9 of this report.

Investments were primarily related to the construction of a new production plant, the purchase of machinery for the manufacture of products and the replacement of old infrastructure with modern one. A detailed description of the progress of the investment programme is provided in Section 5.2 of the Report.

The Group did not incur significant capital expenditure on environmental protection in the current year. No significant expenditure on environmental protection is planned for the following year. However, Section 5.8 of the Report contains a description of numerous activities related to reducing energy and water consumption and protecting the environment.

**Other information on tangible assets**

The Group does not invest in real estate. As at the end of 2022, the Group has no significant nondepreciated fixed assets used under rental, lease or hire purchase agreements.

**4.1.3 Investments in jointly controlled entities**

Company name, legal form, headquarters	Value of shares at purchase price (in PLN thousand)	Revaluation adjustments	Carrying amount of shares (in PLN thousand)	Percentage of shares held	Percentage of votes held
VIGO WE INNOVATION Sp. z o.o. Marszałkowska 126/134, 00-008 Warszawa	6,913		6,913	50%	50%

Company name, legal form, headquarters	Value of shares at purchase price (in PLN thousand)	Revaluation adjustments	Carrying amount of shares (in PLN thousand)	Percentage of shares held	Percentage of votes held
VIGO VENTURE ASI Sp. z o.o. ul. Marszałkowska 126/134, 00-008 Warszawa	2,411		2,411	50%	50%

The data from the statement of turnover and balances of VWI for 01.01.2022-31.12.2022 are as follows (in PLN thousand):

Equity	Share capital	Other capitals	Net profit/loss	Value of assets	Non-current assets	Current assets	Value of liabilities	Value of revenues
8,632	3,390	6,440	-1,198	12,938	11,852	1,086	4,306	

The data from the statement of turnover and balances of VVASI for 01.01.2022-31.12.2022 are as follows (in PLN thousand):

Equity	Share capital	Other capitals	Net profit/loss	Value of assets	Non-current assets	Current assets	Value of liabilities	Value of revenues
4,708	1,658	3,215	-164	4,796		4,796	88	117

In 2022, VIGO Photonics also granted a working capital loan of PLN 0.5 million to VIGO Photonics Taiwan.

#### 4.1.4 In-process development expenditure and prepayments

Development expenditure (in PLN thousand)	31.12.2022	31.12.2021
MIRPHAB		2,243
WATERSPY		1,390
AQUARIUS		1,612
ACCORDS		
TRANSFER		1,247
INNOVATION VOUCHER PIAP		648
INNOVATION VOUCHER WAT		385
New production plant		2,170
Low-cost detector module		772
III-V detectors		639
Production quality improvement		42
Multi-element detectors		1,120
Processing 2.0		1,068
Sensors for Industry 4.0 and IoT	15,202	11,214
Materials for photonics		
Epitaxial structures and VCSELs	10,429	7,819
DEMETER	4,471	4,143
Travel	373	237
WidePower		618
Optoelectronic Systems	4,874	1,534
Matrices	6,354	1,527
Pemir	822	317
Car2Tera	77	67

Development expenditure (in PLN thousand)	31.12.2022	31.12.2021
Wikinet	533	237
Triage	1,365	508
Ingaas With Asic	6,829	1,796
AI PRISM	40	
CHIPS	96	
LN2 DETECTORS	26	
TOXX LWIR DETECTORS	63	
TOXX MWIR DETECTORS	444	
CERTIFICATION OF NEW SUPPLIERS OF REFRIGERATORS	125	
DEDICATED MODULES	37	
NDIR	72	
PHOTOGENIC	263	
SMD	82	
SOMBRERO	125	
TMD	398	
TOP20	344	
<b>Development expenditure, including:</b>	<b>53,444</b>	43,351
<b>long term</b>	53,444	43,351
<b>short term</b>		

Other prepayments (PLN thousand)	31.12.2022	31.12.2021
- property insurance	242	214
- subscriptions, charges	571	29
- invoices to be settled in the new period	47	399
- membership fees	7	6
- penalties and damages		
- advance invoices	105	230
- costs to be settled in a subsequent period		
- other	95	2
<b>Prepaid expenses:</b>	<b>1,068</b>	<b>880</b>
<b>long term</b>		22
<b>short term</b>	1,068	858

A detailed description of in-process research and development is provided in Section 5.3 of the Report.

#### 4.1.5 Inventories

Specification (in PLN thousand)	31.12.2022	31.12.2021
Materials for production	9,644	4,093
Deliveries en route	131	174
Semi-finished products and work in progress	1,015	754
Finished products	5,502	2,315
<b>Gross inventories</b>	<b>16,292</b>	<b>7,336</b>
Impairment allowance on inventories	1,011	437
<b>Net inventories</b>	<b>15,281</b>	<b>6,899</b>

**Inventory ageing analysis for 01.01.2022-31.12.2022**

Specification (in PLN thousand)	Aged inventories in days					Total
	1-180	181-365	366-548	549-730	over 730	
Materials (gross)	7,915	885	241	109	494	9,644
Materials (allowances)			121	82	494	697
<b>Materials, net</b>	<b>7,915</b>	<b>885</b>	<b>121</b>	<b>27</b>	<b>0</b>	<b>8,948</b>
Semi-finished products and work in progress (gross)	872	47	41	20	35	1,015
Semi-finished products and work in progress (allowances)			21	15	35	70
<b>Semi-finished products and work in progress (net)</b>	<b>872</b>	<b>47</b>	<b>21</b>	<b>5</b>	<b>0</b>	<b>945</b>
Finished products (gross)	1,678	246	129	83	117	2,253
Finished products (allowances)			65	62	117	244
Deviations from fixed prices	2,048	514	270	173	245	3,249
<b>Finished products (net)</b>	<b>3,726</b>	<b>760</b>	<b>334</b>	<b>193</b>	<b>245</b>	<b>5,258</b>
<b>Advances on deliveries</b>	<b>131</b>					<b>131</b>
<b>Total inventories</b>	<b>12,644</b>	<b>1,692</b>	<b>476</b>	<b>225</b>	<b>245</b>	<b>15,281</b>

**Inventory ageing analysis for 01.01.2021-31.12.2021**

Specification (in PLN thousand)	Aged inventories in days					Total
	1-180	181-365	366-548	549-730	over 730	
Materials (gross)	2,418	746	272	154	503	4,093
Materials (allowances)			2	84	330	417
<b>Materials, net</b>	<b>2,418</b>	<b>746</b>	<b>270</b>	<b>69</b>	<b>173</b>	<b>3,676</b>
Semi-finished products and work in progress (gross)	481	203	25	18	28	754
Semi-finished products and work in progress (allowances)				11	9	20
<b>Semi-finished products and work in progress (net)</b>	<b>481</b>	<b>203</b>	<b>25</b>	<b>7</b>	<b>19</b>	<b>734</b>
Finished products (gross)	565	139	101	13	69	887
Deviations from fixed prices	910	224	163	21	111	1,428
<b>Finished products (net)</b>	<b>1,475</b>	<b>362</b>	<b>264</b>	<b>33</b>	<b>180</b>	<b>2,315</b>
<b>Advances on deliveries</b>	<b>174</b>					<b>174</b>
<b>Total inventories</b>	<b>4,548</b>	<b>1,311</b>	<b>559</b>	<b>110</b>	<b>372</b>	<b>6,899</b>

**Change in inventory allowances**

Specification (in PLN thousand)	Allowances on materials	Allowances on semi-finished products and work in progress	Allowances on finished products	Total allowances on inventories
<b>Status as at 01.01.2022</b>	<b>417</b>	<b>20</b>		<b>437</b>
<b>Increases, including:</b>	<b>280</b>	<b>50</b>	<b>244</b>	<b>574</b>
- recognition of allowances in correspondence with other operating costs	280	50	244	574
<b>Status as at 31.12.2022</b>	<b>697</b>	<b>70</b>	<b>244</b>	<b>1,011</b>
<b>Status as at 01.01.2021</b>	<b>95</b>	<b>16</b>		<b>111</b>
<b>Increases, including:</b>	<b>322</b>	<b>4</b>		<b>325</b>

Specification (in PLN thousand)	Allowances on materials	Allowances on semi-finished products and work in progress	Allowances on finished products	Total allowances on inventories
- recognition of allowances in correspondence with other operating costs	322	4		325
<b>Decreases, including:</b>				
- reversal of allowances in correspondence with other operating income				
<b>Status as at 31.12.2021</b>	<b>417</b>	<b>20</b>		<b>437</b>

Materials in stock constitute a reserve for securing technological processes and will be used in the next accounting period.

Aging of items in material stock is caused by:

- Holding items withdrawn from production by suppliers for the purposes of their maintenance service
- Holding items used for orders that appear only rarely but in large quantities
- Items which are used for infrequent orders with special parameters.

Finished products staying in stock for more than 365 days are surplus products manufactured during the minimum technological process series. They can be sold in the future if there is individual demand for them.

Due to the planned increase in production volumes, the majority of the inventories in stock will be consumed in the production process in 2023.

Finished products are kept in stock for the following reasons:

- To cater to high-volume production orders
- To have in stock individual detectors manufactured in excess as part of single orders with very specific parameters, where repetition of such special parameters occurs at intervals of several months
- As a result of manufacturing of products in larger batches in order to reduce the price for the customer, with a part of the batch being sold immediately and the rest within the following few months.

The value of inventories recognised as a cost in the period is as follows:

- Recognised in the cost of production of direct materials: PLN 12,372 thousand, with indirect costs and other costs at PLN 21,085 thousand.

In the reporting period, no inventories were recognised as goods sold.

The Group's inventories are not subject to any pledge or lien.

#### 4.1.6 Receivables

Specification (in PLN thousand)	31.12.2022	31.12.2021
<b>Trade receivables</b>	<b>14,256</b>	<b>14,370</b>
- from other entities	14,256	14,370
Impairment allowances	80	40
<b>Gross trade receivables</b>	<b>14,336</b>	<b>14,410</b>

#### Change in impairment allowance on trade receivables

Specification (in PLN thousand)	31.12.2022	31.12.2021
<b>Impairment allowances on trade receivables at the beginning of the period</b>	<b>40</b>	<b>111</b>
<b>Increases, including:</b>	<b>222</b>	<b>120</b>
- allowances on overdue and disputed receivables	195	120
- allowances on uncollectible receivables	27	
<b>Decreases, including:</b>	<b>181</b>	<b>192</b>
- reversal of allowances, repayment of receivables	181	192

Specification (in PLN thousand)	31.12.2022	31.12.2021
<b>Impairment allowance on trade receivables from other entities at the beginning of the period</b>	<b>80</b>	<b>40</b>

**Change in allowances on other financial receivables**

Specification (in PLN thousand)	Loan impairment allowances	Total allowances on inventories
<b>Status as at 01.01.2022</b>	<b>558</b>	<b>558</b>
<b>Increases, including:</b>	<b>135</b>	<b>135</b>
- recognition of allowances in correspondence with other operating costs	135	135
<b>Status as at 31.12.2022</b>	<b>693</b>	<b>693</b>
<b>Status as at 01.01.2021</b>		
<b>Increases, including:</b>	<b>558</b>	<b>558</b>
- recognition of allowances in correspondence with other operating costs	558	558
<b>Status as at 31.12.2021</b>	<b>558</b>	<b>558</b>

Specification (in PLN thousand)	31.12.2022	31.12.2021
<b>Other receivables, including:</b>		
- on account of taxes	2,132	5,576
- other	94	91
<b>Other financial receivables, gross</b>	<b>2,226</b>	<b>5,667</b>
<b>Other financial receivables</b>	<b>16</b>	<b>35</b>
- loans granted	16	35
<b>Gross financial receivables</b>	<b>2,242</b>	<b>5,702</b>

Currency structure of gross short-term receivables (in PLN thousand)	31.12.2022	31.12.2021
<b>in Polish currency</b>	<b>982</b>	<b>6,330</b>
<b>in foreign currencies (by currency and after conversion to PLN)</b>	<b>14,336</b>	<b>14,567</b>
EUR	2,452	2,842
<b>after conversion to PLN</b>	<b>11,499</b>	<b>13,069</b>
USD	931	176
<b>after conversion to PLN</b>	<b>4,098</b>	<b>714</b>
<b>Total short-term receivables</b>	<b>16,579</b>	<b>20,112</b>

**Structure of receivables**

Specification (in PLN thousand)	Total	Up to date	Overdue in days				
			up to 1 month	up to 3 months	up to 6 months	up to 12 months	over 12 months
<b>31.12.2022</b>							
Trade receivables	14,337	11,706	1,622	476	430	91	12
receivables impairment allowances	80	80					
Other receivables	2,242	2,242					
receivables impairment allowances							

Specification (in PLN thousand)	Total	Up to date	Overdue in days				
			up to 1 month	up to 3 months	up to 6 months	up to 12 months	over 12 months
<b>Total</b>	<b>16,499</b>	<b>13,868</b>	<b>1,622</b>	<b>476</b>	<b>430</b>	<b>91</b>	<b>12</b>
<b>31.12.2021</b>							
Trade receivables	14,410	13,481	822	84		12	11
impairment allowances	40	21	6	3		3	7
Other receivables	5,702	5,702					
impairment allowances							
<b>Total</b>	<b>20,072</b>	<b>19,162</b>	<b>816</b>	<b>81</b>		<b>9</b>	<b>4</b>

The amount receivables is based on the standard payment terms granted by the Group to customers. In the opinion of the Company's Management Board, there is no significant risk of non-payment of the above receivables.

#### 4.1.7 Other financial assets

A financial asset is measured at fair value through profit or loss if it does not meet the criteria to be measured at amortised cost or fair value through other comprehensive income and is not an equity instrument designated on initial recognition to be measured at fair value through other comprehensive income. The Group classifies financial assets designated on initial recognition as at fair value through profit or loss because they meet the criteria set out in IFRS 9.

Instruments in this category are measured at fair value and the effects of the measurement are recognised in profit or loss under "Financial income" or "Financial expenses", as appropriate. Gains and losses on the valuation of financial assets are determined by the change in fair value established on the basis of current prices from an active market at the balance sheet date.

#### 4.1.8 Cash and cash equivalents

Specification (in PLN thousand)	31.12.2022	31.12.2021
<b>Cash at bank:</b>		
Bank PLN	1,816	3,119
Bank EUR	39	541
converted into PLN	184	2,489
Bank USD	59	218
converted into PLN	258	887
<b>Total</b>	<b>2,258</b>	<b>6,495</b>

The difference between the change in cash in the statement of financial position and the change in this item presented in the statement of cash flows is due to negative exchange differences – presented as an FX loss of 7,000 based on the balance sheet valuation as at 31.12.2022.

Restricted cash:

Specification (in PLN thousand)	31.12.2022	31.12.2021
Cash received for development projects	1,116	2,457
<b>Total</b>	<b>1,116</b>	<b>2,457</b>

Cash at the disposal of the entity not included in the balance sheet item

Specification (in PLN thousand)	31.12.2022	31.12.2021
Cash in the Social Fund	85	147
<b>Total</b>	<b>85</b>	<b>147</b>

## 4.2 Equity and liabilities

## 4.2.1 Share capital (structure)

Series/issue	Type of shares	Type of share preference	Type of limitation of rights to shares	Number of shares	Nominal value of the series/issue (in PLN)	Method of capital coverage	Date of registration	Right to dividend (as of the date)
Series A	bearer shares	the shares are not preference shares	none	547,000	547,000	from the transformation of share capital	20.02.2002	in accordance with the Commercial Companies Code
Series C	bearer shares	the shares are not preference shares	none	147,000	147,000	private placement	29.09.2010	in accordance with the Commercial Companies Code
D series	bearer shares	the shares are not preference shares	none	35,000	35,000	public issue	15.12.2014	in accordance with the Commercial Companies Code
Total number of shares								729,000
Total share capital								729,000
Nominal value of a share (PLN)								1.00

The capital ownership structure is presented in Section 5.9 of the Report.

## 4.2.2 Share premium account

Specification (in PLN thousand)	31.12.2022	31.12.2021
Share premium account	8,865	8,865
<b>Total</b>	<b>8,865</b>	<b>8,865</b>

## 4.2.3 Revaluation reserve

Specification (in PLN thousand)	31.12.2022	31.12.2021
Revaluation reserve	99	-24
<b>Total</b>	<b>99</b>	<b>-24</b>

## 4.2.4 Profit (loss) of the current period

Specification (in PLN thousand)	31.12.2022	31.12.2021
Profit (loss) of the current period	7,219	30,510
<b>Total</b>	<b>7,219</b>	<b>30,510</b>

## 4.2.5 Other capitals

Specification (in PLN thousand)	31.12.2022	31.12.2021
Retained earnings	91,148	58,525

Specification (in PLN thousand)	31.12.2022	31.12.2021
Previous year's profit not distributed as dividend	30,510	32,547
Contingent capital increase (incentive scheme)	-47	76
<b>Total</b>	<b>121,611</b>	<b>91,148</b>

**Change in other capitals:**

Specification (in PLN thousand)	Retained earnings	Undistributed profit	Total
<b>01.01.2022</b>	<b>91,148</b>		<b>91,148</b>
<b>Increases in the period</b>	<b>30,510</b>		<b>30,510</b>
Allocation of the 2021 net profit to retained earnings	30,510		30,510
<b>Decreases in the period</b>	<b>47</b>	<b>30,510</b>	<b>30,557</b>
Allocation of the 2021 net profit to retained earnings		30,510	30,510
Contingent capital increase (incentive scheme)	47		47
<b>31.12.2022</b>	<b>121,611</b>		<b>121,611</b>
<b>01.01.2021</b>	<b>58,525</b>		<b>58,525</b>
<b>Increases in the period</b>	<b>32,623</b>		<b>32,623</b>
Allocation of the 2020 net profit to retained earnings	32,547		32,547
Contingent capital increase (incentive scheme)	76		76
<b>Decreases in the period</b>		<b>32,547</b>	<b>32,547</b>
Allocation of the 2020 net profit to retained earnings		32,547	32,547
<b>31.12.2021</b>			<b>91,148</b>

## 4.2.6 Amounts not payable as dividends

Specification (in PLN thousand)	31.12.2022	31.12.2021
Capital under Commercial Companies Code - 1/3 of share capital	243	243
Adjustments due to conversion from the Polish GAAP to IFRS/IAS	2,090	2,090
Share premium account	8,866	8,866
<b>Total equity</b>	<b>11,199</b>	<b>11,199</b>
Completed development	26,347	15,494
Development expenditure	53,444	43,351
<b>Total development not settled</b>	<b>79,791</b>	<b>58,845</b>
<b>Total</b>	<b>90,990</b>	<b>70,044</b>

## 4.2.7 Earnings per share

Calculation of earnings per share – assumptions (in PLN thousand)	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Net profit from continuing operations	7,219	30,510
Net profit attributable to ordinary shareholders used to calculate diluted earnings per share	7,219	30,510
Profit presented for the purpose of calculating diluted earnings per share	7,219	30,510

Number of shares issued	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Weighted average number of shares used to calculate basic earnings per share	729,000	729,000
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	729,000	729,000
Earnings per share (in PLN)	9.90	41.85

Proposed profit distributions (loss cover) for the financial year:

The 2021 net profit of PLN 32,348 thousand was fully allocated to the supplementary capital.

The Management Board will make recommendations regarding the 2022 profit distribution after analysing the Company's current financial situation.

#### 4.2.8 Provisions

Specification (in PLN thousand)	31.12.2022	31.12.2021
Provisions for retirement and disability severance payments	187	272
Provisions for holiday leaves	1,950	1,671
<b>Total, including:</b>	<b>2,138</b>	<b>1,943</b>
- long-term	184	226
- short term	1,953	1,717

#### Changes in provisions for pensions and similar benefits

Specification (in PLN thousand)	Provisions for retirement and disability severance payments	Provisions for holiday leaves
<b>As at 01.01.2022</b>	<b>272</b>	<b>1,671</b>
Provisions raised		280
Provisions released	84	
<b>Balance as at 31.12.2022, including:</b>	<b>187</b>	<b>1,950</b>
- long-term	184	0
- short term	3	1,950
<b>As at 01.01.2021</b>	<b>284</b>	<b>1,176</b>
Provisions raised		494
Provisions released	12	
<b>Balance as at 31.12.2021, including:</b>	<b>272</b>	<b>1,671</b>
- long-term	226	
- short term	46	1,671

Specification (in PLN thousand) Provisions for retirement and disability severance payments	2022	2021
<b>Present value of obligation at the beginning of the period</b>	<b>272</b>	<b>284</b>
Current service cost	28	45
Interest expense	10	4
Actuarial gains/ losses due to changes in demographic assumptions	-123	-61
Benefits paid		
<b>Present value of obligation at end of the period</b>	<b>187</b>	<b>272</b>

The Group has an employee share scheme.

On 18 October 2021, the Extraordinary General Meeting adopted a resolution to create an incentive scheme for key employees of VIGO Photonics S.A.

The incentive scheme is based on the following key assumptions:

1. The aim of the Incentive Scheme is to introduce additional mechanisms to motivate members of the Management Board and key employees of the Company and its subsidiaries (excluding employees of Vigo We Innovation sp. z o.o. with its registered office in Warsaw) to undertake activities to boost the Company's organic growth and to achieve the highest possible financial results in the long term. Moreover, the Incentive Scheme is to help create long-term ties between the Company and members of the Management Board and key employees of the Company and its subsidiaries, which will ensure a high level of professionalism in conduct of the Company's and its subsidiaries' affairs.

2. Participants of the Incentive Scheme will be granted free subscription warrants series A and B issued to their names, entitling them to take up not more than 29,160 (twenty-nine thousand one hundred and sixty) ordinary series E bearer shares with a nominal value of PLN 1.00 (one zloty) each.

3. The Incentive Scheme will be implemented in 2021-2023, in three stages (falling within each calendar year of the Incentive Scheme).

4. Participating in the Incentive Scheme will be members of the Company's Management Board and key employees of the Company and its subsidiaries (except for Vigo We Innovation sp. z o.o. with its registered office in Warsaw) selected by the Company's Management Board after consulting the Supervisory Board from amongst directors and deputy directors or other employees responsible for the implementation of the Company's strategic initiatives and employees of the subsidiaries holding managerial functions (except for Vigo We Innovation sp. z o.o. with its registered office in Warsaw).

In connection with the Incentive Scheme, the Extraordinary General Meeting (EGM) adopted resolutions on the following matters:

a) Rules of the Incentive Scheme ("Rules") and authorised and obliged the Company's Management Board and the Supervisory Board to take all actions necessary for the implementation and proper execution of the Incentive Scheme, particularly the relevant actions laid down in the Rules.

b) Issue of maximum 29,160 registered subscription warrants of series A and B, including 11,664 series A Warrants allocated to the members of the Management Board of the Company (40% of the Warrants) and 17,496 Series B Warrants allocated to the persons selected from among the Key Employees (60% of the Warrants) within three stages of the Incentive Scheme, subject to the registration of amendments to the Company's Articles of Association related to the conditional increase of the Company's share capital as a result of the issue of the Shares.

c) Disapplication of the existing shareholders' pre-emptive rights to the Warrants.

d) Conditional increase of the Company's share capital by maximum PLN 29,160 by way of an issue of the Shares, i.e. maximum 29,160 series E ordinary bearer shares with a nominal value of PLN 1.00 (one zloty) each.

e) Disapplication of the existing shareholders' pre-emptive rights to the Shares.

f) Holders of the Warrants will be entitled to: a) acquire the Shares in a number equal to the number of Warrants they hold, at the Issue Price of PLN 655.89 (six hundred and fifty-five PLN and 89/100), corresponding to the volume-weighted average price of the Company's shares on the regulated market operated by the Warsaw Stock Exchange from 1 June 2020 to 31 August 2021 with a 10% discount or b) acquire the Shares only from a part of the Warrants held, at the nominal price of the Shares of PLN 1.00 (one zloty), provided that the transfer to the Company free of charge remaining Warrants held so that they could be cancelled, determining the number of the Shares which may be acquired and at the same time the number of the Warrants which will be subject to cancellation according to the following formulas:

$$S = W \times (MP - IP) / MP$$

$$C = W - S$$

where: S - the number of Shares which the Warrant Holder may acquire at the nominal price of the Shares

W - the number of Warrants held by the Warrant Holder

MP - the market price of the Company's shares corresponding to the closing price of the Company's shares at the Warsaw Stock Exchange on the day preceding the day on which the Warrant Holder submits the Warrant Holder's Share Acquisition Statement

IP- the Issue Price C - the number of Warrants to be cancelled.

g) Amendments to § 7 of the Company's Articles of Association by adding subsection 1a - 1d (after § 7(1)) in relation to the conditional share capital increase, with the Company's Supervisory Board being authorised to determine the consolidated text of the amended Company's Articles of Association.

h) Establishment of a capital reserve of PLN 15,300,601 for the financing of the acquisition of the Company's E series shares.

i) The principles of the Group's financing of the acquisition of the Company's Shares under the Incentive Scheme.

j) EGM's consent for the Group to enter into agreements with members of the Company's Management Board in order to finance the acquisition of the Shares.

In 2022, the Group did not recognise any amount in remuneration costs related to the fulfilment of the incentive scheme criteria for 2022.

#### Costs recognised in the income statement for retirement and disability severance payments

Specification (in PLN thousand)	2022	2021
Current service cost	34	45
Interest expense	10	4
<b>Total income statement</b>	<b>44</b>	<b>49</b>
Actuarial gains/ losses due to changes in demographic assumptions	-123	-25
<b>Total other comprehensive income</b>	<b>-79</b>	<b>24</b>

Presented below are the main assumptions adopted by the actuary at the balance sheet date to calculate the liability:

Specification	31.12.2022	31.12.2021
Discount rate (%)	6.80%	3.70%
Staff turnover rate (%)	5.00%	4.50%
Expected salary increase rate (%)	13.10%	5.00%

Sensitivity analysis for the provision recognised at the balance sheet date

Specification (in PLN thousand)	-0.50%	+0.50%
Discount rate (%)	2,151	2,125
Expected salary growth rate	2,125	2,151
Anticipated turnover rate (%)	2,147	2,129

The table shows the potential balance of the provision due to changes in the above rates.

In the time periods presented below, the following payments from the defined benefit plan are expected:

Specification (in PLN thousand)	31.12.2022	31.12.2021
Next year	4	56
Between 1 and 5 years	60	12
Above 5 years	2,833	2,401

#### Other provisions

Specification (in PLN thousand)	31.12.2022	31.12.2021
Provision for Q4 bonuses	1,375	2,233
Provisions for warranty repairs and returns	584	608
Provision for the audit of financial statements	38	27
Other provisions	3	75
<b>Total, including:</b>	<b>2,000</b>	<b>2,942</b>
- short term	2,000	2,942

#### Change in other provisions

Specification (in PLN thousand)	Provisions for warranty repairs and returns	Other provisions	Total
<b>As at 01.01.2022</b>	<b>607</b>	<b>2,336</b>	<b>2,943</b>
Recognised during the financial year	20		20

Specification (in PLN thousand)	Provisions for warranty repairs and returns	Other provisions	Total
Released	44	919	962
<b>Balance as at 31.12.2022, including:</b>	<b>584</b>	<b>1,416</b>	<b>2,000</b>
- short term	584	1,416	2,000
<b>As at 01.01.2021</b>	<b>454</b>	<b>2,678</b>	<b>3,132</b>
Recognised during the financial year	153	717	870
Released		1,059	1,059
<b>Balance as at 31.12.2021, including:</b>	<b>607</b>	<b>2,336</b>	<b>2,943</b>
- short term	607	2,336	2,943

#### 4.2.9 Credit agreements and long-term liabilities

##### Bank loans, as at 31.12.2022

Lender and loan type	Loan amount under the agreement (PLN k/ EUR k)	Loan balance (PLN k/ EUR k)	Nominal interest rate	Maturity date	Security
ING Bank Śląski - corporate FX investment loan	EUR 5,800	EUR 1,831	1M EURIBOR + margin	31.03.2026	described below
ING Bank Śląski - corporate FX investment loan	EUR 3,600	EUR 1,670	1M EURIBOR + margin	31.12.2026	described below
ING Bank Śląski - corporate FX investment loan	EUR 2,000	EUR 1,625	1M EURIBOR + margin	31.03.2026	described below
ING Bank Śląski - corporate FX investment loan	EUR 5,950	EUR 3,347	1M EURIBOR + margin	21.06.2028	described below
ING Bank Śląski - working capital facility (overdraft)	EUR 5,500	EUR 2,050	1M EURIBOR + margin	possible extension of the agreement	described below

##### Bank loans, as at 31.12.2021

Lender and loan type	Loan amount under the agreement (PLN k/ EUR k)	Loan balance (PLN k/ EUR k)	Nominal interest rate	Maturity date	Security
ING Bank Śląski - corporate FX investment loan	EUR 5,800	EUR 2,271	1M EURIBOR + margin	31.03.2026	described below
ING Bank Śląski - corporate FX investment loan	EUR 3,600	EUR 2,184	1M EURIBOR + margin	31.12.2026	described below
ING Bank Śląski investment loan - PLN technology loan	PLN 6,000	PLN 4,270	1M WIBOR + margin	30.09.2022	described below
ING Bank Śląski - corporate FX investment loan	EUR 2,000	EUR 1,520	1M EURIBOR + margin	31.03.2026	described below

#### a. Agreement for a corporate FX loan to finance the investment and to refinance the capital expenditures incurred by the Group under the investment.

Loan of EUR 5,800,000.00 (the loan amount and sanction/ maturity date were amended by Annex 1 of 6 June 2018), to finance the investment and to refinance the capital expenditures incurred. The loan is granted for the period from 06.06.2018 to 31.03.2026.

The facility bears a floating interest rate determined by the Bank based on EURIBOR for 1-month interbank deposits increased by the Bank's margin.

The parties agreed on the following security:

- a) Contractual mortgage up to EUR 25,350,000.00 established on: (i) the Company's perpetual usufruct of land and freehold of the building situated on that land, located in Ożarów Mazowiecki at ul. Poznańska, entered into the land and mortgage register No. WA1P/00087633/6, (ii) the Company's perpetual usufruct right of the land and ownership of the equipment situated on that land, located in Ożarów Mazowiecki at ul. Poznańska, entered into the land and mortgage register No. WA1P/00082343/1, (iii) the Company's perpetual usufruct right of the land (and the freehold of the building currently being developed on the land) located in Ożarów Mazowiecki at ul. Poznańska, entered into the land and mortgage register No. WA1P/00083348/3. The mortgage will be established within 180 calendar days from the conclusion of the Agreement.
- b) Assignment of rights from the insurance policy of the security item described in point a).
- c) A blank promissory note of the Company together with a promissory note declaration.
- d) Registered pledge on machinery and equipment purchased as part of the Investment.
- e) Assignment of rights from the insurance policy of the security item described in point d).
- f) Assignment of rights from the insurance policy against construction/ installation risks under the contract.
- g) Other terms of the agreement are in accordance with the customary market conditions applicable to such agreements.

#### **b. Corporate FX loan agreement for investment financing**

A loan of EUR 3,600,000.00 to finance the purchase of a MOCVD epitaxial system and the implementation of technology in the production of semiconductor materials from groups III-V of the periodic table of elements, intended for the manufacture of advanced electronic and optoelectronic products. The facility is granted from the date of its availability to 31.12.2026.

The facility bears a floating interest rate determined by the Bank based on EURIBOR for 1-month interbank deposits increased by the Bank's margin.

The parties agreed on the following security:

- a) Contractual mortgage up to EUR 25,350,000.00 established on: (i) the Company's perpetual usufruct of land and freehold of the building situated on that land, located in Ożarów Mazowiecki at ul. Poznańska, entered into the land and mortgage register No. WA1P/00087633/6, (ii) the Company's perpetual usufruct right of the land and ownership of the equipment situated on that land, located in Ożarów Mazowiecki at ul. Poznańska, entered into the land and mortgage register No. WA1P/00082343/1, (iii) the Company's perpetual usufruct right of the land (and the freehold of the building currently being developed on the land) located in Ożarów Mazowiecki at ul. Poznańska, entered into the land and mortgage register No. WA1P/00083348/3. The mortgage will be established within 180 calendar days from the conclusion of the Agreement.
- b) Assignment of rights from the insurance policy of the security item described in point a).
- c) Registered pledge on machinery and equipment purchased as part of the Investment.
- d) Assignment of rights from the insurance policy of the security item described in point c).
- e) Power of attorney to use the funds held in all accounts opened and maintained by the Bank (now and in the future) in favour of the Company, denominated in PLN, EUR and USD.
- f) Company's statement on submission to debt enforcement proceedings (issued under Article 777(1)(5) of the Code of Civil Procedure) for up to EUR 5,400,000.00.
- g) Other terms of the agreement are in accordance with the customary market conditions applicable to such agreements.

#### **c. Corporate FX loan agreement for investment financing**

Facility of EUR 2,000,000.00 to finance investments and refinance capital expenditures incurred. The facility is granted for the period from 29.03.2019 to 31.03.2026.

The facility bears a floating interest rate determined by the Bank based on EURIBOR for 1-month interbank deposits increased by the Bank's margin.

The parties agreed on the following security:

- a) A joint contractual mortgage up to EUR 25,350,000.00 on the perpetual usufruct right of land, together with the buildings, located in Ożarów Mazowiecki.
- b) Assignment of rights from the insurance policy of the real properties held as security.
- c) Statement on submission to debt enforcement proceedings for up to EUR 3,000,000.00.
- d) Power of attorney to use the funds held in all accounts opened and maintained by ING Bank Śląski S.A. (now and in the future), denominated in PLN, EUR and USD.

- e) Assignment of rights from the General Contractor's construction risks insurance policy – at least for the amount corresponding to the value of the General Contractor's works.
- f) Registered pledge on machinery and equipment purchased during the investment.
- g) Assignment of rights from the insurance policy for the machinery and equipment.

#### **d. Corporate FX loan agreement for investment financing**

Facility of EUR 5,950,000.00 to finance investments and refinance capital expenditures incurred. The facility is granted for the period from 29.03.2019 to 31.03.2026.

The facility bears a floating interest rate determined by the Bank based on EURIBOR for 1-month interbank deposits increased by the Bank's margin.

The parties agreed on the following security:

- a) A joint contractual mortgage up to EUR 25,350,000.00 on the perpetual usufruct right of land, together with the buildings, located in Ożarów Mazowiecki.
- b) Assignment of rights from the insurance policy of the real properties held as security.
- c) Statement on submission to debt enforcement proceedings for up to EUR 3,000,000.00.
- d) Power of attorney to use the funds held in all accounts opened and maintained by ING Bank Śląski S.A. (now and in the future), denominated in PLN, EUR and USD.
- e) Assignment of rights from the General Contractor's construction risks insurance policy – at least for the amount corresponding to the value of the General Contractor's works.
- f) Registered pledge on machinery and equipment purchased during the investment.
- g) Assignment of rights from the insurance policy for the machinery and equipment.

#### **e. Agreement for a working capital facility (overdraft).**

Facility of EUR 5,500,000.00 to finance investments and refinance capital expenditures incurred. The facility is granted for the period from 29.03.2019 with an extension option (amended on 21.12.2022).

The facility bears a floating interest rate determined by the Bank based on EURIBOR for 1-month interbank deposits increased by the Bank's margin.

The parties agreed on the following security:

- a) A joint contractual mortgage up to EUR 25,350,000.00 on the perpetual usufruct right of land, together with the buildings, located in Ożarów Mazowiecki.
- b) Assignment of rights from the insurance policy of the real properties held as security.
- c) Statement on submission to debt enforcement proceedings for up to EUR 3,000,000.00.
- d) Power of attorney to use the funds held in all accounts opened and maintained by ING Bank Śląski S.A. (now and in the future), denominated in PLN, EUR and USD.
- e) Assignment of rights from the General Contractor's construction risks insurance policy – at least for the amount corresponding to the value of the General Contractor's works.
- f) Registered pledge on machinery and equipment purchased during the investment.
- g) Assignment of rights from the insurance policy for the machinery and equipment.

#### **Maturity structure of borrowings**

Specification (in PLN thousand)	31.12.2022	31.12.2021
	value in PLN	value in PLN
Short-term borrowings	21,326	12,441
Long-term borrowings	28,057	21,368
- maturing between 1 to 3 years	25,129	16,162
- maturing between 3 to 5 years	2,928	5,206
- maturing above 5 years		
<b>Total borrowings</b>	<b>49,384</b>	<b>33,810</b>

**Loans currency structure**

Specification (in PLN thousand)	31.12.2022		31.12.2021	
	value in foreign currency	value in PLN	value in foreign currency	value in PLN
PLN		7		4,299
EUR	10,523	49,350	6,416	29,511
USD	6	27		
<b>Total borrowings</b>		<b>49,384</b>		<b>33,810</b>

**Committed loans**

Lender and loan type	Loan amount under the agreement (PLN k/ EUR k)	Amount committed as at 31.12.2022 (PLN k/EUR k)	Amount committed at 31.12.2021 (PLN k/EUR k)
ING Bank Śląski - corporate FX investment loan	EUR 2,000		EUR 480
ING Bank Śląski - corporate FX investment loan	EUR 5,950	EUR 2,603	n/a
ING Bank Śląski - working capital facility (overdraft)	EUR 5,500	EUR 3,450	n/a

**Table of credit facility movements in 2022 (PLN thousand)**

Loan amount	as at 01.01.2022	+/- principal	+ accrued interest/- accrued interest paid	+ valuation (decrease in liability)/- valuation (increase in liability)	as at 31.12.2022
EUR 5,800	12,472	-/-4 124	+135/-135	+349/-111	8,585
EUR 3,600	10,046	-/-2 410	+118/-118	+201/-6	7,832
EUR 2,000	6,993	+2,186/-1,765	+143/-143	+210/-3	7,621
PLN 6,000	4,270	-/-4 270	+128/-128	-/-	
EUR 5,950		+15,892/-	+129/-129	+6/-200	15,698
EUR 5,500		+9,614/-	+101/-101	-/-	9,614
overdraft	29	+34/-29			34
<b>Total</b>	<b>33,810</b>	<b>+27,726/-12,598</b>	<b>+754/-754</b>	<b>+766/-320</b>	<b>49,384</b>

**Table of credit facility movements in 2021 (PLN thousand)**

Loan amount	as at 01.01.2021	+/- principal	+ accrued interest/- accrued interest paid	+ valuation (decrease in liability)/- valuation (increase in liability)	as at 31.12.2021
EUR 5,800	16,580	-/-4 006	-1	-/-101	12,472
EUR 3,600	12,453	-/-2 356	+114/-114	-/-51	10,046
EUR 2,000	407	+6,560/-	-1	+26 /-	6,993
PLN 6,000	1,120	+4,880/-1,730	-1		4,270
overdraft		+29/-			29

Loan amount	as at 01.01.2021	+/- principal	+ accrued interest/- accrued interest paid	+ valuation (decrease in liability)/- valuation (increase in liability)	as at 31.12.2021
<b>Total</b>	<b>30,560</b>	<b>+11,469/- 8,092</b>	<b>-1</b>	<b>+26/- 152</b>	<b>33,810</b>

### Other long-term liabilities

The Group has no long-term liabilities other than loans, grants and provisions.

### Loans and guarantees granted

In 2022, VIGO Photonics also granted a working capital loan of PLN 0.5 million to VIGO Photonics Taiwan.

#### 4.2.10 Trade and other liabilities

##### Maturity structure of trade liabilities

Specification (in PLN thousand)	31.12.2022	31.12.2021
<b>Liabilities on account of other taxes, duties, social security and other, except for CIT, including:</b>	<b>930</b>	<b>1,556</b>
Personal income tax	270	529
Social security (ZUS) contributions	633	1,011
PFRON [State Fund for Rehabilitation of the Disabled]	28	14
<b>Other liabilities</b>	<b>366</b>	<b>196</b>
Other liabilities	302	168
Liabilities towards employees on account of salaries	64	28
<b>Total other liabilities</b>	<b>1,296</b>	<b>1,753</b>

##### Currency structure of short-term liabilities

Short-term liabilities (currency structure) in 2022 (in PLN thousand)	Amount
<b>a) in Polish currency</b>	<b>2,471</b>
<b>b) in foreign currencies (by currency and after conversion to PLN)</b>	<b>3,064</b>
EUR	533
<b>after conversion to PLN</b>	<b>2,499</b>
USD	155
<b>after conversion to PLN</b>	<b>682</b>
GBP	10
<b>after conversion to PLN</b>	<b>51</b>
<b>Total short-term liabilities</b>	<b>5,704</b>

Short-term liabilities (currency structure) in 2021 (in PLN thousand)	Amount
<b>a) in Polish currency</b>	<b>5,565</b>
<b>b) in foreign currencies (by currency and after conversion to PLN)</b>	<b>4,291</b>
EUR	730
<b>after conversion to PLN</b>	<b>3,358</b>
USD	227
<b>after conversion to PLN</b>	<b>920</b>
GBP	2
<b>after conversion to PLN</b>	<b>12</b>
<b>Total short-term liabilities</b>	<b>9,856</b>

## 4.2.11 Social assets and Social Fund liabilities

Specification (in PLN thousand)	31.12.2022	31.12.2021
Loans to employees		1
Cash	274	147
Social Fund liabilities	79	149
<b>Allocations to the Social Fund during the financial year</b>	<b>353</b>	<b>297</b>

## 4.2.12 Financial instruments

The value of financial assets presented in the statement of financial position as at 31 December 2022 relates to the following categories of financial instruments as defined in IFRS 9:

- Financial assets measured at amortised cost (AAC) – trade receivables and other receivables as well as cash and cash equivalents
- Financial assets measured at fair value through profit or loss – designated as such at initial recognition or later (AMFV) – investment in investment funds

The Company has no other categories of financial assets.

The value of financial liabilities presented in the statement of financial position as at 31 December 2022 relates to the following categories of financial instruments as defined in IFRS 9:

- Financial liabilities measured at amortised cost.

The Company has no other categories of financial liabilities.

Financial assets (in PLN thousand)	Carrying amount		Fair value		Qualification category in 2022	Qualification category in 2021
	31.12.2022	31.12.2021	31.12.2022	31.12.2021		
Trade and other financial receivables	16,483	20,038	16,483/ *	20,038/ *	AAC	AAC
Cash and cash equivalents	2,258	6,495	2,258/ *	6,495/ *	AAC	AAC

\*It is assumed that the fair value is close to the carrying amount – for this reason, no approach was used to measure those balance sheet items

Financial liabilities (in PLN thousand)	Carrying amount		Fair value		Qualification category in 2022	Qualification category in 2021
	31.12.2022	31.12.2021	31.12.2022	31.12.2021		
<b>Interest bearing bank and other loans, including:</b>	<b>49,384</b>	<b>33,810</b>	<b>49,384/ *</b>	<b>33,810/ *</b>		
- other - short term	21,327	12,441	21,327/ *	12,441/ *	Financial liabilities measured at amortised cost.	Financial liabilities measured at amortised cost.
- other - long term	28,057	21,368	28,057/ *	21,368/ *		
<b>Trade liabilities</b>	<b>5,658</b>	<b>9,810</b>	<b>5,658/ *</b>	<b>9,810/ *</b>		

\*It is assumed that the fair value is close to the carrying amount – for this reason, no approach was used to measure those balance sheet items

The Group did not have any derivatives either at 31.12.2022 or at 31.12.2021

01.01.2022– 31.12.2022	Financial assets measured at amortised cost (in PLN thousand)	Financial assets measured at fair value through profit	Financial liabilities measured at amortised cost (in PLN thousand) -	Financial liabilities measured at amortised cost (in PLN thousand) -	Total valuation of financial instruments (in PLN thousand)

		or loss (in PLN thousand)	bank loans	trade liabilities	
Interest income/ expense	Income: +158	Income: +70			Income: +228
	Expense: -79	Expense: -50	Expense: -1,273	Expense: -27	Expense: -1,429
Trade receivables and cash	Income: +526				Income: +526
	Expense: -493				Expense: -493
Bank loans			Income: +457		Income: +457
			Expense: -612		Expense: -612
Trade liabilities				Income: +238	Income: +238
				Expense: -461	Expense: -461
<b>Total +gain/-loss</b>	<b>+684/-572</b>	<b>+70/-50</b>	<b>+457/-1,885</b>	<b>+238/-488</b>	<b>+1,449/-2,995</b>

01.01.2021– 31.12.2021	Financial assets measured at amortised cost (in PLN thousand)	Financial assets measured at fair value through profit or loss (in PLN thousand)	Financial liabilities  measured at amortised cost (in PLN thousand) - bank loans	Financial liabilities  measured at amortised cost (in PLN thousand) - trade liabilities	Total valuation of financial instruments (in PLN thousand)
Income/ costs from fair value measurement		Costs: -81			Costs: -81
Interest income/ costs	Income: +2 Costs: -1		Costs: -398		Income: +2 Costs: -399
Trade receivables and cash	Income: +554				Income: +554
	Costs: -761				Costs: -761
Bank loans			Income: +489		Income: +489
			Costs: 362		Costs: -362
Trade liabilities				Income: +308	Income: +308
				Costs: -60	Costs: -60
<b>Total +gain/-loss</b>	<b>+556/-762</b>	<b>-/-81</b>	<b>+489/-760</b>	<b>+308/-60</b>	<b>+1,353/-1,664</b>

#### 4.2.13 Other contingent and off-balance sheet liabilities

As at 31 December 2022, the Group had no contingent assets.

Securities related to credit agreements are described in Section 4.2.9 of this Report.

Other contingent liabilities are described below:

1. A blank promissory note for the National Centre for Research and Development (NCBiR) as collateral for the proper performance of obligations arising from the grant agreement MAZOWSZE/0032/19-00 of 21.11.2019 for the project "Production technology of innovative epitaxial structures and VCSEL laser instruments critical for the development of photonics" under the competition Path for Mazovia/2019.
2. A blank promissory note for National Centre for Research and Development (NCBiR) as collateral for the proper performance of obligations under the grant agreement MAZOWSZE/0090/19-00 of 3.12.2019 for the project "Sensors for Industry 4.0 and IoT" under the competition Path for Mazovia/2019.

3. A blank promissory note at the disposal of the Mazowieckie Voivodeship as collateral for the proper performance of obligations under the grant agreement RPMA.01.02.00-14-b451/18-00 of 28.02.2020 for the project "Multi-element infrared detectors for non-contact multifunctional diagnostics" under Measure 1.2 "Research and development activity of enterprises" of the Regional Operational Programme of the Mazowieckie Voivodeship for 2014-2020.
4. A blank promissory note securing the proper performance of obligations under the Grant Agreement for the project "Production of InGaAs sensors with integrated ASIC electronics for the range of 1.7 - 2.6  $\mu\text{m}$ " (agreement No. POIR.01.01-00-0480/20-00 of 23.09.2021). The National Centre for Research and Development has the right to fill the promissory note, at any time, with the amount of grant to be returned, together with interest calculated at the rate specified for tax arrears, accrued from the date of transfer of funds to the account of the Beneficiary to the date of repayment.
5. A blank promissory note securing the proper performance of obligations under the Grant Agreement for the project "PEMIR - development of mid-infrared detectors using plasmonic amplification" no. POLTUR4/PEMIR/2/2021 of 15.03.2021. The National Centre for Research and Development has the right to fill the promissory note, at any time, with the amount of grant to be returned, together with interest calculated at the rate specified for tax arrears, accrued from the date of transfer of funds to the account of the Beneficiary to the date of repayment.
6. A blank promissory note securing the proper performance of obligations under the Grant Agreement for the project "MIRPIC - Integrated photonics chip technologies for mid-infrared" (agreement No. TECHMATSTRATEG-III/0026/2019-00 of 25.03.2021). The National Centre for Research and Development has the right to fill the promissory note, at any time, with the amount of grant to be returned, together with interest calculated at the rate specified for tax arrears, accrued from the date of transfer of funds to the account of the Beneficiary to the date of repayment.
7. A blank promissory note securing the proper performance of obligations under the Grant Agreement for the project "Polish matrix active in infrared for space applications" (agreement No. POIR.01.01.01-00-0185/20-00 of 24.05.2021). The National Centre for Research and Development has the right to fill the promissory note, at any time, with the amount of grant to be returned, together with interest calculated at the rate specified for tax arrears, accrued from the date of transfer of funds to the account of the Beneficiary to the date of repayment.
8. Obligation to contribute to the budget of Incubator VIGO WE INNOVATION Sp. z o.o.

On 21 December 2017, an amending annex ("Annex") was signed to the investment agreement between VIGO Photonics S.A. and Greenlight Closed-End Investment Fund of Non-Public Assets ("Fund") – previous name: WARSAW EQUITY PE FUND 1st Closed-End Investment Fund of Non-Public Assets) and VIGO WE Innovation Sp. z o.o. ("Incubator" previously: Ron Investment Sp. z o.o.) signed on 9 February 2017 ("Agreement").

The Annex extends the term of the Agreement to 31 December 2022, and provides that it can be extended for an indefinite period subject to the prior approval of the Company's Supervisory Board.

At the same time, under the Annex, the parties to the Agreement provided for a budget for the Incubator for 2018-2022 in a maximum amount of PLN 25,000,000. The Group and the Fund undertook to contribute equally to the Incubator. The budget amount is preliminary, non-binding and subject to change at any time. Any disposal of shares, including the issue of new shares, will require the consent of the remaining parties to the investment agreement.

Accordingly, at the balance sheet date, the Group recognised its obligation to make a cash contribution of PLN 5,345,960 to the Incubator budget as a contingent liability.

9. Agreement of 20 September 2018 with Włodzimirz Strupiński, PhD for the implementation of a joint venture, whereby the Group will purchase equipment for the production of semiconductor layers and deploy it at its production plant in Ożarów Mazowiecki, while Włodzimirz Strupiński, under an employment contract, will provide comprehensive service for VIGO relating to the production of epitaxial layers of III-V semiconductor compounds and will lead and manage the epitaxy department of VIGO, using his know-how and knowledge of the production of different types of semiconductor layers.

The investment value was estimated at PLN 20.5 million. The project implementation period was divided into two stages ("Implementation Period" until the end of 2019 and "Production Period" in 2020-2024).

The agreement provides for verification procedures regarding the achievement, in cooperation with Włodzimirz Strupiński, of VIGO's production capacity in relation to III-V semiconductor compounds as well as sets out the liability of Włodzimirz Strupiński, including liquidated damages, for default under the agreement.

Under the terms of the agreement, the Company agreed to pay Włodzimirz Strupiński a salary under the employment contract as well as a separate fee representing a percentage of profits generated by VIGO from the sale of semiconductor compounds. The amount of the annual bonus will be 15% of the net profit from the sale of semiconductor compounds generated by VIGO's Epitaxy Division in a specified fiscal year.

In addition, Mr Strupinski will be entitled to remuneration linked to the success of the whole project, i.e. on the increase in the value of the Company as a result of the sale of semiconductor materials.

The special bonus will depend on the "Reference Amount", calculated as EBITDA of the Epitaxy Division (EBITDA EPI) to the EBITDA of the entire Company and the average capitalisation of the Company calculated for the last financial year in the Production Period (2024), less the expected return on VIGO's investment in the development of the Epitaxy Division, assuming a 10% rate of return per annum. Depending on the value of EBITDA of the Epitaxy Division, the bonus will be 15% (when EBITDA EPI does not exceed PLN 13 million) or 24% (when EBITDA EPI exceeds PLN 13 million) of the Reference Amount.

The remuneration for the joint venture may be paid to Włodzimierz Strupiński in the form of shares of VIGO Photonics or in cash, or a combination of both. 80% of the bonus will be paid at the election of VIGO (in the form of shares or share options or in cash) and 20% at the election of Mr Strupinski.

At the balance sheet date, the condition relating to the payment of the annual bonus to Włodzimierz Strupiński was not met and for this reason the Company recognises that item as a contingent liability.

#### 4.2.14 Deferred income

Specification (in PLN thousand)	31.12.2022	31.12.2021
<b>Grants to tangible assets</b>	<b>10,939</b>	<b>7,662</b>
SPOWPK/2.2.1/14/0155	76	135
Technology bonus 3.2.2	10,863	7,528
<b>Deferred income - grants - funds towards development projects</b>	<b>44,468</b>	<b>29,409</b>
EXPOSURE	1,250	1,875
PETRA		137
LASERS		3
PLAISIR		74
MEGAS	325	487
CHEQUERS	1,151	1,557
MIRPHAB	1,523	1,257
WATERSPY	1,158	1,446
INDIIS	330	477
AQUARIUS	1,343	1,668
ACCORDS	407	532
TRANSFER	737	688
Sensors for Industry 4.0 and IoT	9,475	7,962
Epitaxial structures and VCSELs	7,458	5,447
PIAP Voucher for innovations	340	340
Regional	2,539	2,288
VAT Voucher for innovations	327	327
Car2Tera	26	29
TRAVEL	164	131
PEMIR	648	334
WidePOWER	351	366
WikiNet	400	183
MIRPIC	3,860	702
MATRICES	2,068	654
TRIAGE	638	445
INGAAS WITH ASIC	2,751	
AI PRISM	353	
PHOTOGENIC	4,846	
<b>Tangible assets received as a donation</b>	<b>18</b>	<b>32</b>
<b>Prepayments received for future obligations</b>	<b>40</b>	<b>326</b>

Specification (in PLN thousand)	31.12.2022	31.12.2021
<b>Deferred income, including:</b>	<b>55,465</b>	<b>37,430</b>
Long term	52,854	35,066
Short term	2,611	2,363

#### 4.2.15 Co-financing from public funds

The Group receives co-financing for research and development from European funds and national funds. The Group also receives grants to its fixed investments.

##### Co-financing of capital expenditures

During the reporting period, the Group completed project POIR.03.02.02-00-1638/18-00 "Implementation of the detection chip manufacturing technology developed under the 'Exposure' project" under the Operational Programme Intelligent Development 2014-2020 Sub-measure 3.2.2 – "Credit for technological innovation". The fact that the Company's Project was put on the list of projects selected for co-financing under the above EU-funded Programme was communicated by the Management Board in current report No. 3/2019 of 15.02.2019.

The total amount of eligible costs of the Project is PLN 21,507,677.36, while the grant amount is PLN 5,949,592.61, i.e. 27.66% of the total eligible costs.

Under the Grant Agreement and amending Annex 1 thereto, the duration of the Project and the co-financing is 41 months. The Project started on 8 November 2018.

The Grant Agreement provides for the following contractual penalties:

- Repayment of the funding with interest in the event of termination of the agreement.
- Repayment of the funding or consent to reduction of subsequent payments – in cases specified in the agreement such as the use of funds contrary to their purpose or in breach of procedures; use of the funds wrongly or in an excessive amount.

The project relates to a technological investment, consisting in the implementation of the Company's proprietary, innovative technology (production technology for detection chips developed under the "Exposure" project) through the expansion of the production facility, construction of a cleanroom installation and equipping it with the necessary production equipment.

The project was formally completed at the end of April 2022.

##### Co-financing of research and development

In the reporting period, the Group carried out the following projects co-financed by the European Commission under the Horizon 2020 and Horizon Europe, and the European Defense Fund programmes:

Ref.	Project	Project budget for the Company [EUR thousand]	Grant for the Company [EUR thousand]	Project implementation period
1.	CAR2TERA	24	24	01.01.2019 - 31.03.2023
2.	TRIAGE	420	294	01.01.2021 - 29.02.2024
3.	MINIBOT	609	609	01.12.2022 - 30.11.2025
4.	AI-PRISM	240	168	01.10.2022 - 30.09.2025
5.	PHOTOGENIC	1,331	1,331	01.10.2022 - 30.09.2025
6.	OPMMEG	500	500	01.12.2022 - 30.11.2025
7.	IBAIA	337	337	01.12.2022 - 30.11.2026

Agreements under projects co-financed by the European Commission are drawn up according to a uniform template. Under the agreement, the European Commission may impose financial penalties, i.e. withholding part of the funding if the beneficiaries:

- Committed substantial errors, irregularities or fraud or otherwise seriously breached their contractual obligations, or

- Made false declarations relating to the information required under the agreement or when submitting the grant request (or failed to provide such information).

The financial penalties will range from 2% to 10% of the maximum EU contribution specified for the beneficiary. If the beneficiary is found guilty of another breach within five years from the date of the first breach, the Commission may increase the financial penalties to the 4%–20% range.

In the reporting period, the Group carried out the following projects co-funded by the National Centre for Research and Development and the Mazovian Unit for the Implementation of EU Programmes from EU funds under the Intelligent Development Operational Programme and the Regional Operational Programme of the Mazovian Voivodeship for 2014-2020:

Ref.	Project	Agreement date	Project budget for the Company [PLN thousand]	Grant for the Company	Project implementation period
1.	Multielement infrared detectors for non-contact multifunctional diagnostics	28.02.2020	4,726	3,073	01.03.2020-31.03.2022
2.	INGAAS WITH ASIC – Manufacture of InGaAs sensors with integrated ASIC electronics for the range of 1.7 - 2.6 $\mu\text{m}$	23.09.2021	12,650	8,520	1.01.2021-31.12.2023
3.	MATRIX – Polish matrix active in infrared for space applications	24.05.2021	9,374	6,218	1.01.2021-31.12.2023

The Grant Agreement provides for the following contractual penalties:

- Repayment of the funding with interest in the event of termination of the agreement.
- Repayment of the funding or consent to reduction of subsequent payments – in cases specified in the agreement such as the use of funds contrary to their purpose or in breach of procedures; use of the funds wrongly or in an excessive amount.

The Group carries out projects co-financed by the National Centre for Research and Development from EU funds under the Strategic Programme for Scientific Research and Development “Modern Material Technologies” – TECHMATSTRATEG, under International Programmes – EUREKA, MERA.net, as well as under the competition “Path for Mazovia” and Polish-Turkish international cooperation projects.

Ref.	Project	Agreement date	Project budget for the Company [PLN thousand]	Grant for the Company	Project implementation period
1.	Sensors for Industry 4.0 and IoT	03.12.2019	18,357	12,280	01.10.2019-31.12.2022
2.	Production technology of innovative epitaxial structures and VCSEL laser devices, key to the development of photonics	21.11.2019	13,014	9,110	01.01.2020-31.03.2023
3.	PEMIR - development of mid-infrared detectors using plasmonic amplification	15.03.2021	1,115	836	01.03.2021-31.10.2023
4.	MIRPIC - new transparent electrodes for VCSEL lasers	22.02.2021	471	354	01.10.2020-30.09.2023
5.	WIKINET - Long-wave VCSEL lasers for fibre optic transmission	23.02.2021	1166	999	01.01.2021-01.01.2023
6.	MATRIX - Integrated photonics circuit technologies for the mid-infrared range	25.05.2021	9,492	6,801	01.04.2021-31.03.2024

## 4.2.16 Proposed profit distributions (loss cover) for the financial year

The current dividend policy does not provide for the payment of dividend from the net profit for 2022. However, each year, the Management Board may recommend the payment of a dividend after analysing the current financial position. The 2021 net profit of PLN 33,047 thousand was fully allocated to the supplementary capital.

The Group did not release performance forecasts for the given year.

## 4.3 Statement of comprehensive income

## 4.3.1 Net revenue from the sale of products, goods and materials by type and territory

Specification (in PLN thousand)	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
<b>Continued operations</b>	<b>76,568</b>	<b>77,929</b>
Sale of goods and materials	381	46
Sale of products, including	63,513	69,428
- Detection modules segment	62,133	66,540
- Semiconductor materials segment	1,380	2,889
Sale of services	3,980	2,023
- Detection modules segment	1,212	627
- Semiconductor materials segment	2,768	1,396
<b>Total revenue from sales</b>	<b>67,874</b>	<b>71,497</b>
Other operating income	8,270	5,902
Financial income	424	530
<b>TOTAL revenues from continued operations</b>	<b>76,568</b>	<b>77,929</b>
Revenue from discontinued operations	n/a	n/a
<b>TOTAL revenue</b>	<b>76,568</b>	<b>77,929</b>

Specification	01.01.2022 - 31.12.2022		01.01.2021 - 31.12.2021	
	PLN thousand	%	PLN thousand	%
<b>Domestic</b>	<b>4,167</b>	<b>6.74</b>	<b>2,779</b>	<b>3.89</b>
<b>Exports, including:</b>	<b>63,707</b>	<b>93.86</b>	<b>68,718</b>	<b>96.11</b>
European Union	37,668	54.90	48,018	67.16
Third countries	26,039	38.36	20,699	28.95
<b>Total</b>	<b>67,874</b>	<b>100.00</b>	<b>71,497</b>	<b>100.00</b>

**Percentage share of customers in total sales in the period:****01.01.2022-31.12.2022**

Ref.	Customer	Amount (PLN thousand)	Share in total sales (%)
1.	German Group I	11,650	16.98
2.	Company from Caterpillar Group	5,535	8.07
3.	German Group I	4,911	7.16
4.	Safran Aerotechnics	4,673	6.81

**01.01.2021-31.12.2021**

Ref.	Customer	Amount (PLN thousand)	Share in total sales (%)
1.	Safran Aerotechnics	20,184	28.23
2.	Company from Caterpillar Group	8,452	11.82
3.	German Group I	7,080	9.90
4.	German Group I	3,902	5.46
	<b>Total</b>	<b>39,618</b>	<b>55.41</b>

In 2022, no unit revenue was recognised in respect of long-term services carried out under unit price contracts.

#### 4.3.2 Discontinued operations

No operations were discontinued in 2022.

#### 4.3.3 Other comprehensive income

Specification (in PLN thousand)	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
<b>Actuarial gains (losses) on defined benefit plans</b>	<b>-123</b>	<b>-61</b>
Actuarial gains on defined benefit plans		
Actuarial losses on defined benefit plans	-123	-61
<b>Total comprehensive income</b>	<b>-123</b>	<b>-61</b>

As a result of operating in the Tarnobrzeg Special Economic Zone (TSEZ), the tax effect of other comprehensive income is nil.

(PLN thousand)	01.01.2022- 31.12.2022			01.01.2021 - 31.12.2021		
	Amount before tax	Tax	Amount after tax	Amount before tax	Tax	Amount after tax
Actuarial gains (losses) on defined benefit plans	-123		-123	-61		-61
<b>Total comprehensive income</b>	<b>-123</b>		<b>-123</b>	<b>-61</b>		<b>-61</b>

#### 4.3.4 Income tax

The tax charge includes current and deferred income tax that was not recognised in other comprehensive income or directly in equity.

##### Current income tax

Current tax charge is calculated based on the applicable tax regulations. The application of those regulations makes a distinction between tax profit (loss) and net book profit (loss), due to the exclusion of non-taxable income and non-deductible expenses and items of expense and income that will never be taxable. The tax charge is calculated based on the tax rates applicable in the given financial year. The current tax rate, based on regulations, is 19% (since 2004). The current regulations do not provide for differentiation of tax rates for future periods. Due to the conduct of business in the Special Economic Zone, VIGO Photonics S.A. uses income tax exemption (for income achieved accordance with the zone permit). The tax year and balance sheet year coincide with the calendar year.

##### Deferred income tax

Deferred tax is calculated using the balance sheet method as the tax payable or reimbursable in the future on the differences between the carrying amounts of assets and liabilities and the corresponding tax values used to calculate the tax base.

Deferred tax liability is recognised for all taxable temporary differences, while a deferred tax asset is recognised to the extent that it is probable for future taxable profits to be reduced by the identified deductible temporary differences. No asset or liability is recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time it occurs, affects neither taxable profit nor accounting profit. No deferred tax liability is recognised on goodwill that is not amortised under tax legislation.

Deferred tax is calculated using the tax rates that will apply when the asset item is realised or the liability is settled, based on legislation in force at the balance sheet date.

The value of a deferred tax asset is reviewed at each balance sheet date and if the expected future taxable profits are insufficient to realise the asset or a part thereof, it is written down.

In connection with temporary differences between the value of assets and liabilities reported in the books and their tax value, the entity establishes deferred tax assets or liabilities for which it is a taxpayer. As at 31 December 2022, the company recorded a deferred tax asset of PLN 22,012 thousand created in connection with the investment premium in the Tarnobrzeg Special Economic Zone and other temporary differences.

In 2020, the Group decided to recognise deferred income tax due to the significant probability of using the investment tax credit in the Tarnobrzeg Special Economic Zone before the end of Special Economic Zones in Poland, i.e. by 31.12.2026.

In 2022, the Group generated income of PLN 10,484 thousand on operations in the Special Economic Zone. The tax that the Group did not pay in connection with the zone exemption was PLN 1,992 thousand. The remaining aid to be used at discounted value in subsequent tax years is PLN 28,444 thousand as at 31 December 2022. This is an amount equal to 65% of discounted qualified expenditures on tangible assets less discounted aid to those tangible assets obtained from other sources, as well as discounted unpaid income tax from operations in the Special Economic Zone in previous years.

Income tax disclosed in the statement of comprehensive income (PLN thousand)	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
<b>Current income tax</b>	<b>81</b>	
For the financial year	81	
<b>Deferred income tax</b>	<b>383</b>	<b>-7,935</b>
Origination and reversal of temporary differences	383	-7,935
<b>Tax charge disclosed in the statement of comprehensive income</b>	<b>-465</b>	<b>-7,935</b>

Deferred tax assets and liabilities affect the financial statements as follows:

PLN thousand	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
<b>Balance at the beginning of the period</b>		
Deferred tax assets	+22,840	+14,970
Deferred tax liability	-455	-511
<b>Net deferred tax at the beginning of the period</b>	<b>+22,395</b>	<b>+14,460</b>
<b>Change in the balance in the period affecting:</b>		
Profit or loss (+/-)	-383	+7,935
Net deferred tax at the end of the period, including	+22,012	+22,395
Deferred tax assets	<b>+22,792</b>	<b>+22,840</b>
Deferred tax liability	<b>-782</b>	<b>-554</b>

Deferred tax assets as at 31.12.2022

Temporary differences	Balance at the beginning of the period	Change	
		Profit or loss /Equity	Balance at the end of the period
<b>Assets</b>			
Inventories	436	+574	1,011
Trade receivables	40	+40	80
Investments in related parties	1,042	+214	1,256
<b>Liabilities</b>			
Provisions for employee benefits	4,175	-663	3,512
Other provisions	608	-24	584
Other liabilities	465	-432	33
<b>Total</b>	<b>6,766</b>	<b>-291</b>	<b>6,513</b>

Deferred tax liabilities as at 31.12.2022

<b>Assets</b>			
Property, plant and equipment	2,918	1,774	4,693
Trade receivables			
<b>Total</b>	<b>2,919</b>		<b>4,693</b>
<b>Tax rate</b>			
Deferred tax asset	1,286	+48	1,238
Deferred tax liability	-554	-338	-892
Change in the balance of deferred tax	732	385	-345
Investment tax credit in TSEZ	21,664		21,664

<b>Deferred tax in the statement of comprehensive income</b>			
Deferred tax assets as at 31.12.2021			
Temporary differences	Balance at the beginning of the period	Change	
		Profit or loss /Equity	
<b>Assets</b>			
Inventories	111	+ 325	436
Trade receivables	111	-72	40
Investments in related parties		+1,042	1,042
<b>Liabilities</b>			
Provisions for employee benefits	3,999	+176	4,175
Other provisions	592	+16	608
Other liabilities	696	-231	465
<b>Total</b>	<b>5,510</b>	<b>+1,256</b>	<b>6,766</b>
Deferred tax liabilities as at 31.12.2021			
<b>Assets</b>			
Property, plant and equipment	2,267	-652	2,918
Trade receivables	424	+424	
<b>Total</b>	<b>2,691</b>	<b>-228</b>	<b>2,919</b>
<b>Tax rate</b>		<b>19%</b>	
Deferred tax asset	1,047	+239	1,286
Deferred tax liability	-511	-43	-554
Change in the balance of deferred tax	+537	-196	732
Investment tax credit in TSEZ	13,923	+7,742	21,664
<b>Deferred tax in the statement of comprehensive income</b>	<b>14,460</b>	<b>+7,935</b>	<b>22,395</b>

Current income tax	01.01.2021-31.01.2022	01.01.2020-31.01.2021
Profit before tax	7,684	22,574
Revenues increasing the tax base	21,625	14,107
Revenues excluded from taxation	-11,244	-7,044
Costs increasing deductible costs	-1,119	
Non-deductible costs	11,073	10,118
Taxable income	28,019	39,755
Deductions from income, including	-27,592	-40,000
- activities in the TSSE	-5,968	-26,874
- grants received	-21,624	-13,126
Tax base	427	-245
Income tax at 19% rate	81	
Deferred income tax	383	-7,935
Tax disclosed in the statement of comprehensive income	465	-7,935
Effective tax rate (share of tax expense reported in the income statement in profit before tax)	0.01%	

Specification (in PLN thousand)	01.01.2022-31.12.2022	01.01.2021-31.12.2021
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Profit (loss) before tax	7,684	22,574
Tax rate applied	19%	19%
Income tax at the rate	1,460	4,638
Reconciliation of income tax due to:		
Items permanently non-deductible (+)/not constituting taxable income	1,289	2,487
Utilisation of the investment tax credit previously not recognised		5,106
Recognition of investment tax credit	1,992	7,742
Income tax	465	7,935

#### 4.3.5 Costs by type

Specification (in PLN thousand)	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Depreciation/ amortisation	9,349	6,725
Use of materials and energy	13,471	12,775
External services	9,826	5,923
Taxes and charges	349	300
Salaries	24,704	20,003
Social security and other benefits	8,345	3,572
Other costs by type	1,009	357
<b>Total costs by type, including:</b>	<b>67,053</b>	<b>49,655</b>
Change in finished products	-3,189	914
Selling costs (negative value)	-10,395	-4,742
General and administrative expenses (negative value)	-20,674	-20,136
<b>Cost of production of products and services sold</b>	<b>32,795</b>	<b>25,691</b>

#### Depreciation/ amortisation costs and impairment allowances recognised in the statement of comprehensive income

Specification (in PLN thousand)	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
<b>Items included in cost of sales:</b>	<b>8,732</b>	<b>5,199</b>
Depreciation of tangible assets	4,675	2,000
Amortisation of intangible assets	4,058	3,198
<b>Items included in selling costs</b>	<b>18</b>	<b>54</b>
Depreciation of tangible assets	13	39
Amortisation of intangible assets	5	15
<b>Items included in general and administrative expenses</b>	<b>599</b>	<b>1,473</b>
Depreciation of tangible assets	544	1,443
Amortisation of intangible assets	55	30

The amount of amortisation constituting part of development costs in 2022 was PLN 540 thousand; PLN 1,765 thousand is amortisation of the assets that were capitalised and development expenditure in 2022 and will be settled in future periods (in 2021, PLN 3,032 thousand and PLN 1,573 thousand, respectively).

The gross value of used, fully depreciated tangible assets as at 31 December 2022 is PLN 7,153 thousand.

#### Cost of employee benefits

Specification (in PLN thousand)	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Salaries	24,704	20,003
Social security and other benefits	4,013	2,684
Other employee benefits	4,332	889
<b>Total costs of employee benefits, including:</b>	<b>33,049</b>	<b>23,575</b>

Items included in cost of sales	23,088	8,134
Items included in selling costs	568	2,820
Items included in general and administrative expenses	9,393	12,621

#### 4.4 Other operating income

Other operating income (in PLN thousand)	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Profit on disposal of non-current assets	275	2
Subsidies to grants - indirect costs - lump sum to direct costs	1,054	535
Settlement of subsidies to grants and tangible assets	5,574	4,774
Inventory overages	7	4
Reversed impairment allowance on receivables		72
Other sales (rent, recharged invoices)	207	142
Compensations and awards	244	177
Impairment allowances on loans granted	494	
Other	414	197
<b>Total</b>	<b>8,270</b>	<b>5,902</b>

#### 4.5 Other operating costs

Other operating costs (in PLN thousand)	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Donations		11
Involuntary shortages of current assets	24	6
Provisions for complaints costs	574	153
Impairment allowances on inventory in stock		352
Impairment allowances on loans granted	708	532
Impairment allowances on uncollectible receivables	40	
Impairment allowances on shares	683	2,482
Liquidation of goods and materials	548	254
Liquidation of tangible assets		
Allocation of own expenditure to unsuccessful development projects	723	8
Other cost of sales (rent, recharged invoices)	276	119
<b>Total</b>	<b>3,576</b>	<b>3,918</b>

Income and costs related to impairment of financial assets for 2022 and 2021 were as other operating income and costs in respect of receivables relating to operating activities. The Group does not present expected credit losses in the financial statements due to immateriality of that item.

No impairment allowances on financial assets were recognised as financial income or costs in either period.

Recognition of impairment allowances (in PLN thousand)	01.01.2022- 31.12.2022	01.01.2021 - 31.12.2021
Receivables	80	40
Inventories	1,011	437
Loans granted	1,180	548
Expenditure on shares	76	494
<b>Total</b>	<b>2,347</b>	<b>1,519</b>

#### 4.6 Financial income

Financial income (in PLN thousand)	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Excess of FX gains over FX losses	349	530
Other	75	

<b>Total</b>	<b>424</b>	<b>530</b>
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## 4.7 Financial costs

Financial costs (in PLN thousand)	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Interest expense	1,336	759
Other	109	108
<b>Total</b>	<b>1,445</b>	<b>867</b>

## 4.8 Statement of cash flows

The table below explains the inconsistencies between the balance sheet movements and the movements of those items in statement of cash flows.

Specification (in PLN thousand)	31.12.2022	31.12.2021
<b>Cash in the balance sheet</b>	<b>2,258</b>	<b>5,659</b>
Exchange differences on balance sheet valuation	-7	2
<b>Total cash and cash equivalents as presented in the statement of cash flows</b>	<b>2,251</b>	<b>5,657</b>
<b>Depreciation/amortisation:</b>	<b>9,362</b>	<b>6,753</b>
amortisation of intangible assets	4,093	3,510
depreciation of tangible assets	5,269	3,243
<b>Profit (loss) on investing activities results from:</b>	<b>-239</b>	<b>98</b>
Profit on disposal of non-current assets		
Liquidation of non-current assets	-239	98
<b>The change in provisions is due to the following items:</b>	<b>-625</b>	<b>354</b>
balance sheet change in provisions for liabilities	-943	-189
balance sheet change in provisions for employee benefits	195	482
balance sheet change in provisions for employee benefits recognised in equity	123	61
<b>The change in inventories is due to the following items:</b>	<b>-8,382</b>	<b>2,325</b>
balance sheet change in inventories	-8,382	2,325
<b>The change in receivables is due to the following items:</b>	<b>3,555</b>	<b>-7,981</b>
change in short-term receivables arising from the balance sheet	3,555	-7,981
<b>The change in short-term liabilities, except for financial liabilities, results from the following items:</b>	<b>542</b>	<b>2,449</b>
change in short-term liabilities arising from the balance sheet	525	6,398
change in investment liabilities arising from the balance sheet		-3,899
change in lease obligations	17	
<b>Change in prepayments:</b>	<b>-284</b>	<b>-435</b>
change in prepayments arising from the balance sheet	-284	-435
<b>Change in prepayments and accrued income results from the following items:</b>	<b>-7,463</b>	<b>-5,380</b>
change in prepayments and accrued income resulting from the balance sheet	18,035	9,238
adjustment for investment grants received	-25,782	-15,053

Specification (in PLN thousand)	31.12.2022	31.12.2021
change in prepayments arising from the balance sheet	-284	435
<b>The value of "other adjustments" consists of:</b>	<b>- 3,087</b>	<b>223</b>
change in the status of the right of use resulting from the balance sheet	-29	
change in other prepayments and accrued income	188	-96
incentive scheme	-47	-25
share expenses	-2,887	

The amounts of interest income/expenses and FX gains/losses in connection with the financial instruments held by the Company are presented in Section 4.2.12.

#### 4.9 Other supplementary information to the consolidated financial statements for 2022

##### 4.9.1 Average employment in the financial year, broken down by companies expressed in full-time equivalents

Specification (average FTEs)	01.01.2022- 31.12.2022	01.01.2021 - 31.12.2021
Management Board	1.50	2.00
Administration	34.70	32.13
Sales Department	19.27	19.16
Purchasing & Logistics Department	10.75	10.13
IT Team	5.58	5.5
Production Department	69.01	57.33
Epitax Production Department	6.33	4.68
Research & Development Department	55.11	52.93
Matrix Technology Development Department	7.78	3.45
Production Engineering Department	5.08	
<b>Total</b>	<b>215.11</b>	<b>187.31</b>

Specification (in persons)	01.01.2022 - 31.12.2022	01.01.2021- 31.12.2021
Number of employees hired	38	62
Number of employees terminated	35	20
<b>Total</b>	<b>3</b>	<b>42</b>

##### 4.9.2 Consolidation adjustments

Items of the statement of financial position for 01.01.2022-31.12.2022 (in PLN thousand)	Dr amount	Cr amount
Elimination of investments in subordinated entities	-541	
Elimination of financial receivables	-3,575	
Elimination of trade receivables	-1,716	-207
Elimination of inventories	3,241	-3,296
Elimination of financial liabilities		-3,575
Elimination of trade liabilities	-207	-1,716
<b>Total</b>	<b>-2,798</b>	<b>-9,335</b>
Items of the statement of financial position for 01.01.2022-31.12.2022 (in PLN thousand)	Dr amount	Cr amount
Revenue elimination in the group	-3,500	-1,106

Items of the statement of financial position for 01.01.2022-31.12.2022 (in PLN thousand)	Dr amount	Cr amount
Elimination of the cost of production of products and services sold	-3,241	-205
Elimination of selling costs	-1,106	
Elimination of financial costs	-109	-109
<b>Total</b>	<b>-7,957</b>	<b>-1,420</b>
Total consolidation adjustments	<b>-10,755</b>	<b>-10,755</b>

Items of the statement of financial position for 01.01.2021-31.12.2021 (in PLN thousand)	Dr amount	Cr amount
Elimination of investments in subordinated entities	484	
Elimination of financial receivables	840	
Elimination of financial liabilities		1,324
<b>Total</b>	<b>1,324</b>	<b>1,324</b>
<b>Total consolidation adjustments</b>	<b>1,324</b>	<b>1,324</b>

#### 4.9.3 Remuneration and transactions with members of management and supervisory bodies

##### Benefits paid to members of the Management Board

Specification (in PLN thousand)	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
For role on the bodies	984,382.00	2,060,659.00
Salary under employment contract	271,800.00	420,900.00
<b>Total</b>	<b>1,256,182.00</b>	<b>2,481,559.00</b>

Name	Role	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
<b>Remuneration of Management Board members (PLN)</b>			
Adam Piotrowski	Management Board President	702,780.00	1,329,936.00
Łukasz Piekarski	Management Board Member	553,402.00	1,151,623.00
<b>Total</b>		<b>1,256,182.00</b>	<b>2,481,559.00</b>

##### Remuneration of Supervisory Board members (PLN)

Name	Role	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Przemysław Danowski	Supervisory Board Chairman	72,000.00	54,450.00
Janusz Kubrak, including:	Supervisory Board Member	62,400.00	51,485.00
for serving as member of the Supervisory Board		62,400.00	46,605.00
Marek Wiechno	Supervisory Board Member	62,400.00	46,605.00
Zbigniew Więclaw	Supervisory Board Member	62,400.00	46,605.00
Piotr Nadolski	Supervisory Board Member	62,400.00	46,605.00
Krzysztof Kaczmarczyk	Supervisory Board Member	62,400.00	46,605.00
Mirosław Grudzień	Supervisory Board Member	62,400.00	46,605.00
<b>Total</b>		<b>446,400.00</b>	<b>338,960.00</b>

No loans or benefits of a similar nature were granted to members of the Management Board or members of the Supervisory Board.

The Group does not have any liabilities resulting from pensions and benefits of similar nature for former members of management or supervisory bodies or former members of administrative bodies nor does it have any liabilities incurred in connection with those pensions.

#### 4.9.4 Operating segments

Specification 01.01.2022 - 31.12.2022		Continued operations		Total
		Detection modules	Semiconductor materials	
<b>Segment income</b>	including:	71,494	4,650	76,144
	Revenue from sales	63,725	4,149	67,874
	Other operating income	7,769	502	8,270
<b>Segment costs</b>	including:	62,927	4,513	67,440
	Cost of products, services and materials sold	29,735	3,060	32,795
	Selling costs	10,310	85	10,395
	General and administrative expenses	20,015	659	20,674
	Other operating costs	2,868	708	3,576
<b>Segment profit/(loss)</b>		8,567	137	8,704
Profit/(loss) from continued operations before tax and financial income (costs)		8,567	137	8,704
Interest expense		907	320	1,227
Significant items of income		226	142	368
Significant items of costs		214		214
<b>Profit/(loss) before tax</b>		7,724	-40	7,684
Income tax		-465		-465
<b>Profit (loss) after tax</b>		7,259	-40	7,219
<b>Total assets</b>		168,010	50,898	218,908
Segment assets		168,010	50,898	218,908
<b>Total liabilities</b>		76,528	38,963	115,491
Segment liabilities		76,528	38,963	115,491
<b>Other segment information</b>				
Capital expenditure		94,944	37,990	132,934
- tangible assets		77,216	36,286	113,502
- intangible assets		17,728	1,704	19,432
Depreciation/ amortisation		9,025	325	9,349

Specification 01.01.2021 - 31.12.2021		Continued operations		Total
		Detection modules	Semiconductor materials	
<b>Segment income</b>	including:	72,230	5,169	77,399
	Revenue from sales	67,212	4,285	71,497
	Other operating income	5,018	884	5,902
<b>Segment costs</b>	including:	49,867	4,620	54,487
	Cost of products, services and materials sold	23,170	2,521	25,691
	Selling costs	4,620	122	4,742
	General and administrative expenses	18,708	1,428	20,136
	Other operating costs	3,370	548	3,918
<b>Segment profit/(loss)</b>		<b>22,363</b>	<b>549</b>	<b>22,912</b>
Profit/(loss) from continued operations before tax and financial income (costs)		22,363	549	22,912

Specification 01.01.2021 - 31.12.2021	Continued operations		Total
	Detection modules	Semiconductor materials	
Interest income	279	251	530
Interest expense	538	329	867
<b>Profit/(loss) before tax</b>	<b>21,947</b>	<b>627</b>	<b>22,574</b>
Income tax	-7,935		-7,935
<b>Profit (loss) after tax</b>	<b>29,883</b>	<b>627</b>	<b>30,510</b>
<b>Total assets</b>	<b>182,155</b>	<b>35,889</b>	<b>218,044</b>
Segment assets	182,155	35,889	218,044
<b>Total liabilities</b>	<b>64,054</b>	<b>22,761</b>	<b>86,815</b>
Segment liabilities	64,054	22,761	86,815
<b>Other segment information</b>			
Capital expenditure	83,892	25,851	109,743
- tangible assets	75,094	24,125	99,219
- intangible assets	8,798	1,726	10,524
Depreciation/ amortisation	6,510	216	6,725

#### 4.9.5 Statutory auditor's remuneration

Remuneration due for the financial year (in PLN thousand)	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
- audit of the annual consolidated financial statements	28	37
- audit of the annual consolidated financial statements	10	
- interim review of the consolidated financial statements	16	15
- interim review of the consolidated financial statements	6	
<b>Total</b>	<b>60</b>	<b>42</b>

#### 4.9.6 Related party transactions

In 2022, VIGO Photonics also provided a PLN 0.5 million loan to VIGO Photonics Taiwan to finance its day-to-day operations.

#### 4.9.7 Change in accounting policies

Due to the need to prepare consolidated financial statements, the following significant points in the accounting policy are changed:

- Investments in subsidiaries – full consolidation
- Perpetual usufruct right of land – in accordance with IFRS 16, recognised as a lease.

#### 4.10 Correction of errors from previous periods

In the reporting period, the Group made the following adjustments to the financial statements for 2021:

- Reducing the cost of production of products and services sold by the accrued annual bonuses for 2021 (PLN 679 thousand).
- Reduction of general and administrative expenses by PLN 20 thousand due to the reclassification of the right of perpetual usufruct of land to finance lease in accordance with IFRS 16.
- Reclassification of the right of perpetual usufruct of land into finance lease in accordance with IFRS 16

Items of the statement of financial position for 01.01.2021-31.12.2021 (in PLN thousand)	Comparable data	Adjustments	Restated comparable data
<b>Non-current assets</b>	<b>184,684</b>	<b>+1,498</b>	<b>186,110</b>
Development expenditure	42,652	+679	43,331

Items of the statement of financial position for 01.01.2021-31.12.2021 (in PLN thousand)	Comparable data	Adjustments	Restated comparable data
Intangible assets	13,593	-3,069	10,524
Right of use		+3,888	3,888
<b>Total assets</b>	<b>216,546</b>	<b>+1,498</b>	<b>218,044</b>
<b>Equity</b>	<b>133,067</b>	<b>+699</b>	<b>133,765</b>
Profit (loss) of the current period	32,348	+699	33,047
<b>Long-term liabilities</b>	<b>56,660</b>	<b>+728</b>	<b>57,388</b>
Lease obligations		+800	800
<b>Total liabilities</b>	<b>216,546</b>	<b>+1,498</b>	<b>218,044</b>

Items of the statement of comprehensive income for 01.01.2021-31.12.2021 (in PLN thousand)	Comparable data	Adjustments	Restated comparable data
<b>Cost of products, goods and materials sold</b>	<b>26,370</b>	<b>-679</b>	<b>25,691</b>
Cost of production of products and services sold	26,370	-679	25,691
<b>Gross profit (loss) on sale</b>	<b>45,127</b>	<b>+679</b>	<b>45,806</b>
General and administrative expenses	20,156	-20	20,136
<b>Profit (loss) on operating activities</b>	<b>22,213</b>	<b>+699</b>	<b>22,912</b>
<b>Profit/ loss before tax</b>	<b>21,875</b>	<b>+699</b>	<b>22,574</b>
<b>Net profit (loss) on continued operations</b>	<b>29,811</b>	<b>+699</b>	<b>30,510</b>
<b>Profit (loss) after tax</b>	<b>29,811</b>	<b>+699</b>	<b>30,510</b>

Items of the statement of cash flows for 01.01.2021-31.12.2021 (in PLN thousand)	Comparable data	Adjustments	Restated comparable data
<b>Operating activities</b>			
Profit/ loss before tax	21,875	+699	22,574
Net profit/ loss	29,811	+699	30,510
Change in liabilities, except for bank and non-bank loans	2,469	-20	2,449
Cash from operating activities	24,131	+679	24,810
Net cash flows from operating activities	24,131	+679	24,810
<b>Investing activities</b>			
Expenditure on in-process development	-18,298	-679	-18,977
Net cash flows from investing activities	-34,561	-679	-35,240

#### 4.10.1 Information about significant events relating to previous years and recognised in the financial statements for the financial year

No such events were reported in 2022.

#### 4.10.2 Other disclosures

- The risks associated with the COVID-19 pandemic are described in Section 5.4.4 of the Report.
- The Group has no branches.

- The Group does not have any liabilities resulting from pensions or benefits of similar nature towards former management or supervisory personnel or former members of administrative bodies, nor does it have any liabilities incurred in connection with those pensions.

#### 4.10.3 Subsequent events

On 1 February 2023, in accordance with the resolution of the Company's Supervisory Board of 18 November 2022, the Company's Management Board was extended to three people. The role of Management Board Member and Chief Operating Officer was entrusted to Marcin Szrom.

Marcin Szrom graduated from the Faculty of Electrical Engineering, Automatics, Computer Science and Electronics at the AGH University of Science and Technology in Kraków and completed postgraduate Executive MBA studies at the Texas State University in Dallas, USA. During his professional career, in 2000-2012 he worked in the semiconductor industry for Texas Instruments, USA. In 2012-2022, he continued his professional career in the automotive sector. For several years he served as Global Director for Advanced Manufacturing Engineering with Kongsberg Automotive, then was General Manager at the German company Saargummi. During the last four years, he was Industrial Engineering Director at VOSS Automotive.

On 9 February 2023, the general meeting of the Group companies VIGO WE Innovation Sp. z o.o. and VIGO Ventures ASI Sp. z o.o. adopted a resolution on the merger of both companies by transferring all assets of VIGO WE Innovation Sp. z o.o. to VIGO Ventures ASI Sp. z o.o. After the merger, the Group holds a 50% stake in VIGO Ventures ASI Sp. z o.o. with a value of PLN 2,411 thousand.

The merger of VIGO Ventures ASI Sp. z o.o. (acquiring company) with VIGO WE Innovation z o.o. (acquired company) was effected under Article 492 § 1(1) of the Commercial Companies Code, i.e. by transferring all assets of the acquired company to the acquiring company in exchange for the shares that the acquiring company will issue to the shareholders of the acquired company. The merger was approved by an resolution of the Extraordinary General Meeting of VIGO Ventures ASI Sp. z o. o. of 9 February 2023, repertory A No. 1278/2023 and the resolution of the Extraordinary General Meeting of VIGO WE Innovation Sp. z o. o. of 9 February 2023, repertory A No. 1271/2023.

Approval of the consolidated financial statements:

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Adam Piotrowski  
Management Board President

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Łukasz Piekarski  
Management Board Member

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Marcin Szrom  
Management Board Member

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Sylwia Wiśniewska-Filipiak  
Chief Accountant

Ożarów Mazowiecki, 17 April 2023

## 5 Management Board’s report on the Group’s activities in 2022

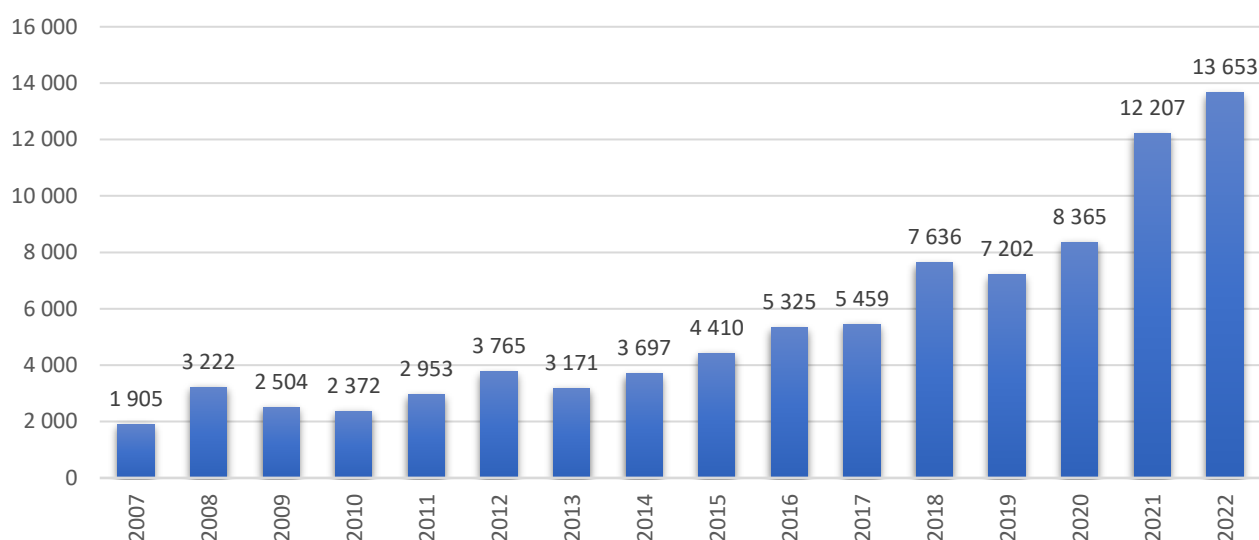
### 5.1 Summary of the Company’s activities in 2022 together with a description of the factors and events that affected the financial results

#### 5.1.1 Revenue from sales

##### Production volume

In 2022, the Group sold 13,653 detectors, up 11.85% compared to the previous year.

Figure 1. Sales volume of detector modules [units]



##### Information on basic products

In 2022, the Group achieved PLN 67.9 million in revenue from the sale of products, services, materials and goods, an increase of 5.07% (PLN 3.6 million) compared to 2021.

##### Sales markets

In 2022, the following categories had the largest share in the sale of products and services:

- Industrial applications (58.2% of total revenue from sales). The key contributors in this category are detectors used for gas analysers, emission monitoring systems and gas leakage detection systems, as well as systems intended for manufacturers of latest generation semiconductors.
- Rail applications (11.5% of sales) – systems for detecting failures in high-speed railways and systems for detecting fires in trains.
- Military applications (11.9% of sales) – detectors used in intelligent munitions control systems and detectors in laser-targeting warning systems.
- Scientific and medical applications (10.6% of sales) – the largest client had a nearly 33% share of sales in this segment.

In the segment of semiconductor materials, whose share in sales was 6.1%, the Group also recorded a YoY decrease in sales (3.18%)

Other applications had a combined share of 1.6% of total sales.

Figure 2. Sale of products and services in 2022 by target applications [%]

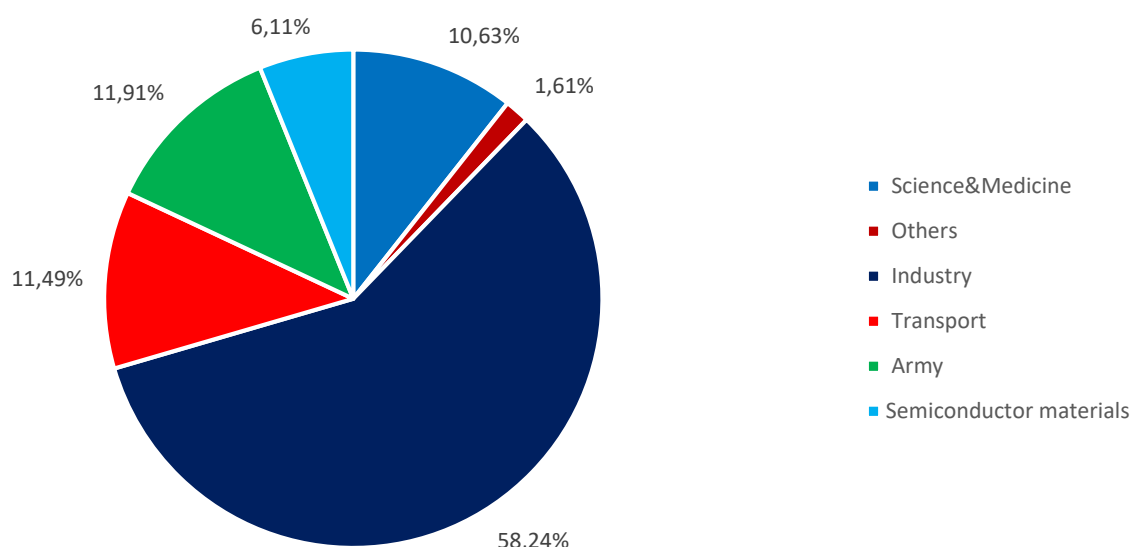
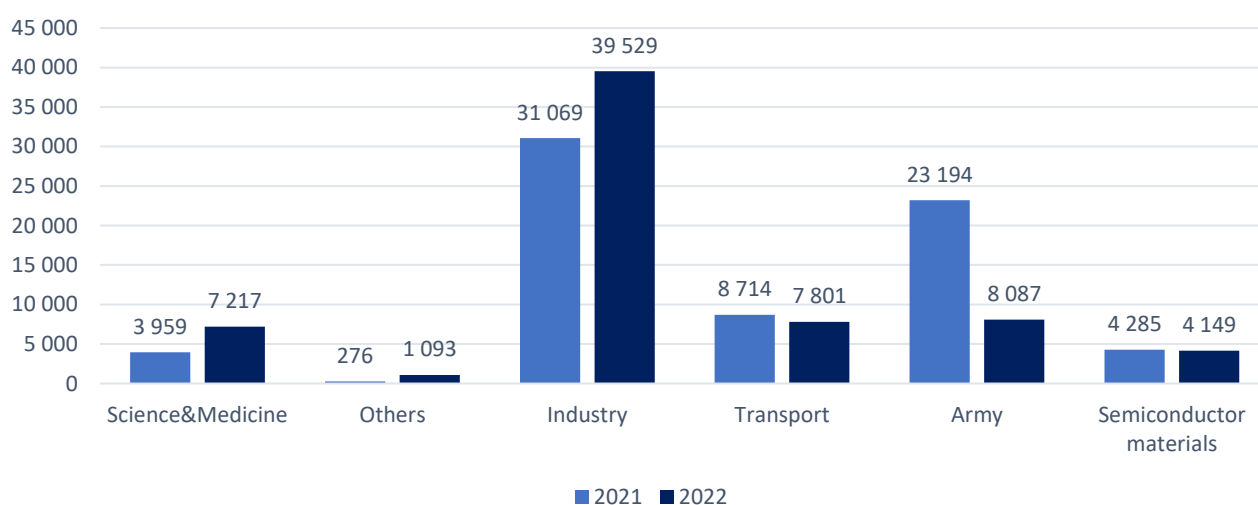


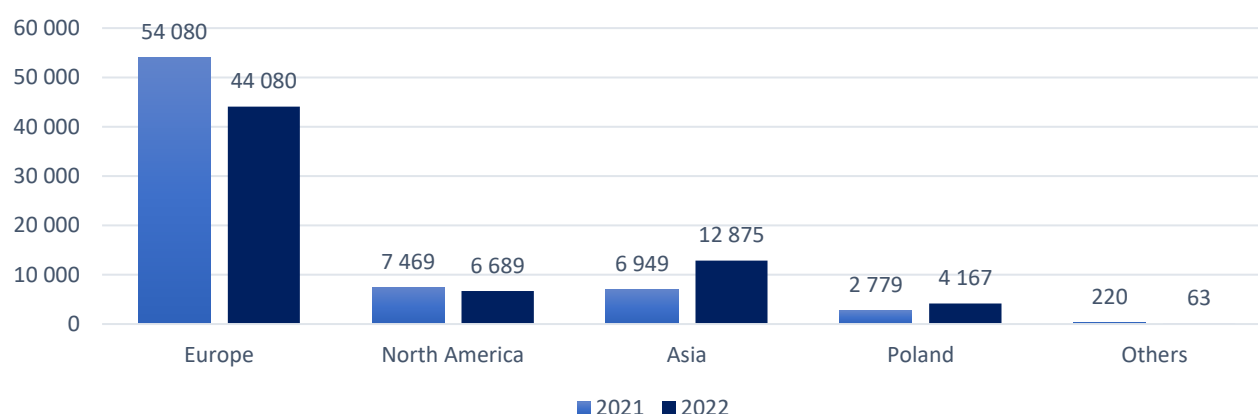
Figure 3. Company's sales in 2021 and 2022 by target applications [PLN million]



The Group posted a strong 85.3% (PLN 5.9 million) increase in sales on the Asian market compared to 2021. This was mainly achieved due to the sale of products for industrial (PLN 5.9 million) and scientific and medical (PLN 4.6 million) applications.

Compared to 2021, the Group also achieved a major 50% (PLN 1.4 million) increase in sales in the Polish market, mainly for military applications.

Figure 4. Company's sales in 2021 and 2022 by geographic markets [PLN million]



### 5.1.2 Operating costs

The ordinary operating costs increased by 27.65% vs 2021. They were mainly driven by the increase in production, which resulted in increased costs of material and energy consumption (up 6.8% or PLN 0.9 million) and higher salary costs (up 22.4% or PLN 4.5 million). The increase in energy prices in the market had a significant impact on the increase in energy costs in the reporting period.

The cost of production of products and services sold by the Group was PLN 32.8 million. The difference is due to:

Items of the statement of comprehensive income for 01.01.2022-31.12.2022 (in PLN thousand)	Dr amount	Cr amount
Revenue elimination in the group	-3,500	-1,106
Elimination of the cost of production of products and services sold	-3,241	-205
Elimination of selling costs	-1,106	
Elimination of financial costs	-109	-109
<b>Total</b>	<b>-7,957</b>	<b>-1,420</b>

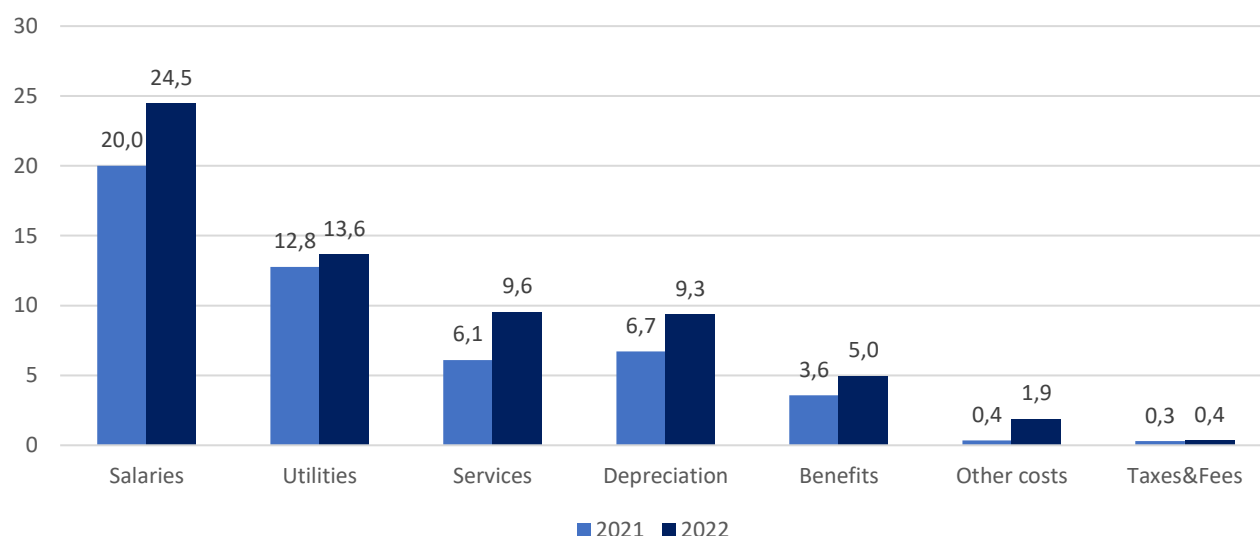
In addition, the following changes can be noted in the cost structure:

- Depreciation increased by PLN 2.6 million (39%), which is due to the purchase of equipment as part of investments made in previous years, as well as the completion of some R&D projects.
- Outsourced services increased by PLN 3.5 million (56.5%), which is related to the opening of an office in the US and the increase in the costs of renovations, servicing and maintenance, recruitment, advertising and marketing, as well as the sales commission for the US company.

The Company's total operating costs in 2022 were PLN 64.3 million, up 29% YoY. The Group's total operating costs were PLN 63.9 million.

Differences in operating costs are presented in the chart below.

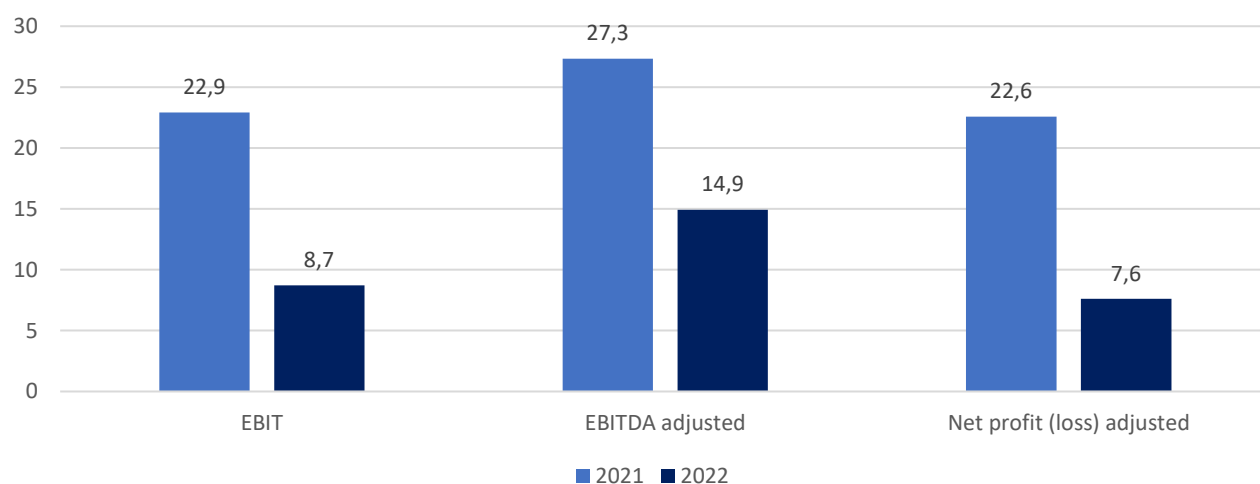
Figure 5. Operating costs in 2021 and 2022 by type [PLN million]



### 5.1.3 Profitability

In 2022, operating profit (EBIT<sup>1</sup>) was PLN 8.7 million, down PLN 14.2 million (-62%) YoY. Adjusted EBITDA reached PLN 14.9 million and fell by PLN 12.4 million (-45.4%) compared to 2021. In 2022, net profit came in at PLN 7.3 million. In order to ensure comparability of data with previous periods, the management report also contains net profit adjusted for non-recurring items (i.e. excluding the deferred tax asset). The adjusted net profit was PLN 7.6 million, and decreased by PLN 15 million (-66.3%) compared with the previous year.

Figure 6. The Company's financial performance in 2021-2022 [PLN million]



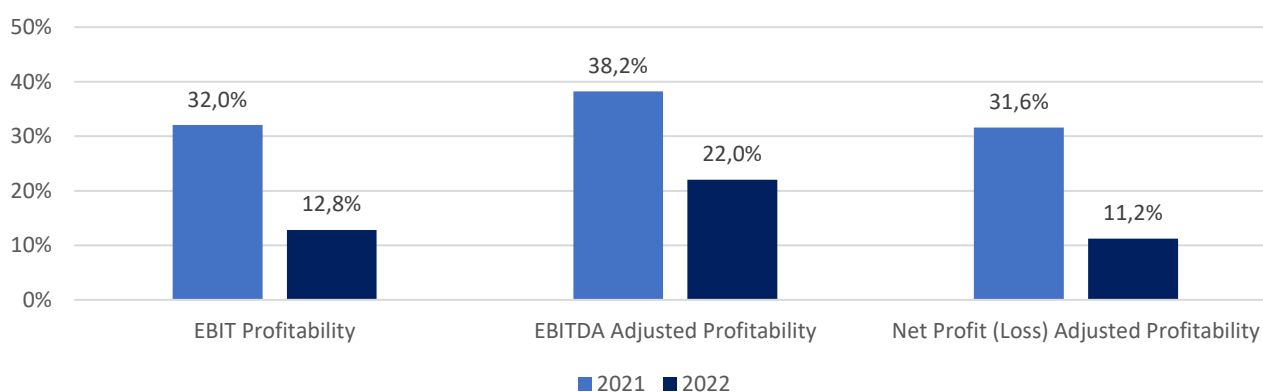
Specification (adjusted for non-recurring items)	2022	2021
<b>EBIT</b>	<b>8,704</b>	<b>22,912</b>
<b>Adjusted EBITDA</b>	<b>14,931</b>	<b>27,335</b>
Operating profit (loss)	8,704	22,912
Depreciation/ amortisation	9,349	6,725
Settlement of subsidies to grants and tangible assets	-3,151	-2,378

<sup>1</sup> EBIT is an economic indicator that is not reflected in the current IASs/IFRSs and is not applicable for financial reporting purposes. For this reason, in the Company's opinion, it represents an "alternative performance measure" (APM). The disclosed EBIT figure corresponds to operating profit/loss.

Incentive scheme	[PLN thousand]	29	76
<b>EBIT margin</b>		<b>12.8%</b>	<b>32.0%</b>
<b>Adjusted EBITDA margin</b>		<b>22.0%</b>	<b>38.2%</b>
<b>Adjusted net profit margin</b>		<b>11.2%</b>	<b>31.6%</b>

In 2022, net profit margin (based on adjusted profit) was 11.2%; EBITDA margin was 22%, while EBIT margin was 12.8%. The observed drop in margins is due to the increase in the prices of materials and energy as well as transport costs and lower revenue from sales<sup>2</sup>.

Figure 7. Margins generated by the Group in 2021-2022 (%)



#### 5.1.4 Assessment of the Company's financial position

In 2022, revenues were PLN 68.6 million (down 4.04% YoY), and net profit (adjusted for non-recurring items) was PLN 12.1 million (down 50.35%). In the Management Board's opinion, the Company's financial position is stable and enables the implementation of investment plans related to the development of the production technology of infrared detectors based on both existing materials (MCT) and new materials (III-V).

In accordance with the VIGO 2026 Strategy published in 2021, this year the Company intends to announce which of the strategic initiatives will be implemented in the second phase of the Strategy and how they will be financed.

#### 5.1.5 Dividend policy

In accordance with the updated dividend policy announced on 16 June 2021 in current report No. 12/2021, the Group does not intend to pay dividend during Strategy implementation period. The final recommendation as to dividend payment will depend on a number of factors relating to the Company and its industry, including in particular the prospects for the Company's future activities, earnings and financial position, and will take account of all possible restrictions on dividend payment, liquidity ratios, expansion plans and legal requirements with respect to the above. The dividend amount recommended by the Management Board will depend on the Company's need to reinvest the generated profits in order to fund the Company's operations and support its continued robust growth.

#### 5.1.6 Key developments in 2022 and until the date of approval of the financial statements

3 January	Change of the sales model from distribution to direct sales in the US market. End of cooperation with the Distributor Boston Electronics.
25-27 January	Participation in the international Photonics West 2022 Exhibition in San Francisco.

<sup>2</sup> EBITDA margin = operating profit (loss) + depreciation/ amortisation - settlement of subsidies to grants and tangibles assets + costs of the incentive scheme/ net revenue from sales  
EBIT margin = operating profit (loss)/ net revenue from sales  
Net profit margin = net profit (loss)/ net revenue from sales

21 February	Participation in the EPIC Online Technology Meeting – MID Infrared Alliance Present and Future.
2-4 March	Presentation at and participation in the CEM – Emission Monitoring conference.
6 March	Receiving a nomination and making it to the finals, in the “Innovation and Technologies” category in the “Ernest & Young Entrepreneur of the Year” competition.
April 5-7	Participation in the SPIE Defense + Commercial Sensing conference.
13 April	Conducting a webinar promoting the new AMS-3140 detection module.
14 April	Receiving the “Forbes Diamond” award in the SME 50-250 million category.
26-29 April	Participation in the largest European trade fair Laser World of Photonics in Munich.
27-28 April	Participation and open meetings with investors during the GPW Innovation Day.
4 May	Article in TIME magazine. Being recognised as a promising technology company in emerging markets.
10-12 May	Participation in the Sensor+Test fair.
20 May	Sponsorship and participation in the International Photonics Job Fair.
26 May	Starting cooperation with the largest US distributor of electronic equipment Digi-Key Electronics.
1 June	Organizing the first VIGO Investors Day.
29 May- 2 June	Participation in and presentation at the Hannover Messe fair.
3 June	Joining the American Society for Applied Spectroscopy.
8 June	Presentation at the 50th edition of the International School & Conference on the Physics of Semiconductors.
9 June	Joining the American Florida Photonics Cluster.
15 June	Announcement regarding the selection of VIGO Photonics detector for NASA’s Orion spacecraft in the Artemis mission.
29 June	Conducting webinars on 32-component detectors and presenting a spectrophotometer based on those products.
25 June - 2 July	Sponsorship of and participation in the Siegman International Summer School on Lasers.
10-12 July	Presentation at and participation as an exhibitor in the QSIP conference, devoted to the global development of infrared detectors.
18-21 July	Sponsorship of and participation in the OPTO conference organised by the US associations SPIE and IEEE.
21-25 August	Participation as an exhibitor in the SPIE Optics + Photonics conference.
23-28 August	Participation in the International Quantum Cascade Laser School & Workshop.
6-9 September	Participation as an exhibitor in the International Defense Industry Exhibition (MSPO). Conducting a webinar about the new AMS product, dedicated to the US market.
8 September	Sponsorship of, presentation at and participation in the Field Laser Applications in Industry and Research (FLAIR) conference.
12-16 September	
16 September	Being nominated for TOP 10 Semiconductor Manufacturing Solution Companies by Semiconductor Review magazine.
19-22 September	Participation in the E-MRS conference on epitaxial layers. Receiving the official delegation of representatives of the Taiwanese semiconductor

27 September	sector.
20 October	VIGO Photonics becomes a partner of the competition for start-ups "Start from Mazovia".
22 October	Organising an event to promote VIGO Photonics as part of the Night of Innovation and the Digital Festival.
27 October	Z.Orman competition awarding the best master's theses at the Military University of Technology.
16-17 November	Sponsorship of, presentation at and participation as an exhibitor in the Optoelectronics Conference.  Launch of NASA's Artemis I mission. VIGO Photonics detectors used to create a life support system in the Orion capsule.

## 5.2 Group's development outlook

### 5.2.1 Short-term outlook

#### **Operating income**

In 2022, the Group felt the negative impact of the global economic situation, in particular related to disrupted supply chains and limited availability of certain components and materials, which became worse in Q2 and Q3 2022. Delivery times for some components extended to several dozen weeks, and the prices of components available from brokers increased significantly. In the opinion of the Management Board, problems in the components market may continue at least for a year.

In 2023, the Group expects a significant increase in sales revenues in all segments. The Group observes an increase in the volume of orders from its major clients. In addition, the Group's sales targets will be supported by approx. 20% increases in product prices.

#### **Operating costs**

Due to the current geopolitical situation, including in particular the war in Ukraine, as well as macroeconomic headwinds, the Group expects a significant increase in costs in 2023. This is due to the following factors:

- Increase in electricity costs
- Increase in material cost
- Inflation.

In order to counteract the increase in costs related to the deteriorating macroeconomic environment, the Group has implemented a plan of additional cost reductions including limitation of employment growth, reduction of electricity consumption and the review and reduction of services provided by third parties.

### 5.2.2 Long-term outlook

#### **Long-term outlook – VIGO 2026 Strategy**

In June 2021, the Company's Management Board adopted a new strategy to be implemented in the period 2021-2026.

Under the strategy, the Company's primary objective is to grow its capital and increase its value for Shareholders. This will be achieved by continued growth in the global photonics market, including by supporting the development of the market segments where the Group is active and expanding Company's operations into new areas.

The Management Board identifies a number of potential business opportunities available to the Company within the photonics market. When leveraged, they may help the Company to achieve its growth ambitions in the 2026 perspective. The Management Board considers the following initiatives the most promising in terms of the Company's growth vision:

- a. Exploration of the MCT (HgCdTe) detector market, including expansion (in terms of geographies and segments) in market areas not covered by regulations excluding the use of mercury and cadmium in detectors.
- b. Development of technologies for infrared detectors and modules made of materials based on compounds from groups III and V of the periodic table of elements, compliant with the European Union Restriction of Hazardous Substances (RoHS) Directive.
- c. Development of epitaxy of III-V semiconductor materials and production of near-infrared sources (VCSEL lasers).
- d. Development of infrared source technologies.

- e. Development of optoelectronic systems technology and photonic integrated circuits for the mid- and short-wave infrared.
- f. Development of infrared detector array technology.

The VIGO 2026 Strategy consists of two phases.

### **2021-2023 Perspective**

In Phase 1 (2021-2023), the Group will focus on:

- 1) Continuation of existing development projects, including photonic integrated circuit technology, III-V material detectors, semiconductor material epitaxy and infrared source technology.
- 2) Development of the technological and technical base common to key growth support initiatives by investing in R&D and universal infrastructure.
- 3) Selection, based on outcomes of R&D projects and analysis of the market situation, of the most promising growth initiatives and preparation of an investment plan to support their implementation.

The growth potential of the Company's revenue and EBITDA in 2021-2023 is estimated as follows:

- 1) PLN 67 million in revenue and PLN 29.5 million in EBITDA in 2021.
- 2) PLN 80 million in revenue and PLN 33.5 million in EBITDA in 2022.
- 3) PLN 100 million in revenue and PLN 40 million in EBITDA in 2023.

In order to achieve its strategic objectives, in 2021-2023 the Group plans to invest PLN 30-40 million a year in R&D and technical infrastructure, using its own funds and public grants to R&D.

The Group exceeded the assumed revenue target in 2021, while in 2022, due to the macroeconomic headwinds, and the lower-than-planned increase in orders, the target was not achieved.

In 2023, the Group plans to identify growth initiatives that will ensure the Company's sustainable, rapid growth in the subsequent years of the VIGO 2026 Strategy.

### **2024-2026 Perspective**

In Phase 2, the Group will focus on implementing and executing the most promising growth initiatives selected in Phase 1 of the Strategy.

In addition, the Company intends to continue its expansion into new geographical and product markets, including by investing in the development of its own sales structures in key markets.

The Company's ambition is to maintain the revenue growth rate at 20-30% p.a. and high profitability of its ordinary activities, including a gross margin in excess of 60% and EBITDA margin in excess of 40%.

## **5.3 Research and Development**

In 2021, the Group presented its new Strategy for 2021-2026, which was steadily pursued throughout 2022. The strategy is divided into two phases. In Phase 1 (2021-2023), the Group will focus on:

- 1) Continuation of initiated development projects, including photonic integrated circuit technology, III-V material detectors, semiconductor material epitaxy and infrared source technology.
- 2) Development of the technological and technical base common to key growth support initiatives by investing in R&D and universal infrastructure.
- 3) Selection, based on outcomes of R&D projects and analysis of the market situation, of the most promising growth initiatives and preparation of an investment plan to support their implementation.

The Group is currently implementing the following strategic growth initiatives:

### **MCT+ Initiative**

The initiative seeks to improve the technologies and manufacturing processes of products based on mercury cadmium telluride (MCT). Particular attention is paid to the marketing of new products for industrial, military and space applications, in jurisdictions not covered by regulations excluding the use of mercury and cadmium in detectors.

The shape of the newly-established growth initiative was influenced by the project RPMA.01.02.00-14-b451/18-00 "Multi-element infrared detectors for non-contact multifunctional diagnostics" (abbreviated as DEMTER), whose objective is to develop technology for the production of multi-element detectors and modules. Multi-element detectors enable the study of spatial temperature distribution, precise determination of the direction of the infrared source and the scanning of

larger areas for the detection of substances, gases and temperature changes. Multi-element detectors can be used e.g. in sorters on production lines. The project is implemented in cooperation with the Jarosław Dąbrowski Military University of Technology. The total value of the Project was PLN 5,448,222.72, including eligible expenditure of PLN 5,296,569.00. The grant value was PLN 3,644,130.75, i.e. 63.82% of the total eligible costs. Eligible costs of VIGO Photonics S.A. were PLN 4,726,399.00 and the grant for the Company was PLN 3,073,960.75. The project was completed at the end of February 2022.

At present, the Company intends to focus on optimising its existing product range adding new processes and technologies implemented as a result of recent investments (i.e. construction of a new cleanroom as part of the Processing 2.0 project). In recent quarters, the Group has observed a significant increase in customer interest in detectors cooled with liquid nitrogen. In 2023, profitability is to be reviewed and potentially a new branch of products will be put in place.

### III-V Initiative

In connection with the introduction of the EU RoHS Directive, the possibility of marketing goods containing substances hazardous to the environment (such as mercury) will be limited in the civil market during the next several years. Ahead of those changes, the Company has been developing detectors based on A3B5 materials, e.g.: indium and arsenic antimonides.

The objectives of the Initiative are currently supported by project MAZOWSZE/0090/19-00: "Sensors for Industry 4.0 and IoT" as part of the competition "Path for Mazovia". The project developed and implemented into production a new family of sensors – miniature infrared detection modules ensuring ease of use and high availability due to price minimisation. The sensors are fit for mass application in all sensor network systems. In addition, the aim of Stage 2 of this project is to develop diffractive lens technology for infrared detectors. Areas in which low-cost detector modules will be particularly used include environmental protection, technological process surveillance, medicine, robotics, military, property protection, surveillance of smart buildings and cities, transport networks, energy systems and home applications. Smart industrial automation components are equipped with their own data collection and processing systems and software. In industrial production, every downtime and every failure generate tangible losses. Sensors make it possible to monitor production parameters at every stage. For this reason, the development of sensors equipped with digital electronics and with digital output for Industry 4.0 and the Internet of Things is of critical importance for this initiative.

Within this initiative, the Group is also implementing POLTUR4/PEMIR/2/2021, project titled "Development of high-temperature mid-infrared detectors using plasmonic enhancement", abbreviated as PEMIR. Project seeks to develop high temperature mid-infrared (3-16  $\mu\text{m}$ ) detectors using plasmonic absorption enhancement to increase signal-to-noise ratio and response rate at room temperature or at temperatures achievable with Peltier coolers. The detectors proposed in the project could be applied in many existing and new markets including industrial (automotive, manufacturing control), environmental (pollution control), medical and military. The total cost of the project is: PLN 1,115,343.81, including the grant: PLN 836,507.86. The project is co-financed by the National Centre for Research and Development under the POLTUR4 competition.

One of the Company's current projects under this initiative is TRIAGE "Ultra-broadband infrared gas sensor for pollution detection" (grant agreement ID: 101015825), which will develop a smart and compact network of air quality sensors for hyperspectral detection of all relevant gases polluting the atmosphere. VIGO's role in the project is to develop and supply dedicated infrared detector modules for TRIAGE sensors. VIGO's role is also to optimise the detector modules to achieve the best possible compatibility with the project requirements and to enable integration with the FTIR spectrophotometer. The project is carried out in an international consortium of nine partners. Implementation period: 1.01.2021-29.02.2024. Total project costs: EUR 5,853,623.50, including the EU funding: EUR 4,994,300.96. The project is co-financed under the Horizon 2020 programme.

Another project implemented by the company under this initiative is Ai-Prism "AI Powered human-centred Robot Interactions for Smart Manufacturing" (grant agreement ID: 101058589), whereby VIGO, in cooperation with partners, including the Łukasiewicz Research Network – PIAP, will implement in its production environment a robot supported by artificial intelligence. This innovative solution will be used to automate one of the production stages of unique immersion lenses. The technology and implementation are intended to facilitate the evaluation of the performance, portability, scalability and deployment of AI-powered robotic solutions on a large scale. The project is carried out in an international consortium of twenty five partners. Implementation period: 1.10.2022-30.09.2025. Total project costs: EUR 12,533,996.00, including the EU funding: EUR 9,335,578.88. The project is co-financed under the Horizon Europe programme.

A new project implemented by the company under this initiative is IBAIA "INNOVATIVE ENVIRONMENTAL MULTISENSING FOR WATERBODY QUALITY MONITORING AND REMEDIATION ASSESSMENT" (grant agreement ID: 101092723), whereby innovative detection modules will be developed in situ (without transporting the sample to the laboratory), operating in real time, enabling faster and more efficient monitoring of the aquatic environment. Under the project, VIGO will be involved in the development of mid-infrared transducers; the fabrication of QCL epitaxial structures

and manufacture of the photonic detector, and will participate in the integration of the manufactured system. The project is carried out in an international consortium of 17 partners. Implementation period: 1.12.2022-30.11.2026. Total project costs: EUR 4,786,433.75, including the EU funding: EUR 4,786,435.00. The project is co-financed under the Horizon Europe programme.

Under the Initiative, in 2023 solutions will be implemented that have been developed within the “Low-cost detection module” area, a project that provides for marketing low-cost (<EUR 100) detection modules (detectors with signal amplification) for wide use in industrial and environmental protection applications. Two tasks are currently being carried out under the project:

- Development of a simple detection module consisting of a detection chip directly on a PCB board containing an integrated amplifier circuit with an analogue output. The new module will allow customers to automate assembly and reduce production costs of systems based on infrared detectors.
- Development of diffractive optics technology – i.e. lenses manufactured directly on epitaxial wafers. Diffractive lenses will help achieve similar parameters as when using immersion lenses, but at much lower production cost.

### **InGaAs Initiative**

The aim of the InGaAs initiative is to enter the existing market of detectors operating in the so-called Short Wavelength Infrared (SWIR) range, which have the potential to be used in consumer electronics (e.g. for measurement of various compounds in the human body - e.g. measurement of glucose, alcohol or lactate levels).

The programme covers the project “Production of InGaAs sensors with integrated ASIC electronics for the range of 1.7 - 2.6  $\mu\text{m}$ ”, which seeks to develop and market a new mass-market product: a miniaturised high-temperature InGaAs sensor for the range of 1.7-2.6  $\mu\text{m}$  for modern consumer electronics, integrated with a dedicated ASIC chip, which will increase the competitiveness of VIGO. The total cost of the project is: PLN 12,650,098.83, including the grant: PLN 8,520,919.18. The project is co-financed by the National Centre for Research and Development under the Fast Track competition.

### **PIC Initiative**

The Initiative seeks to develop optoelectronic systems for infrared range photonics. They will ultimately take the form of hybrid photonic integrated circuits (PICs). PICs are photonic circuits consisting of multiple optical and electronic components with different functionalities integrated on a common (usually semiconductor) substrate. The first task in this area will be to develop a PIC operating in the 3-5.5  $\mu\text{m}$  wavelength range, understood as a monolithically assembled: source (lasers), detector, optical components and electronics. Potential applications the PIC include:

- Analyses of chemical composition of gases
- Analysis of impurities in liquids
- FSO (free space optical) communications
- Medical, telemedicine and gas detection-related applications.

The Initiative will build a technology platform to enable mass production of integrated photonic circuits for the mid-infrared range, as well as entry into the market of integrated photonics circuits manufacturers, by presenting technology demonstrators to a group of key clients (mobile applications, IoT, wearables) and subsequently manufacturing pilot series for customer testing. The Initiative continues the work of the “optoelectronic systems” programme – from the Company's previous strategy.

In April 2021, the Group signed an agreement for the project “photonics integrated circuits technologies for MidIR”, abbreviated as: MIRPIC, agreement no.: TECHMATSTRATEG- III/0026/2019-00. The project will result in a product innovation in the form of specialised integrated photonics circuits (ASPICs) designed to operate in the mid-infrared, MidIR (3-5.5  $\mu\text{m}$ ) range. In particular, the individual building blocks necessary to define ASPICs will be designed, fabricated and tested, facilitating the design, fabrication and performance testing of an ASPIC demonstrator. The demonstrator will reflect the typical characteristics of integrated photonics circuits, i.e. multi-channel performance, integration on a common substrate, electronic and optical interfaces and packaging. The project is co-financed by the National Centre for Research and Development under the TECHMATSTRATEG programme. Implementation period: 1.04.2021-31.03.2024 Total cost of the project: PLN 29,255,381.61, including the grant: PLN 26,564,942.41.

As part of the Initiative, further grant applications were submitted.

### **Matrices Initiative**

The initiative seeks to develop technology and build competences in the manufacture of matrix detectors both cooled (thermal) and uncooled (SWIR InGaAs), epitaxy, high density processing, ROIC, hybridisation and encapsulation.

The continuation of the Matrices programme under the new strategy is designed to develop technologies for the production of cooled infrared detector matrices. Initially, cooled arrays will be developed with technical parameters compatible with equipment already in use in industry and existing in the market; this will enable a smooth transition from the research to the production phase. In the next step, following global trends, work will focus on competing technological solutions. The ubiquity of infrared radiation finds a number of applications for its detection. The project is implemented under the competition of the National Centre for Research and Development: Fast Track for Mazovia.

In 2021, based on the agreement: POIR.01.01.01-00-0185/20-00, the Group began implementation of the project:

“Polish matrix for space applications active in infrared”, which was continued in 2022. The main objective of the project is to develop a matrix for the infrared range of 2-5  $\mu\text{m}$  for space applications. An additional objective is to develop a measurement set for characterisation of typical matrices, modules and mid-resolution infrared cameras. The infrared array proposed in the project will be made of a technologically advanced material - type II InAs/InAsSb superlattice, which will be a new and entirely innovative product in the Polish market. The matrix will constitute an innovative product on a global scale and will replace the existing indium antimonide InSb matrices. The project is co-financed by the European Union from the European Regional Development Fund under the Intelligent Development Programme. The project is implemented under the competition of the National Centre for Research and Development: Fast Track for Mazovia. Project implementation period: 1.01.2021-31.12.2023, total project value: PLN 15,582,310.69, and the grant amount: PLN 11,568,965.39.

### **MOCVD Epitaxy Initiative**

The Initiative seeks to develop the epitaxy of III-V semiconductor materials and produce near-infrared sources (VCSEL lasers) along with the continuous improvement of the production of epitaxial heterostructures of semiconductor compounds based on GaAs and InP by the MOCVD method, leading to beyond state-of-the-art technologies for epitaxy of PD ext InGaAs, PD InGaAs 1.7, QCL, VCSEL, LD, TJSC structures. PD, ext InGaAs, PD InGaAs 1.7, QCL, VCSEL, LD, TJSC.

On 21.11.2019, the Group concluded an agreement on co-financing of the research project MAZOWSZE/0032/19-00: "Production technology of novel epitaxial structures and VCSEL laser devices critical for the development of photonics" within the competition "Path for Mazovia". VIGO Photonics S.A. is the leader of the consortium that also includes Warsaw University of Technology and Łódź University of Technology. The total amount of eligible costs of the Project is PLN 16,302,135.55, while the grant amount is PLN 12,398,365.18. Eligible costs of VIGO Photonics S.A. are PLN 13,014,525.55 and the grant for the Company is PLN 9,110,755.18. The project seeks to develop new solutions in MOCVD technology for the fabrication of advanced photonic heterostructures of III-V epitaxial semiconductor compounds based on GaAs and InP. Technological innovations resulting from the project will be used in the production of structures of vertical cavity resonance lasers (VCSEL) and quantum cascade lasers (QCL). The project will also include the design of VCSEL laser structure adapted to single-mode operation and the design of laser array optimised for maximum emitted power by means of simulation and optimisation of temperature distribution.

Research on improvement of spectral emission characteristics of lasers will be based on the application of subwavelength gratings placed on the emission surface of the laser. Independently, the research on the technology of epitaxy of GaAs-based structures and the design of VCSEL device will be used in the ground-breaking research on the national scale on the modified methods for producing single-mode lasers as discrete devices and their matrices. As a result of the programme, VIGO Photonics will start the production of epitaxial wafers and their sale on the global market and will be the first in Poland to start the technological process of VCSEL devices production from own material and according to the design developed by the consortium.

Another ongoing activity in this area is the Car2TERA project, "Terahertz sensors and networks for next generation smart automotive electronic systems", (agreement no. 824962), implemented under Horizon 2020 by a European consortium comprising eight partners. The project seeks to develop terahertz sensors and networks for a new generation of intelligent automotive electronic systems.

The Group is also implementing the TRAVEL project: "New transparent electrodes for VCSEL lasers", agreement no: M-ERA.NET2/2019/9/2020. The project is carried out together with Łódź University of Technology and Laboratory for Analysis and Architecture of Systems CNRS. The project aims to create an industrially viable method of manufacturing VCSEL lasers with a transparent electrode as upper contact and irregular aperture, which enable more efficient conversion of electrical energy into optical energy. VIGO's task within the project is to produce structures characterised by high optical parameters and high repeatability required in the production of this type of lasers. The growth of the epitaxial structure will be completed by the fabrication of the device and its characterisation. VCSEL lasers are widely used in the photonics industry, mainly in short-range communication systems, LIDARs, time-of-flight (ToF) sensors, autonomous vehicles, robots and drones. The project is co-financed by the National Centre for Research and Development as part of the M-ERA.NET Call 2019. The eligible costs of the project are PLN 1,142,725.35, including a grant of PLN 1,024,808.10.

In 2022, the initiative also included work on the WikiNET project: "Vertical Cavity Surface Emitting Lasers", agreement no.: NCBR/VII/PL-IL/1/2020. The project sought to produce long-wave, single-mode integrated VCSEL wafers that allow

fast modulation while maintaining a low unit cost. VIGO's task was to develop high quality strained quantum wells for O and C bands. The project laid the foundation for large-scale industrial production of long-wavelength VCSEL lasers. The project was co-financed by the National Centre for Research and Development under the 7th Polish-Israeli competition. Eligible costs: PLN 1,166,233.70, grant amount: PLN 999,675.28.

In 2022, as part of the Initiative, the Group started the implementation of as many as three new co-financed projects. Of those projects, the largest budget was allocated to: Photogenic "Photonics on Germanium – New Industrial Consortium" (agreement number: 101069490), involving the development of an innovative technology for the production of VCSEL epitaxial structures on germanium substrates. The project provides for iterative optimisation of growth using MBE and MOCVD techniques, which will result in the achievement of high crystalline quality of the produced structures with competitive parameters in relation to VCSELS produced on GaAs substrates. The role of VIGO in the project is to develop a technology for the growth of VCSEL structures on germanium substrates using the MOCVD technique and extensive cooperation in the development of technologies for the production of laser devices. The project is carried out by an international consortium of seven partners. Implementation period: 1.10.2022-30.09.2025. Total project costs: EUR 4,788,752.00, 100% financed by the EU. The project is financed under the Horizon Europe programme.

Another project under the initiative in 2022 is OPMMEG, "OPTICALLY-PUMPED MAGNETOMETER ARRAYS FOR MAGNETOENCEPHALOGRAPHY" (agreement no.: 101099379), which will develop an OPM (optically pumped magnetometer) matrix for wide application in Magnetoencephalography – a non-invasive imaging technique used to study human brain functions, among others. This method enables the measurement of brain activity with good spatial and temporal resolution. VIGO's main task under the project will be the development, design and epitaxy of VCSEL heterostructures, VCSEL processing and optoelectronic tests. The project is carried out in an international consortium of five partners. Implementation period: 01.12.2022-30.11.2025. Total project costs: EUR 2,483,327.50, 100% financed by the EU. The project is financed under the Horizon Europe programme.

The last project launched in 2022, co-financed under the Epitaxial initiative, is Mini-BOT: "MINIATURIZED BOARD-MOUNTABLE OPTICAL TRANSCEIVER FOR HIGH DATA RATE MILITARY SATELLITE COMMUNICATIONS" (agreement no.: 101102948), whose main goal is to create satellite communication systems. One of the key components of the communication system will be VCSELS. Under the Mini-BOT project, VIGO Photonics S.A. will be involved in the development of the configuration and interfaces of the communication module and the production and tests of the epitaxial heterostructure for VCSELS, as well as the development and assembly of the entire optoelectronic module. The project is carried out in an international consortium of five partners. Implementation period: 01.12.2022-30.11.2025. Total project costs: EUR 3,422,099.17, 100% financed by the EU. The project is co-financed by the European Commission under the European Defense Fund.

At the current stage of work, the Company's Management Board does not foresee any threats to the implementation of projects under this initiative.

### Process initiative

The Group continuously invests in new production technologies. 2022 saw completion of the project "Processing 2.0." – POIR.03.02.02-00-1638/18-00:

"Implementation of the detection chip manufacturing technology developed under the 'Exposures' project" within the Intelligent Development Operational Programme 2014-2020, Sub-measure 3.2.2 – "Credit for technological innovations", whose aim is to prepare the production facilities in the Epitaxy and Processing areas for the controlled production of 100,000 units/year of infrared detectors resistant to environmental exposures.

This was achieved by implementing technologies ensuring:

- Increased repeatability of production
- Reduction of production costs
- Meeting the highest quality requirements (military, space, semiconductor industries).

The Project started on 8 November 2018. Originally planned to be completed on 30 June 2021, the Project was finalised on 31 March 2022.

## 5.4 Risk factors and threats to the Company's operations and development

The Company's business, financial performance and results have been and may in the future be adversely affected by the occurrence of any of the risk factors described below. The occurrence of even some of the following risk factors could have a material adverse effect on the Company's business, financial position and results, and could result in the loss of some or all of the invested capital. Risk factors and uncertainties other than those described below, including those of which the Group is not currently aware or which it considers immaterial, may also have a material adverse effect on the Company's business, financial condition and results, and may lead to the loss of some or all of the invested capital.

#### 5.4.1 Business and operational factors

##### **Risk of lower-than-expected demand for products**

Market growth plans are based on various market reports and analyses, and plans of clients and partners in R&D projects. Forecasts regarding the growth of the uncooled infrared detector market are subject to relatively high uncertainty. Forecasts presented by the Company's clients may not be fully achieved both as a result of failures of ongoing projects and the adoption of erroneous assumptions or expectations. As a result, the demand for the Company's products may be lower than expected.

The markets in which the Group is present may be disrupted by various macroeconomic factors (GDP growth, unemployment levels, demand, consumption, etc.), which may reduce demand for technological equipment. The Group takes countermeasures, which involve making strategic and operational decisions based on a planning process that takes into account current market data and demand for the Company's products.

This risk will be mitigated by VIGO's own research and participation in various international projects, including in cooperation with the Company's existing clients, aimed at developing new applications for infrared detectors.

##### **Risk of losing distributors or clients**

The main sales channels comprise selling products directly to clients and through distributors. The role of distributors is to conduct marketing campaigns and provide basic technical consulting.

The loss of any distributor may impair access to the market in which the distributor was active. For this reason, the loss of one or more key distributors could adversely affect the Company's financial performance, the value for shareholders and profits.

In addition, there is a risk of losing key clients, who are direct buyers of the Company's products. Quality, economic or customer service issues may discourage partners from further cooperation. Therefore, the loss of key clients, may adversely affect financial results and reduce the Company's value for shareholders.

In order to mitigate the risk, the Group constantly searches the markets for potential new distributors, monitors the satisfaction level of its existing clients and continuously looks for new potential clients to replace any clients lost.

##### **Supplier-related risk**

The production process of the infrared detectors uses raw materials that are difficult to obtain (such as cadmium mercury telluride, gallium arsenide and indium) and can be sourced only from a limited group of suppliers that guarantee their high quality.

In 2022, the Group noted increasing problems with the supply of electronic components used in the production of detection modules (microcontrollers, integrated circuits, etc.) related to the global economic situation. The delivery times of those components have significantly increased, and the prices of available components have substantially risen. These problems affect the entire electronics industry across the world.

In the event of delays in the supply or deterioration of the quality of raw materials, the production of detectors may be temporarily suspended or delayed. Component costs can increase significantly when sourced from a brokerage market.

In the event of a prolonged supply disruption or inability to find an alternative supplier, detector production may be temporarily suspended.

The occurrence of the above risk may adversely affect financial results and reduce the Company's value for its shareholders.

In order to mitigate the risk, the Group continuously monitors the supply market. In order to minimise the risk of electronic component availability, the Group increases the stock of those components and cooperates with its clients to take advantage of their market position and accelerate deliveries.

##### **Risks related to the war in Ukraine**

In connection with the war in Ukraine, the Group has assessed its impact on the Group's activities and financial results. The Group decided to suspend the sale of its products to Russia and Belarus. The suspension of sales to Russia will not have a material impact on the Company's financial results. In 2021, sales to Russia were PLN 244 thousand and in previous years ranged from PLN 100 thousand and 150 thousand per year.

In connection with the sanctions, the Group has noted additional risks associated with the supply of components manufactured in the Russian Federation. If additional restrictions are introduced, problems may occur with the timeliness of deliveries or restrictions on the ability to purchase those components. The value of components imported from Russia in 2021 was PLN 7.3 million. The Group has taken steps to find alternative suppliers and is also working with suppliers to change the location of component production. The certification of new suppliers is progressing as planned. The Group successfully completed the certification of a new supplier. In addition, the previous supplier moved its production outside of Russia. At this stage, the Group does not see any significant problems with the availability of components that have been

purchased from the Russian market so far. However, due to disruptions in global supply chains in the electronic components market, this risk cannot be completely ruled out.

### **Competition-related risk**

The high technological barriers and the high capital intensity of the technologies used make the radiation detector market a highly concentrated one. Only a few players in this market can be considered direct competitors to the Company. There is a risk that in the event of the emergence of competitors, the Group may lose part of the market and clients with whom it currently cooperates. In addition, the emergence of new competitors may lead to the spread of technologies used in the production of infrared detectors, which in turn may lower the market entry barriers. The risk will increase as the market develops.

The occurrence of the above risk may adversely affect financial results and reduce the Company's value for its shareholders.

The risk is neutralised by the Group through continuous development of technology, ensuring technological superiority over competitors, as well as through planned investments that will reduce the price of products on offer. In addition, the Group continuously monitors the market in order to prepare as early as possible for the emergence of new competition.

### **Risk of losing key employees**

Due to the high technological advancement of the Company's products, their manufacturing requires highly qualified personnel with many years of experience. Skills, knowledge and experience of employees are among the most important competitive advantages of VIGO. For this reason, losing a key employee may cause difficulties in the production process, delays in deliveries and deterioration of product quality and thus negatively affect the financial results and reduce the value of the Company for its shareholders.

In order to minimise the above risk, the Company applies an attractive bonus scheme for employees and provides opportunities for upskilling and work involving unique technical matters. Employees' performance and skills are evaluated on a continuous basis. There are staff development programmes in place, and talents are promoted to managerial positions.

The Group has been preparing for a generational shift in the company for several years now. Senior employees are gradually replaced by younger ones. Their training is conducted jointly with technical universities around the world. The generational shift is an ongoing process that does not affect the continuity of the Company's business.

## **5.4.2 Technological risks**

### **Risks related to research and development**

Constant technological progress and developing methods of manufacturing infrared detectors call for continuous research and development. Advanced research into the development of detector production technology help improve the parameters of manufactured products.

The Group has its own research and production laboratory, where it not only carries on development and scientific research on improving infrared detectors but also designs and manufactures detectors.

As the end result of R&D might turn out to be less satisfactory than expected, the anticipated economic benefits might differ from those assumed in the plan. Unsatisfactory R&D results might cause the Company to lose the invested funds and its competitive position.

The occurrence of the above risk may adversely affect financial results and reduce the Company's value for its shareholders.

The R&D results obtained to date confirm the Company's effectiveness in improving and developing new infrared detector manufacturing technologies. Still, there is a possibility that the results of current and future R&D will not be as satisfactory as planned or in line with expectations or past experience.

### **Risks associated with the emergence of alternative technologies**

The Group manufactures detectors based on MOCVD technology and is currently investing in the start of manufacturing detectors based on MBE technology. The MOCVD and MBE technologies are at an early stage of development and, in the opinion of the Management Board, the current R&D will significantly improve the parameters of infrared detectors manufactured using these technologies.

Nonetheless, there is a risk that a new technology, alternative to the one used by the Company, will emerge, which may adversely affect the Company's financial results and reduce its value for shareholders.

The risk will be neutralised by the Group through the development of its own products and the technology for their manufacture as well as through a gradual increase in production automation, which should also translate into lower prices of the products offered.

### **Risk of failure or damage to equipment**

The Group uses a laboratory furnished with modern and unique equipment for doing research and manufacturing detectors. The apparatus used has been individually customised to the Company's needs and it is not possible to purchase it in the market.

Due to the above, in case of failure or damage to the apparatus, it cannot be replaced in a short time. The materialisation of the risk may disrupt the production or delay order processing, and thus may negatively affect the Company's financial results and reduce its value for shareholders.

In order to minimise the impacts of the risk, the Group accumulates spare parts for the apparatus and stocks of semi-finished products securing possible interruptions in supply for the time of liquidation of the failure of the key apparatus. The Group limits the possibility of delays by concluding appropriate agreements with suppliers and monitoring the quality of supplies and services. The Group determines the required stock levels of particular components and plans production taking into account the above risk. The Group uses only proven carriers and transfers the transport risk to clients (deliveries are primarily EXW) or procures insurance against transport damage.

#### 5.4.3 Financial risks

### **Risk of losing EU grants for planned investments**

The implementation of investments and R&D projects with EU grants implies a number of additional obligations for the Company, especially in the area of procurement and selection of suppliers and contractors. Failure to meet the stringent requirements may cause the Company to lose some or all of the grants. The loss of grants would mean the need to return the grants received, and expenses would have to be funded from equity.

The Group has extensive experience and is very successful in independently obtaining EU grants, while the Company's management has experience in the implementation of EU projects. The technologies implemented by the Group are innovative on a global scale (which translates into the highest scores during application assessment), which is confirmed by the opinions of independent Polish scientists.

### **Other financial risks**

Other financial risks and the objectives and principles of risk management are described in Section 2.13 of the Report.

#### 5.4.4 Risks related to the COVID-19 pandemic

In 2021, in connection with the COVID-19 pandemic, the Group conducted a risk analysis of the impact of the pandemic on the Company's operations:

- Supplier-related risks – an outbreak of the pandemic in countries, regions or directly at suppliers' production facilities could mean disruptions in the supply of components, which could result in disruption of production processes and financial losses due to lack of supply to clients. The Group has taken steps to diversify its supplier base geographically.
- Risk related to the coronavirus infection on the Company's premises – coronavirus infection among the Company's employees may result in the necessity to introduce quarantine for the Company's employees and lead to a temporary shutdown of the plant. In order to minimise the risk, the Group implemented a number of measures (shift work was introduced, the frequency of cleaning and disinfecting workplaces was increased, the percentage of employees working remotely was increased, visits and meetings with suppliers were limited).
- Other risks – the development of the pandemic and the restrictions introduced create risks of disruption on the part of the Company's clients and introduce great uncertainty about trends in the economy and the photonics industry. It is currently impossible to estimate these risks. The Group continuously monitors the situation of its customers, including possible liquidity risks.

In the Management Board's opinion, the pandemic also presents a major opportunity for the sensor market. The pandemic accelerates the introduction of production automation, which in the long term should lead to increased demand for the Company's products.

#### 5.4.5 Legal risks

### **Risk of restricting the sale of detectors based on mercury cadmium telluride (HgCdTe)**

Under Directive 2011/65/EU of 8 June 2011 on the restriction of the use of certain hazardous substances in electrical and electronic equipment ("ROHS Directive"), certain chemicals must be phased out of electrical and electronic equipment placed on the EU market. Among the hazardous substances identified by the ROHS Directive are mercury and cadmium, which are contained in cadmium mercury telluride (HgCdTe), a basic semiconductor material for uncooled mid-infrared detectors.

Pursuant to Annex IV of the ROHS Directive, mercury and cadmium in infrared detectors are exempted from the restrictions of the Directive until the expiry of the relevant transitional periods:

- Until 21 July 2021 for medical devices
- Until 21 July 2023 for in vitro diagnostic medical devices
- Until 21 July 2024 in the case of control and measuring equipment for industrial use.

The Directive does not cover military or space applications.

The Directive provides for the possibility to apply to the European Commission for an extension of the above deadlines in the event that technical progress does not render it possible to find reliable substitutes for the above substances. In 2020, the Group applied to the EC for an extension of the transitional period for medical devices, and in 2023 it applied for extension of the transitional period for control and measuring equipment. In 2022, a consultant working for the EC recommended extending the transitional period to 2028.

In order to minimise the risk of limiting the market for HgCdTe detectors, the Group is currently conducting an extensive programme to develop III-V materials that are not subject to the restrictions of the ROHS Directive. If, by the end of the transition periods, it has not been possible to develop materials guaranteeing parameters similar to those of HgCdTe, the Company will apply to the EC for an extension of the above deadlines. It should be emphasised that the currently commercially available detectors made from III-V materials (including detectors sold by companies competing with the Company) are several times worse than detectors made from HgCdTe.

## 5.5 Human capital

Ever since the Company's inception, VIGO's success has been underpinned by the strong foundations of human capital – people's knowledge, skills and engagement.

The Group enjoys the reputation of a good employer. Candidates appreciate the opportunity to pursue their career ambitions as part of a full technological process, and employees can additionally count on stable employment conditions – 75% of employment contracts are for an indefinite period. An important factor – and indeed critical from the point of view of the Company's growth – in the context of business development and maintenance of appropriate quality of production is the ability to expand technological and technical competences. In 2022, the Group carried out 25 internal training sessions in this area. The transfer of knowledge and skills was also supported through on-the-job training. In addition, in 2022 a focus was placed on leadership development. A multi-stage programme for the development of middle management and potential candidates for this group was implemented. It was attended by almost 30 people and was very well received.

Number of women/ men	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Women	69	67
Man	143	143
<b>Total</b>	<b>212</b>	<b>210</b>

Contract type	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Open-ended contract	46	65
Fixed-term contract	166	145
<b>Total</b>	<b>212</b>	<b>210</b>

Managerial/ other positions	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Management Board	2	2
Managers	47	38
Others	163	170
<b>Total</b>	<b>212</b>	<b>210</b>

Specialist positions	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Research & Development Department	61	68
Sales Department	19	19
Epitax Production Department	7	5

Production Department	70	63
Production Engineering Department	11	
Support Departments	44	55
<b>Total</b>	<b>212</b>	<b>210</b>

Education	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Basic	2	7
Secondary	48	41
Tertiary	142	139
Tertiary+ (PhD and above)	21	23
<b>Total</b>	<b>212</b>	<b>210</b>

Age	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Up to 25 years	19	10
25 to 40 years	123	135
40 to 55 years	66	60
Above 55 years	4	5
<b>Total</b>	<b>212</b>	<b>210</b>

Seniority	01.01.2022 - 31.12.	01.01.2021 - 31.12.2021
Up to 1 year	76	57
1 to 5 years	81	100
5 to 10 years	33	30
10 to 15 years	15	15
15 to 20 years	4	3
Above 20 years	3	5
<b>Total</b>	<b>212</b>	<b>210</b>

Turnover rate	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Terminations	35	20
Number of employees at the end of the period	212	210
<b>Result</b>	<b>16.51%</b>	<b>9.52%</b>

Specification (in persons)	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Number of employees hired	38	62
Number of employees terminated	35	20
<b>Total</b>	<b>3</b>	<b>42</b>

After two years of a very strong increase in the number of employees, in 2022 the recruitment process slowed down significantly to focus on the process of full operationalisation of skills. As a result, the headcount was maintained at the previous year's level.

## 5.6 Average employment in the financial year by professional companies (in FTEs)

Specification (average FTEs)	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Management Board	1.50	2.00
Administration	34.70	32.13
Sales Department	19.27	19.16
Purchasing & Logistics Department	10.75	10.13
IT Team	5.58	5.5
Production Department	69.01	57.33
Epitax Production Department	6.33	4.68
Research & Development Department	55.11	52.93
Matrix Technology Development Department	7.78	3.45
Production Engineering Department	5.08	
<b>Total</b>	<b>215.11</b>	<b>187.31</b>

Specification (in persons)	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Number of employees hired	38	62
Number of employees terminated	35	20
<b>Total</b>	<b>3</b>	<b>42</b>

## 5.7 Environmental protection and health and safety

The principles of the environmental policy of VIGO Photonics S.A. include, in particular, conducting activities in accordance with the applicable laws and standards on environmental protection and permitted conditions for use of environmental resources, taking into account the sustainability requirements by balancing economic and environmental considerations.

Accordingly, the key environmental goals identified at the Company include the rational management of raw materials, materials and energy as well as the prevention of pollution. Adverse environmental impact is prevented by implementing technological and technical as well as organisational and procedural measures. The implemented measures are periodically checked and evaluated in order to confirm compliance with relevant laws and standards as well as industry-specific regulations.

The Group implements sustainable development projects involving the reduction of utilities consumption. The implemented measures include, in particular, reduction of energy and water consumption, reduction of the amount of industrial wastewater, prevention and reduction of the amount of industrial waste, reduction of gas and dust emissions into the air from energy and technological sources as well as rational management of raw materials and materials, including chemical substances and mixtures.

In order to ensure compliance with environmental regulations and requirements, the Group cooperates with business partners, third party experts and industry organisations. The Management Board provides resources, training, equipment and other support to support the implementation of the environmental policy by employees at all levels of the Company's organisation structure, in line with the assignment of tasks and responsibilities.

Consumption in 2022	Q1	Q2	Q3	Q4	Total
water [m3]:	1367	921	605	1261	4154
thermal energy [GJ]	719	557.92	561.927	1086	2925
electricity [MWh]	850,284	783,831	757,325	830,441	3,223

Consumption in 2021	Q1	Q2	Q3	Q4	Total
water [m3]:	1,121	1,007	772	1,064	3,964
thermal energy [GJ]	90	23		304	417
electricity [MWh]	483,709	599,453	606,698	673,794	2,365

### 5.7.1 Water

Water is very important for Vigo's manufacturing process. The water consumption for production is monitored daily. In the case of excessive consumption, the building administrator receives a notification from the BMS system. In 2022, the total water consumption for sanitary and technological purposes 4,154 m<sup>3</sup>.

As consumption increases, systems are being installed to reuse water in the most water-intensive production centre. With the implementation of new projects for water reuse, future consumption is expected to fall compared to current consumption.

The Company's operations do not affect the condition of surface or underground water. Water for all buildings is taken from the municipal water supply system.

The Group undertakes actions aimed at limiting water consumption, such as taking care of the condition of the water and wastewater infrastructure and immediate elimination of faults and leaks.

### 5.7.2 Energy

The main energy type consumed during production is electricity. It is used both the production equipment and the infrastructure system of the Company's buildings.

The Company does not use fossil fuels for heating. It does not have its own heating furnaces. One of the Company's buildings is heated from the district heating system. The other two buildings are heated by geothermal heat pumps. This consists of 60 deep boreholes of approximately 100 m each.

### 5.7.3 Thermal energy

Thermal energy from the district heating network is used to maintain proper conditions in production rooms throughout the year. Thermal energy from the district heating network is also used to heat one of the buildings owned by the Company. Heating is available during the cold months. Once the outside temperature increases, the heating system is switched off.

### 5.7.4 Electricity

The Group uses electricity supplied by five low-voltage lines from a leased MV substation. The energy supplied powers both the production machinery and building equipment. The Group is gradually replacing lighting sources with LEDs with much lower energy consumption. The machine park is also being upgraded.

### 5.7.5 Wastewater

The Group holds a water permit to discharge a mixture of domestic and industrial wastewater into the municipal sewer system. The permit obligations are being continuously monitored. To this end, physical and chemical analyses of sewage quality are carried out once a quarter. No excesses have been recorded so far.

Rainwater and snowmelt, after being pre-treated in a separator of oil-derivative substances, are discharged from the Company's premises to an underground tank with a capacity of 200 m<sup>3</sup>, and then to the municipal rainwater drainage system. This solution prevents pollutants from entering into the ground.

### 5.7.6 Waste

The Group generates municipal waste and hazardous waste within its industrial plants and beyond, as well as other waste types related to its operations. In 2022, 3361 kg of hazardous waste was generated in connection with the operation of the plants, an increase compared with the previous year. The Group conducts selective collection of packaging waste from paper and cardboard, glass and plastics.

All waste is transferred to authorised collection stations for recovery or disposal. Waste is collected only by entities holding the required waste management licences. Waste is transported by companies authorised for its collection and transport.

Where required, waste records are kept in accordance with the Waste Act.

In July 2022, the Group obtained a positive decision to produce hazardous waste in its plants for a period until July 2032.

### 5.7.7 Emission into the air

As a result of technological processes, the Group emits gaseous and particulate substances into the air. There are no air quality standards or reference values for most pollutants emitted.

In July 2022, the Group obtained a positive decision for the emission of gases and dust into the air for a limited period until June 2032.

#### 5.7.8 Noise

The Group's operations do not generate noise above the permissible values set out in the Regulation of the Minister of the Environment of 14 June 2007 on permissible noise levels in the environment (Journal of Laws of 2014, item 112).

#### 5.7.9 Biodiversity

According to the master plan, Group's premises are located in the area of production facilities and warehouses – Tarnobrzeg Special Economic Zone EURO-PARK WISŁOSAN. These are urbanised areas. They are not covered by any form of nature conservation and are not adjacent to protected areas. For this reason, the Company's activities do not affect the biodiversity of the neighbouring areas.

#### 5.7.10 Occupational health & safety

The Company complies with Polish regulations on occupational health and safety. Employee safety is one of the cornerstones of the Company. By caring about our people's safety, we promote stable development of the Company. This is evidenced by the fact that no accidents involving employees have been observed at the Company for over 25 years. The Company's premises, working rooms and workstations meet the requirements of the Polish law. Employees are provided with appropriate personal protective equipment and the premises are equipped with top class safety devices. The Company conducts regular audits in the area of occupational health and safety and fire protection.

In addition to basic training required by law, the Company's employees attend additional training courses, obtaining relevant certificates or qualifications. The awareness of employees regarding potential hazards helps minimise those hazards to a large extent. Training and sharing information about potential dangerous situations with employees strengthens the sense of safety.

### 5.8 Corporate governance

Since the date of admission of the Company's shares to trading on the regulated market, i.e. since 21 November 2014, the Management Board of VIGO Photonics S.A, appreciating the importance of corporate governance principles to ensure transparency of internal relations and the Company's relations with the outside world, in particular with current and future shareholders, in pursuance of the obligation under §29 (3) of the Stock Exchange Rules, applies the principles of corporate governance defined by the Stock Exchange S.A., adopted in Resolution No. 13/1834/2021 of 29 March 2021 by the Stock Exchange Board – "Good Practices of Companies Listed on the WSE 2021" (Good Practices 2021, DPSN2021). The consolidated texts of the above documents are publicly available at: [www.corp-gov.gpw.pl](http://www.corp-gov.gpw.pl) under the "Regulations" tab.

The Group published a list of applicable Good Practices on 30 July 2021, which is available on the Company's website. Out of the published good practices, the Group does not apply the following:

#### **INFORMATION POLICY AND COMMUNICATION WITH INVESTORS**

1.3. The Group integrates ESG factors in its business strategy, including in particular:

1.3.1. environmental matters, including measures and risks related to climate change and sustainable development;

#### **The Group does not apply the above principle.**

The Company's current strategy does not include ESG matters. At the same time, it is the intention of the Company's Management Board to consider ESG matters, including environmental ones, when working on details of the Company's current strategy.

1.3.2. social and employee factors, including among others actions taken and planned to ensure equal treatment of women and men, decent working conditions, respect for employees' rights, dialogue with local communities, customer relations.

#### **The Group does not apply the above principle.**

The Company's current strategy does not include ESG matters. In its activities, the Group places great emphasis on employee matters, respect for their rights, care about working conditions and equal opportunities for employee development. At the same time, it is the intention of the Company's Management Board to consider ESG matters when working on details of the Company's current strategy.

1.4. In order to ensure proper communication with stakeholders on the adopted business strategy, the Group publishes on its website information about its strategic direction and measurable goals objectives, including in particular long-term goals, planned activities and progress vs goals, using financial and non-financial metrics.

**The Group does not apply the above principle.**

Information on the Company's strategy is published on the Company's website. The Group plans to publish on its website information on the progress towards implementation of its strategic goals. The principle followed because the Company's current strategy does not include the ESG matters.

1.4.1. Explain how climate change considerations are integrated into the decision-making processes of the company and its group entities, highlighting the resulting risks;

**The Group does not apply the above principle.**

The Company's strategy does not include references to climate change considerations, although the Group publishes in its financial reports basic metrics concerning the environmental impact of its business. It is the intention of the Company's Management Board to consider ESG matters when working on details of the Company's current strategy.

1.4.2. Present, among other things, the equal pay index for employees, defined as the percentage difference between the average monthly pay (including bonuses, awards and other benefits) of women and men in the last year, and present information about actions taken to eliminate any pay gaps, including a presentation of related risks and the time horizon of achieving the equality target.

**The Group does not apply the above principle.**

So far, the Group's strategy has not included ESG matters, including those related to equal pay for women and men. Within the next 12 months, the Group intends to publishing on the Company's website the value of the equal pay index and other information indicated in the above principle.

**MANAGEMENT BOARD AND SUPERVISORY BOARD**

2.1. The Group should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%.

**The Group does not apply the above principle.**

The Group does not have a diversity policy and does not ensure a 30% diversity in respect of women and men on the Management Board and Supervisory Board. The Group places great emphasis on equal treatment irrespective of gender, beliefs or origin and the basic criteria for the selection of candidates for particular positions are professional skills and experience relevant to the Company's current needs. The current membership of the Supervisory Board and Management Board is diverse in terms of education, expertise, age and professional experience.

2.2. Decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in principle 2.1.

**The Group does not apply the above principle.**

The General Meeting elects members of the Supervisory Board, while the Supervisory Board elects members of the Management Board. The main factors taken into account by these bodies in electing members of the Management and Supervisory Boards are the Company's current needs and its long-term interest. The current membership of the Supervisory Board and Management Board is diverse in terms of education, expertise, age and professional experience.

2.7. The exercise of functions by members of the Company's management board in the bodies of entities outside the Company requires the consent of the supervisory board.

**The Company does not apply the above principle.**

The Company's current internal regulations do not provide for the obligation to obtain the consent of the supervisory board for a member of the management board to perform functions in bodies of non-Group entities. The Company's intention is to introduce relevant provisions to the Company's corporate documents within the next 12 months.

2.11.6. information on the extent to which the diversity policy is implemented in relation to the management board and the supervisory board, including the achievement of the objectives referred to in principle 2.1.

**The Company does not apply the above principle.**

The Group does not have a diversity policy and does not ensure a 30% diversity in respect of women and men on the Management Board and Supervisory Board. The Group places great emphasis on equal treatment irrespective of gender, beliefs or origin and the basic criteria for the selection of candidates for particular positions are professional skills and

experience relevant to the Company's current needs. The current membership of the Supervisory Board and Management Board is diverse in terms of education, expertise, age and professional experience.

### **INTERNAL SYSTEMS AND FUNCTIONS**

3.6. The head of internal audit reports organisationally to the chairman of the management board and functionally to the chairman of the audit committee, or to the chairman of the supervisory board if the board acts as the audit committee.

#### **The Company does not apply the above principle.**

The head of the company's internal audit reports organisationally to a member of the management board.

3.7. Principles 3.4–3.6 also apply to entities within the company's group that are material to the company's business, if they have designated persons to perform these tasks.

#### **Not applicable.**

The entities in the company's group do not have separate internal audit, risk management and compliance functions. As the activities of those entities develop, the principles corresponding to those for the company will be applied.

### **GENERAL MEETING AND RELATIONS WITH SHAREHOLDERS**

4.13. A resolution on a new issue of shares with exclusion of pre-emptive rights, which at the same time grants the pre-emptive right to subscribe for the new issue shares to selected shareholders or other entities, may be adopted if at least the following conditions are met:

- a) The Group has a reasonable, economically justifiable need to raise capital urgently, or the share issue is connected with reasonable, economically justifiable transactions, such as, inter alia, a merger with or acquisition of another company, or the shares are to be subscribed under an incentive scheme adopted by the company;
- b) the persons to whom the right of preference will be given will be identified according to objective general criteria;
- c) the share subscription price is reasonably related to the current price of the shares in that company or is determined as a result of a market-based book-building process.

#### **In July 2021, the Group reported derogation from the above principle.**

However, on 18 October 2021, the Company's General Meeting adopted the Rules of the incentive scheme of VIGO Photonics for key employees and the Management Board, which comply with the above principle, and the acquisition price for the shares remains in a reasonable relation to the quotations of the Company's shares from the period preceding the adoption of the scheme.

### **REMUNERATION**

6.3. If one of the company's incentive programmes is a managerial options programme, then the realisation of the options programme should be conditional on the fulfilment by the entitled persons, within a period of at least three years, of predetermined, realistic and appropriate financial and non-financial and sustainable development objectives for the company, and the price set for the acquisition of shares by the entitled persons or the settlement of the options may not differ from the value of the shares at the time of the adoption of the programme.

#### **In July 2021, the Group reported derogation from the above principle.**

However, on 18 October 2021, the Company's General Meeting adopted the Rules of the incentive scheme of VIGO Photonics for key employees and the Management Board, which comply with the above principle, and the acquisition price for the shares does not deviate from the share price noted in the period preceding the adoption of the scheme.

6.4. As the supervisory board performs its responsibilities on a continuous basis, the remuneration of supervisory board members cannot depend on the number of meetings held. The remuneration of members of committees, in particular the audit committee, should take into account additional workload on the committee.

#### **The Company does not apply the above principle.**

The Company's remuneration policy and the adopted resolutions of the Company's General Meeting do not differentiate the remuneration of members of the Supervisory Board in terms of their roles on the Supervisory Board committees, including the audit committee.

#### **5.8.1 Corporate giving and sponsorship activities**

Due to the scale of its operations and the nature of its market and clients, the Group does not engage in intensive corporate giving or sponsorship activities. The Group engages only in sponsoring events related to the Company's business, i.e. events related to the photonics, optics and optoelectronics industry.

### 5.8.2 Internal control and risk management system

The Company's Management Board is responsible for the Group's internal control system and its effectiveness in the process of drafting financial statements.

The Chief Accountant has oversight over preparation of the financial statements and financial reports of the Company. At the same time, she is responsible for the organisation of the work related to the preparation of financial statements and keeps track of changes required by external laws and regulations concerning stock exchange reporting requirements.

The financial function has access to information on the current position the Company by means of individual access codes to specific modules of the IT and accounting & financial system. The data for the financial statements and the financial statements themselves are prepared by the Company's Accounting Department. The preparation of financial statements is supervised by the Company's Financial Director.

Every month, after book-closing, members of the Company's Management Board receive and scrutinise management information reports with key financial data.

The financial data that are the basis for financial statements and financial reports come from the accounting and financial system that records transactions in accordance with the Company's accounting policy based on International Accounting Standards and International Financial Reporting Standards. Once ready, financial statements are submitted to the Management Board for final verification. The annual and half-yearly financial statements are subject to an independent audit and interim review, respectively, by the statutory auditor. Audit results are submitted to the Management Board and the Supervisory Board. The auditor's report is also submitted to the General Meeting.

### 5.8.3 Shareholders holding, directly or indirectly, significant interests

Shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the General Meeting at the balance sheet date and at the date of publication of the annual report:

Shareholder	Number of shares	% of the registered capital	Number of votes	% of votes at the General Meeting
Warsaw Equity Management S.A.	104,000	14.27	104,000	14.27
Piotrowski Józef	86,650	11.89	86,650	11.89
Investors TFI S.A.	70,192	9.63	70,192	9.63
Janusz Kubrak	48,100	6.60	48,100	6.60
PTE Allianz Polska S.A.	39,074	5.36	39,074	5.36
Mirosław Grudzień	37,200	5.10	37,200	5.10
Others	382,858	52.52	382,858	52.52
<b>Total</b>	<b>729,000</b>	<b>100.00</b>	<b>729,000</b>	<b>100.00</b>

The shares of VIGO Photonics S.A. are ordinary bearer shares. Each share carries one vote at the General Meeting of the Company. Shareholders of series A, C and D shares have rights resulting from the holding of those shares and provided for by generally applicable laws, including the right to dividends, pre-emptive rights and the right to claim surplus assets in the event of liquidation of the Company.

There are no special rights, privileges or limitations attached to the Company's shares that are not inherently linked to the nature of the rights, privileges and restrictions incorporated in ordinary bearer shares. No special rights, privileges or restrictions are provided for in the Articles of Association.

The Articles of Association provide for personal entitlements of shareholders:

- S Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (S Closed-End Non-Public Assets Investment Fund) has a personal entitlement in the form of the right to appoint and remove 1 (one) member of the Company's Supervisory Board as long as it holds shares in the Company representing not less than 14% of the Company's share capital. Supervisory Board members are appointed and removed by submitting a written statement to the Company, which is effective on its delivery to the Company.
- Józef Piotrowski has a personal entitlement in the form of the right to appoint and remove 1 (one) member of the Supervisory Board of the Company for as long as he holds shares in the Company representing not less than 10%

of the Company's share capital. This personal entitlement vested in Józef Piotrowski by virtue of the Articles of Association will be vested in Adam Piotrowski (son of Józef Piotrowski) in the event that Józef Piotrowski transfers to Adam Piotrowski the shares in the Company representing not less than 10% of the Company's share capital. Supervisory Board members are appointed and removed by submitting a written statement to the Company, which is effective on its delivery to the Company.

If the interest of S Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych in the Company's share capital is less than 14% or the interest of Józef Piotrowski or Adam Piotrowski in the Company's share capital is less than 10%, respectively, then the members of the Supervisory Board will be appointed and removed by the General Meeting.

If the above-mentioned individuals with personal entitlements do not exercise their right to appoint a member of the Supervisory Board by means of a written statement within 30 (thirty) days from the date of expiry of the mandate of the member of the Supervisory Board appointed by each of them, respectively, the relevant member of the Supervisory Board will be appointed by the General Meeting, subject to the right of the individuals with personal entitlement to remove the members of the Supervisory Board so appointed in the specified manner or to convene the General Meeting in order to appoint a member of the Supervisory Board.

The Articles of Association of the Company do not provide for any limitations as to the exercise of voting rights nor do they provide that, with the cooperation of the Company, capital rights attached to securities are separate from the holding of securities. With respect to the Company, limitations on the exercise of voting rights can only result from generally applicable laws.

To the Management Board's best knowledge, no restrictions have been imposed on the transfer of ownership of the Company's shares.

#### 5.8.4 Rules for appointing and removing members of supervisory and managing bodies, and their powers

The Supervisory Board consists from 5 (five) to 7 (seven) members appointed by the General Meeting for a joint term of three years. The term of office of the first Supervisory Board members expires after a period of 2 (two) full financial years running from the Company registration date.

The number of Supervisory Board members for a given term of office is determined by the General Meeting; this also applies if the Supervisory Board is elected by voting in separate groups pursuant to Article 385 of the Commercial Companies Code.

Supervisory Board members elect from among themselves the Chairman of the Supervisory Board and may elect from among themselves a Deputy Chairman or persons performing other functions.

If the number of Supervisory Board members for a given term of office falls below 5 (five) members as a result of the expiry of mandates of certain Supervisory Board members (for a reason other than removal) and the General Meeting has the right to appoint new Supervisory Board members to replace them, the remaining members of the Supervisory Board may, for the purpose of supplementing the Supervisory Board to a five-member composition, will appoint new Supervisory Board members by way of co-option. Members of the Supervisory Board will be co-opted by delivery to the Company of a written statement by all members of the Supervisory Board on the appointment of a member of the Supervisory Board.

Should the mandate of a Supervisory Board member having the status of an independent member of the audit committee expire, the co-opted member of the Supervisory Board should meet the independence criteria referred to in Article 129 Section 3 of the Act on Statutory Auditors, Audit Firms and Public Supervision of 11 May 2017 and have qualifications in accounting or auditing.

Members of the Supervisory Board appointed by co-option hold office until their appointment is approved by the next General Meeting or their successors are elected.

Following the co-option of members of the Supervisory Board, the Supervisory Board convenes a General Meeting to approve the member appointed by co-option or to elect their successor.

Supervisory Board members may be co-opted if the number of Supervisory Board members is at least two.

The Supervisory Board exercises constant supervision over the Company's activities in all areas of its operations.

The duties of the Supervisory Board include in particular:

1. Examining and reviewing financial statements and the Management Board's report on the Company's operations in terms of their compliance with the books and documents and with the actual state of affairs.
2. Submitting to the General Meeting an annual written report on the activities referred to in point 1), together with a brief assessment of the Company's operations, including an assessment of the internal control system and the system of managing the Company's significant risks.
3. Examining Management Board's proposals concerning distribution of profits and loss cover.

4. Appointing an auditor to audit and review the Company's financial statements, as well as approving the terms of the agreement with the auditor and approving termination of such agreement by the Company.
5. Appointing and removing members of the Management Board and determining the terms and conditions of their remuneration and employment.
6. Considering and issuing opinions on matters to be covered by resolutions of the General Meeting.
7. Granting consent to the acquisition and disposal of real estate, perpetual usufruct and interests in real estate.
8. Granting consent for the Company to perform any acts of disposal of the right (in particular, transfer, encumbering a limited right in rem or any other right in favour of a third party, donation, or performing legal acts resulting in the expiry of the right) and any acts of obligation of the value exceeding PLN 6,000,000.00 (six million) per entity, which are not provided for in the budget approved by the Supervisory Board. The obligation to obtain consent also applies to contracting liabilities with one entity relating to recurring or continuous services if the total value of the resulting services exceeds PLN 6,000,000.00 (six million) in the financial year.
9. Approving the Company's annual budgets and any amendments to them.
10. Granting consent for the Company to conclude a material agreement with a related entity, i.e. an agreement whose value is not less than PLN 2,000,000.00 (two million). The above obligation does not apply to customary transactions entered into on market terms within the ordinary business of the Company with a subsidiary in which the Company holds a majority stake as well as activities provided for in the Company's budget approved by the Supervisory Board.
11. Appointing committees.
12. Considering other matters delegated to the Supervisory Board by resolution of the General Meeting, by law or by the Articles of Association, or proposed by the Management Board.

From the date of admission of the Company's shares to trading on the regulated market operated by the Warsaw Stock Exchange, if the Supervisory Board consists of more than five persons, the Supervisory Board will appoint an audit committee composed of at least three of its members, of which at least one member should meet the conditions of independence within the meaning of Article 129 Section 3 of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision and have qualifications in accounting or auditing.

The Company complies with the regulations on the appointment, composition and operation of the audit committee, including on the fulfilment by its members of the independence criteria and the requirements to have knowledge and skills in the industry in which the issuer operates and in accounting or auditing.

The tasks of the Audit Committee include in particular:

- Monitoring the financial reporting process, including issuing opinions on the accounting policy adopted by the Company and the principles of preparing financial statements.
- Discussing annual, semi-annual and quarterly financial statements with the Company's governing bodies.
- Monitoring the performance of financial audit activities, including discussing the results of the audit of the annual financial statements.
- Presenting recommendations to the Supervisory Board regarding the selection of the Company's statutory auditor and his remuneration.
- Monitoring the independence of the statutory auditor and the entity authorised to audit financial statements, including issuing opinions on the scope of any additional work contracted to the statutory auditor by the Management Board.
- Monitoring the effectiveness of the risk management system that has a significant impact on the Company.
- Monitoring the effectiveness of the Company's internal control system, including the effectiveness of remedial actions.
- Monitoring the compliance of the Company's operations with laws and regulations.
- Issuing opinions on significant financial information published by the Company.

In 2022, the Audit Committee performed the tasks of the audit committee provided for in the applicable regulations.

The Supervisory Board may appoint from among its members commissions, investigation teams or committees, both permanent and temporary ones to look into specific issues – defining their organisation, modus operandi and detailed powers – provided that the subject matter of the work of a given commission, team or committee falls within the remit of the Supervisory Board.

During the period from 1 January 2022 to 31 December 2022, the Audit Committee was composed of:

- Marek Wiechno – Chairman of the Audit Committee
- Zbigniew Więclaw – Member of the Audit Committee

- Krzysztof Kaczmarczyk – Member of the Audit Committee.

All of the Audit Committee members listed above met the statutory criteria for independence during the period in which they served on the Audit Committee.

The following is an indication of the Audit Committee members' fulfilment of the criterion of having knowledge and skills in the area of accounting or auditing and the manner in which these were acquired:

- Marek Wiechno: between 1998 and 2003 graduated from the Warsaw School of Economics, followed by numerous courses and trainings in Management, HR, Corporate Finance, Accounting including IFRS/IAS and Taxes. He runs his own business under the name MAWAR Marek Wiechno. He is a management board member of the following companies: DEM Sp. z o.o., PROMO Sp z o.o., POL T and T Sp. z o. o. He has many years of practical experience in business management.
- In 1997 he received a Master's degree at the Faculty of Management, the University of Warsaw. In 2010, he completed MBA studies at the University of Illinois. He started his professional career in 1997-1999 in Westdeutsche Landesbank Polska S.A. as Risk Manager. Then, from 2000 to 2003, he was Financial Controller of Transaction Banking and Treasury Department at Citibank S.A. For over a decade he has continued his career at Bank Handlowy Head of the Transaction Banking Strategy and Planning Office (2003 - 2009), Chief Financial Officer of Transaction Banking for Citigroup's Central and Eastern Europe Region (2010 - 2013), Head of Liquidity Management and Business Analysis in the Corporate Banking Sector (2013 - present).
- Krzysztof Kaczmarczyk: graduated from the Warsaw School of Economics with a major in Finance and Accounting. He is also a former student of Warsaw University, faculty of International Relations. In 1999-2008, Mr Kaczmarczyk worked at Deutsche Bank in Poland, where he held the position of Deputy Head of Stock Market Analysis Department and Stock Market Analyst - Central and Eastern Europe. From 2008 to 2010, he held various management positions at TP S.A. Group, including Director of Strategy and Development Division. In 2010-2011, he worked for the Swiss investment bank Credit Suisse in Poland. In 2012-2015, he held the position of Vice President of the Management Board for Strategy and Development at Emitel, a leading terrestrial radio and television network operator in Poland. Currently, an independent member of Supervisory Boards of companies listed on the Warsaw Stock Exchange and Advisor to the Management Board of KGHM Polska Miedź S.A. He gained over 10 years of supervisory experience serving on Supervisory Boards of companies listed on the Warsaw Stock Exchange - LC Corp, GPW, KGHM, Arteria, Braster, BSC Drukarnia Opakowań, Action, Work Service, TIM, Best, Integer, SARE, Magellan, Robyg, InPost, Polimex-Mostostal, Duon, Polish Energy Partners, Graal, Wirtualna Polska, 4fun Media.

The description regarding the fulfillment by the members of the Audit Committee of the criterion of having knowledge and skills in the field of business in which the Group operates, with an indication of the manner of acquiring the same, is as follows:

1. Marek Wiechno: has knowledge and skills in the industry in which the Group operates acquired through many years of service on the Company's Supervisory Board.
2. Zbigniew Więclaw: has knowledge and skills in the industry in which the Group operates acquired through many years of service on the Company's Supervisory Board.
3. Krzysztof Kaczmarczyk: has knowledge and skills in the industry in which the Group operates, acquired as a result of 11 years' work at Deutsche Bank and Credit Suisse, where he held managerial positions, during which he was responsible for market analyses in a number of market sectors, including the market segment in which the Company operates.

Five Audit Committee meetings were held in 2022:

- 26 January
- 28 February
- 3 August
- 12 August
- 28 September

#### 5.8.5 Policy on the selection of the audit firm for the audit of the financial statements

The policy for the selection of an audit firm to carry out the audit of the financial statements of the VIGO Photonics S.A. was adopted by a resolution of the Audit Committee of 6 October 2017. The audit firm selection policy lays down the rules for the selection of the audit firm. According to the Company's Articles of Association, it is the responsibility of the Supervisory Board to select an auditor to audit and review the Company's financial statements as well as to approve the terms of the agreement with the auditor and to approve the Company's termination of such agreement. In turn, the Audit Committee

recommends to the Supervisory Board the selection of an audit firm to audit the financial statements and review the interim financial statements of the Company. The Company's Management Board is required to inform the Polish Financial Supervision Authority (KNF) if the audit firm is selected by a body other than the body approving the financial statements.

The Audit Committee makes a recommendation to the Supervisory Board in which it:

- Indicates the audit firm to which it proposes to entrust the statutory audit.
- Represents that the recommendation is free from influence by third parties.
- States that the Company has not entered into agreements containing clauses that would limit the choice of audit firm to certain categories or lists of audit firms pursuant to Article 66 Section 5a of the Accounting Act.

When the selection referred to above does not concern the extension of the audit agreement, the recommendation of the Audit Committee includes:

- At least two options for the selection of the audit firm together with a rationale and
- An indication of the Audit Committee's reasonable preference for one of the options.

In selecting an audit firm, the Company is not required to follow the procedure referred to in Article 130(3)(2) of the Act on Statutory Auditors. If the decision of the Supervisory Board concerning the selection of the audit firm deviates from the recommendation of the Audit Committee, the Supervisory Board must justify the reasons for not following the recommendation of the Audit Committee and communicate that justification to the General Meeting. The audit firm is selected in the fourth quarter of the year preceding the year for which the audit and interim review of the Company's half-yearly financial statements will be conducted. The Company's Management Board concludes an agreement on the audit and interim review of the financial statements with the audit firm for a minimum period of two years. No statutory audits of annual financial statements or interim reviews of half-yearly financial statements may be delegated to subcontractors of the audit firm. The Management Board announces the selection of the audit firm in the Company's current report.

All proposals of audit firms concerning:

- Performance of audits and interim reviews
- Non-audit services provided by those audit firms, received by the Company, will be forwarded to the Audit Committee.

The Audit Firm Selection Policy governs the following procedure for the selection of audit firms.

The Company's Management Board, on the basis of the Audit Committee's guidelines, sends a Request for Proposal to the selected entities, provided that those entities meet the statutory requirements concerning the rotation of the entity authorised to conduct the audit and other requirements resulting from generally applicable laws and the Company's internal regulations.

The Company's Management Board, responding to the queries of the audit firm authorised to participate in the selection procedure, prepares documentation which will enable them to learn about the Company's operations and conducts direct negotiations with the interested bidders.

Following negotiations, the Management Board forwards the collected proposals to the Audit Committee.

The Audit Committee analyses and evaluates the proposals and presents a Recommendation to the Supervisory Board, in accordance with the principles laid down in Point I of the Policy. The audit firm is selected by the Supervisory Board.

In the event that the Supervisory Board selects an entity other than the one preferred by the Audit Committee, the Supervisory Board is required to justify its selection in accordance with the principles set out in the Policy.

The main points of the Audit Firm Selection Policy are:

- Ensuring high quality statutory audits
- Experience of the audit firm
- Prevention of conflicts of interest
- Audit firm rotation
- Audit fees

The Policy elaborates on the above assumptions for the selection of the audit firm:

### Ensuring high quality statutory audits

The Audit Oversight Committee provides quality assurance of statutory audit by audit firms that audit public interest entities and audit firms are required to have an internal quality control system for assessing whether the auditor or key audit partner could reasonably have reached the opinions and findings expressed in drafts of those reports.

The Audit Committee uses the following sources of knowledge about the firm making the proposal:

- Information contained in the proposal
- Annual transparency report (Article 13 of Regulation 537/2014) posted on the audit firm's website, in particular:
  - a. A description of the internal quality control system
  - b. A statement by the management board on the effectiveness of the internal quality control system
  - c. The date of the last quality assurance system inspection by the Audit Oversight Committee
  - d. A list of public interest entities for which the auditor performed statutory audits in the previous financial year
  - e. A statement on the policy applied to ensure independence, including confirmation that an internal check of compliance with the independence rules has been carried out
  - f. A statement of its policy on continuing professional development
  - g. Information on the income achieved
  - h. A description of the policy of the statutory auditor or audit firm concerning the rotation of key audit partners and employees.
- The findings or conclusions arising from the inspection of the audit firm contained in the annual report of the Audit Oversight Committee referred to in Article 90(5) of the Act on Statutory Auditors which may influence the choice of the audit firm.

### Experience

The Audit Committee reviews:

- A list of the public-interest entities for which the audit firm has carried out statutory audits during the completed financial year
- A statement on the audit firm's policy on continuing education of statutory auditors contained in the offer and the annual transparency report.

### Prevention of conflicts of interest

The audit firm must make a statement on its independence assurance practices, which must also include a confirmation of the internal review of independence compliance accompanying the transparency report.

The audit firm will:

- Provide the Audit Committee, annually, with a written confirmation that the audit firm and the statutory auditors conducting the statutory audit are independent of the audited entity.
- Discuss with the Audit Committee the threats to its independence and the safeguards applied to mitigate those threats.

### Audit firm rotation

In order to address the risks arising from familiarity with the entity ("excessive familiarity") and thus to reinforce the independence of auditors and audit firms, audit firm must be rotated.

The transparency report describes the audit firm's policy on rotation of key auditors and employees.

When selecting the audit firm, the Audit Committee ensures that the following principles are not violated:

- The first audit agreement is concluded with the audit firm for a period of not less than two years with the possibility of renewal for further periods of at least two years (Article 66(5) of the Accounting Act)
- The maximum duration of uninterrupted engagements for statutory audits carried out by the same audit firm or an audit firm affiliated with such an audit firm, or any member of the network operating in the countries of the European Union to which such audit firms belong, must not exceed five years (Article 134(1) of the Act on Statutory Auditors)
- The key statutory auditor may not conduct the statutory audit in the Company for more than five years (Article 134(2) of the Act on Statutory Auditors)

- The key statutory auditor may again conduct a statutory audit in the Company after a period of at least three years from the completion of the last statutory audit (Section 134(3) of the Act on Statutory Auditors)
- Neither the audit firm nor, where applicable, any member of its network operating within the Union shall undertake a statutory audit of the same public interest entity within a consecutive period of four years (Article 17(3) of Regulation 537/2014).

### **Remuneration for the audit**

Remuneration for carrying out statutory audits for the Company must not be contingent.

Contingent remuneration means remuneration for audit engagements calculated on a predetermined basis linked to the outcome or effect of a transaction or the result of work performed. Remuneration will not be considered contingent if it has been determined by a court or a competent authority.

The level of fees received from one audited entity and the structure of the fees could compromise the independence of the audit firm.

Where audit fees from a single client, including its subsidiaries, are significant, a specific procedure involving the Audit Committee should be established to ensure audit quality.

If an audit firm becomes overly dependent on a single client, the Audit Committee should decide, with proper justification, whether the audit firm can continue to conduct the statutory audit.

### **Prohibition of the provision of non-audit services**

Neither the audit firm that carries out the statutory audit of the Company nor any member of the network to which the statutory auditor or audit firm belongs may provide the audited Company, its parent undertaking or its controlled undertakings within the European Union, directly or indirectly, with any prohibited non-audit services during the following periods:

- from the beginning of the audited period to the issuance of the audit report and
- in the financial year immediately preceding the period referred to above

in respect of the services listed in point (g) of the second paragraph of Regulation 537/2014 (legal services including giving general legal advice, negotiating on behalf of the audited entity and acting as an advocate in dispute resolution).

Prohibited services are those listed in paragraph 3 of Article 5 of Regulation 537/2014 in conjunction with the audit of the Financial Statements.

The Policy on the provision of permitted non-audit services by the audit firm for VIGO Photonics S.A. was adopted by a resolution of the Audit Committee of 6 October 2017.

The key matters covered by the above Policy are:

- Catalogue of conditionally permitted services
- Conditions for performing services.

The catalogue of conditionally permitted services included in the above Policy coincides with the catalogue of services listed in Article 136(2) of the Act on Statutory Auditors, Audit Firms and Public Supervision of 11 May 2017 (Journal of Laws of 2017, item 1089).

According to the Policy, the conditions for the performance of permitted services are:

- Approval of the services after analysis of threats to the audit firm's independence. Provision of conditionally permitted services is possible only to the extent not related to the Company's tax policy, after an assessment of threats and safeguards of independence (statement of the audit firm) referred to in Articles 69-73 of the Act on Statutory Auditors is performed by the Audit Committee and the provision of such services is approved by the Audit Committee.
- Limits on the remuneration for permitted services. Pursuant to Article 4(2) of Regulation 537/2014, where an audit firm provides non-audit services other than those referred to in Article 5(1) of Regulation 537/2014 (prohibited) to the Company for a period of at least three consecutive financial years, the total remuneration for such services is limited to a maximum of 70% of the average remuneration paid in the last three consecutive financial years for the statutory audit of the audited entity.

### **Management Board**

The powers and modus operandi of the Management Board are defined by the Commercial Companies Code and the Company's Articles of Association.

The Management Board consists of 2 (two) to 3 (three) members, including the President of the Management Board, who are appointed and removed by the Supervisory Board. The number of members of the Management Board for a given term of office is determined by the Supervisory Board. The term of office of the Management Board members is joint and lasts 3 (three) years.

The Management Board manages the Company's affairs and represents it before third parties.

The Management Board is responsible for all matters related to the management of the Company's affairs not reserved for other governing bodies of the Company by law or the Articles of Association.

The authority to represent and bind the Company is vested in two Management Board members acting together.

Disposing of a right or incurring of an obligation with a value exceeding PLN 6,000,000.00 (six million) requires the consent of the Supervisory Board expressed in the form of a resolution. This obligation applies also to liabilities relating to recurring or continuous services if the value of the resulting services exceeds PLN 6,000,000.00 (six million) in the financial year. This obligation does not apply to the performance of activities provided for in the Company's budget approved by the Supervisory Board.

Resolutions of the Management Board are adopted by a simple majority of votes cast. In the case of an equal number of votes, the President of the Management Board has the casting vote.

Resolutions of the Management Board may be adopted if all members of the Management Board have been duly notified of the meeting.

Members of the Management Board may participate in the adoption of resolutions of the Management Board by casting their vote in writing through another member of the Management Board. The casting of a vote in writing may not apply to matters placed on the agenda at the meeting of the Management Board.

Resolutions of the Management Board may be adopted in writing or using means of direct remote communication. A resolution is valid if all members of the Management Board have been notified of the contents of the draft resolution.

The President of the Management Board convenes and chairs meetings of the Management Board. The President of the Management Board may authorise other members of the Management Board to convene and chair meetings of the Management Board.

Without the consent of the Supervisory Board, members of the Management Board may not engage in competitive business or participate in a competitive company as a partner in a civil law partnership, a partnership or as a member of a body of a company, or participate in another competitive legal person as a member of its body. This prohibition also includes participation in a competitive company, in the event that a member of the Management Board holds at least 10% (ten per cent) shares in it or has the right to appoint at least one member of the Management Board.

The Management Board has no individual right to decide on the issue or buyback of the Company's shares.

#### 5.8.6 General Meeting and its powers

The General Meeting operates on the basis of the Commercial Companies Code and the Company's Articles of Association.

General Meetings may be held as an Annual General Meeting or Extraordinary General Meeting.

General Meetings are held either at the Company's registered office or in Warsaw.

The Annual General Meeting should take place within six months after the end of each financial year.

The Extraordinary General Meeting is convened in cases specified in the provisions of the Commercial Companies Code or the Articles of Association as well as when the entities or bodies authorised to convene General Meetings deem it appropriate.

A General Meeting may be cancelled. The date of the General Meeting may also be changed. The General Meeting is cancelled and its date is changed in the same manner as prescribed for the calling of the General Meeting.

If the notice of the General Meeting includes information on the possibility for shareholders to participate in the General Meeting using electronic communication means, the Group must ensure that the shareholders can participate in the General Meeting using electronic communication means.

Detailed rules for holding the General Meeting using electronic communication means are defined by the Management Board. The Management Board publishes the rules on the Company's website. The rules should enable:

1. Real-time streaming of the General Meeting
2. Two-way communication in real time so that shareholders are able to speak during the General Meeting from a location other than the venue of the meeting

3. Exercise of the voting right by a shareholder in person or by proxy during the General Meeting, outside the venue of the General Meeting, using electronic communication means.

The General Meeting is valid irrespective of the number of shares represented at it unless the Commercial Companies Code provides otherwise.

Each share carries one vote at the General Meeting.

The pledgee or usufructuary has no voting rights attached to shares or the interim certificate.

A resolution of the General Meeting is required for matters reserved by the provisions of the Commercial Companies Codes, other legal provisions or the Articles of Association.

Resolutions of the General Meeting are adopted by an absolute majority of votes cast, unless the provisions of the Commercial Companies Code or the Articles of Association provide otherwise.

The powers of the General Meeting include in particular:

1. Considering and approving the Management Board's report on the Company's operations and the financial statements for the previous financial year and granting a vote of approval for members of the Company's bodies for the performance of their duties.
2. Making decisions of remedying a loss caused in formation of the Company or in exercise of management or oversight.
3. Adopting resolutions on the distribution of profit or loss cover.
4. Determining the date and time of dividend payment.
5. Appointing and removing members of the Supervisory Board.
6. Disposing of and leasing the enterprise or its organised part; encumbering the company's assets.
7. Issuing convertible or priority bonds and issuing subscription warrants as referred to in Article 453 § 2 of the Commercial Companies Code.
8. Buying back own shares in the case referred to in Article 362 § 1 Section 2 of the Commercial Companies Code and authorising their buyback in the case referred to in Article 362 § 1 Section 8 of the Commercial Companies Code.
9. Merging or dividing the Company unless a resolution of the Company is not required by the Commercial Companies Code.
10. Winding up/ liquidating the Company.
11. Transforming the Company.
12. Establishing the rules for remunerating members of the Supervisory Board, including the rules for granting separate remuneration for those members who were assigned to permanent individual exercise of supervision duties.
13. Amending the Company's Articles of Association.
14. Approving the Terms of Reference of the Company's Supervisory Board amendments to the Terms of Reference of the Company's Supervisory Board.
15. Increasing or decreasing the share capital, subject to the rights vested in the Company's other governing bodies in this regard.
16. Adopting resolutions on cancelling the Company's shares.
17. Establishing capital reserves and other special purpose funds.
18. Examining matters submitted by the Supervisory Board, Management Board or shareholders.
19. Dealing with other matters reserved for the General Meeting by law or the Articles of Association.

Acquiring and disposing of real estate, perpetual usufruct or interests in real estate do not require a resolution of the General Meeting.

The General Meeting may adopt its terms of reference detailing the procedure for organising and conducting its meetings. The terms of reference may be adopted, amended or repealed only by an absolute majority of votes cast in favour of the relevant resolution.

#### 5.8.7 Personal and organisational changes in the Company

The membership of the Company's Supervisory Board did not change in 2022.

The membership of the Management Board was expanded from two to three members.

The membership of the governing bodies is described in Section 2.2 of this Report.

#### 5.8.8 Remuneration and transactions with members of management and supervisory bodies

##### Benefits paid to members of the Management Board

Specification (in PLN thousand)	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
For role on the bodies	984,382.00	2,060,659.00
Salary under employment contract	271,800.00	420,900.00
<b>Total</b>	<b>1,256,182.00</b>	<b>2,481,559.00</b>

Name	Role	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
<b>Remuneration of Management Board members (PLN)</b>			
Adam Piotrowski	Management Board President	702,780.00	1,329,936.00
Łukasz Piekarski	Management Board Member	553,402.00	1,151,623.00
<b>Total</b>		<b>1,256,182.00</b>	<b>2,481,559.00</b>

##### Remuneration of Supervisory Board members (PLN)

Name	Role	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Przemysław Danowski	Supervisory Board Chairman	72,000.00	54,450.00
Janusz Kubrak, including: for serving as member of the Supervisory Board	Supervisory Board Member	62,400.00	51,485.00
Marek Wiechno	Supervisory Board Member	62,400.00	46,605.00
Zbigniew Więclaw	Supervisory Board Member	62,400.00	46,605.00
Piotr Nadolski	Supervisory Board Member	62,400.00	46,605.00
Krzysztof Kaczmarczyk	Supervisory Board Member	62,400.00	46,605.00
Mirosław Grudzień	Supervisory Board Member	62,400.00	46,605.00
<b>Total</b>		<b>446,400.00</b>	<b>338,960.00</b>

No loans or benefits of a similar nature were granted to members of the Management Board or members of the Supervisory Board.

Members of the Management Board and Supervisory Board do not receive any remuneration, rewards or other benefits resulting from the Company's equity-based incentive or bonus programmes.

#### 5.8.9 Any agreements with members of the Management Board providing for compensation in the event of their resignation or removal

In the employment contract concluded with a Management Board member is terminated by the Group, the Management Board member is entitled to a severance pay equal to his/her 6-month remuneration. The severance pay may not be claimed if the contract is terminated due to the employee's breach of duties, committing a crime or due to other reasons constituting grounds for summary termination of the contract.

#### 5.8.10 Shares held by members of management and supervisory bodies

As at 31 December 2022, the Company's share capital was PLN 729,000.00, divided into 729,000 shares with a nominal value of PLN 1.00 each. All shares forming the Company's share capital were fully paid up.

As at 31 December 2022, members of the Company's Management Board held the following shares in the Company:

- Adam Piotrowski – President of the Management Board, held 660 shares (nominal value of shares: PLN 660)

- Łukasz Piekarski – Member of the Management Board, held 485 shares (nominal value of shares: PLN 485)

As at 31 December 2022, members of the Company's Supervisory Board held the following shares in the Company:

- Janusz Kubrak held 48,100 shares (nominal value of shares: PLN 48,100)
- Zbigniew Więclaw held 12,000 shares (nominal value of shares: PLN 12,000)
- Przemysław Danowski held 476 shares (nominal value of the shares: PLN 476)
- Mirosław Grudzień held 37,200 shares (nominal value of the shares: PLN 37,200).

None of the Management Board or Supervisory Board members of the Group hold any shares in VIGO WE Innovation Sp. z o. o. or in VIGO VENTURES ASI Sp. z o. o.

The Company is not aware of any agreements between shareholders (insurance, cooperation or collaboration agreements).

#### 5.8.11 Rules for changing the Company's Articles of Association

The rules for amending the Company's Articles of Association are governed by the Commercial Companies Code. Amendments to the Articles of Association require a resolution of the General Meeting and an entry into the official register.

#### 5.8.12 Court or arbitration proceedings

The Group is not party to any court or arbitration proceedings.

#### 5.8.13 Changes in the basic principles of managing the Company

On 18 November 2022, the Supervisory Board adopted the following resolutions regarding changes in the Company's Management Board:

- The Supervisory Board decided to extend the membership of the Management Board to 3 persons.
- On 1 February 2023, the Supervisory Board appointed Mr Marcin Szrom to the Management Board.

Accordingly, as of 1 February 2023, the Company's Management Board has consisted of the following members:

- Adam Piotrowski – President of the Management Board
- Łukasz Piekarski – Member of the Management Board
- Marcin Szrom – Member of the Management Board.

Mr. Marcin Szrom is not engaged in any business in competition against the Company, and does not act in any competitive company as a partner in a civil partnership, a limited partnership or as a member of a governing body of a corporation, or in any other competitive legal person as a member of its body; he is not recorded in the Register of Insolvent Debtors kept under the National Court Register Act.

The professional career and other information regarding the newly appointed member of the Company's Management Board are described below.

Mr Marcin Szrom graduated from the Faculty of Electrical Engineering, Automatics, Computer Science and Electronics at the AGH University of Science and Technology in Kraków and completed postgraduate Executive MBA studies at the Texas State University in Dallas, USA. During his professional career, in 2000-2012 he worked in the semiconductor industry for Texas Instruments, USA. In 2012-2022, he continued his professional career in the automotive sector. For several years he served as Global Director for Advanced Manufacturing Engineering with Kongsberg Automotive, then was General Manager at the German company Saargummi. During the last four years, he was Industrial Engineering Director at VOSS Automotive.

## 5.9 Share capital and ownership structure

### 5.9.1 Company's shareholders

To the knowledge of the Management Board, the Company's shareholding structure as at the balance sheet date and as at the date of approval of the Report was as follows:

Shareholder	As at 31.12.2022		As at 27.03.2023	
	Number of shares	Share %	Number of shares	Share %
Warsaw Equity Management S.A.	104,000	14.27	104,000	14.27
Piotrowski Józef	86,650	11.89	86,650	11.89
Investors TFI S.A.	70,192	9.63	70,192	9.63
Janusz Kubrak	48,100	6.60	48,100	6.60
PTE Allianz Polska S.A.	39,074	5.36	39,074	5.36
Mirosław Grudzień	37,200	5.10	37,200	5.10
Others	382,858	52.52	382,858	52.52
<b>Total</b>	<b>729,000</b>	<b>100.00</b>	<b>729,000</b>	<b>100.00</b>

The total number and value of all the Company's shares is presented in Section 4.2.1 of this Report.

As at the date of approval of these financial statements for publication, the Management Board is not aware of any agreements that might result in future changes in the proportion of shares held by the existing shareholders.

During the financial year, the Group did not issue new securities and did not acquire any own shares.

## 5.10 Other supplementary information to the Management Report for 2022:

### 5.10.1 Audit agreement and audit firm's remuneration

On 17 September 2020, the Company's Supervisory Board selected the firm authorised to carry out the audit and interim review the financial statements for the years 2021, 2022 and 2023. The audit firm was selected in accordance with the applicable laws and professional standards.

It is Mazars Audyt sp. z o.o. with its registered office in Warsaw, address: 00-549 Warszawa, ul. Piękna 18, entered in the list of audit firms under number 186.

The Supervisory Board made this choice having regard to guaranteeing full independence and objectivity of the selection itself as well as fulfilment of tasks by the statutory auditor.

The audit firm and members of the auditing team meet the conditions for preparing an impartial and independent audit report on the annual financial statements in accordance with applicable laws, professional standards and professional ethics.

The Company complies with the applicable laws related to the rotation of the audit firm and the key statutory auditor and the mandatory cooling off period.

VIGO has an auditor selection policy in place as well as a policy on the provision for VIGO of non-audit services by the audit firm, including services conditionally excluded from the range of prohibited services.

On 17 September 2020, the Audit Committee adopted a resolution on recommending to the Company's Supervisory Board an audit firm to audit the annual financial statements and review the interim financial statements.

Pursuant to § 4(1)(8) of the Terms of Reference of the Audit Committee, the recommendation included a justification and two options for the audit engagement, and the Audit Committee expressed a preference for one of them. The Audit Committee stated that its recommendation was free from any third party influence and that no clause of any kind had imposed on it that would restrict the body selecting the audit firm for the purpose of carrying out the statutory audit of the Company's financial statements to certain categories or lists of audit firms.

To carry out the audit of the annual financial statements and interim review the interim financial statements of the Company for the years 2021–2023, the Audit Committee recommended the audit firm Mazars Audyt Spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw, address: 00-549 Warsaw, ul. Piękna 18.

The recommendation was preceded by a detailed analysis of the proposals and transparency reports of the audit firms with particular attention paid to the system of control and monitoring of the auditor's and the firm's independence introduced at the audit firm, in particular whether any non-audit services are provided to the Company by the audit firm.

On 17 September 2020, the Company's Supervisory Board selected the firm authorised to audit and perform an interim review of the financial statements for the years 2021, 2022 and 2023. It is Mazars Audyt sp. z o.o. with its registered office in Warsaw, address: 00-549 Warszawa, ul. Piękna 18, entered in the list of audit firms under number 186. The Supervisory Board made this choice having regard to guaranteeing full independence and objectivity of the selection itself as well as fulfilment of tasks by the statutory auditor. On 15 March 2021, the Group entered into an agreement with Mazars Audyt sp.

z o.o. to carry out an audit and an interim review of the consolidated financial statements. The agreement was signed for three years. It was amended by Annex 1 of 28 February 2022 by expanding its subject to include the audit and interim review of consolidated financial statements.

The remuneration of Mazars Audyt sp. z o.o. will be paid separately for:

- Audit of the standalone annual financial statements for 2021 – PLN 37,000.00, for 2022 – PLN 28,000.00 and for 2023 – PLN 28,000.00
- Audit of the consolidated annual financial statements for 2022 – PLN 10,000.00 and for 2023 – PLN 10,000.00.
- Interim review of the consolidated financial statements as at 30.06.2021 – PLN 15,000,00, as at 30.06.2022 – PLN 16,000,00 and as at 30.06.2023 – PLN 16,000.00
- Interim review of the consolidated financial statements as at 30.06.2022 – PLN 6,000,00, as at 30.06.2023 – PLN 8,000,00

5.10.2 Assurance service whereby the statutory auditor will assess the Company's Supervisory Board report on remuneration prepared for 2021 – PLN 5,000.00, for 2022 – PLN 5,000.00, for 2023 – PLN 5,000.00. Company's main investments

In financial year 2022, the Group incurred capital expenditure on the purchase of tangible and intangible assets in the amount of PLN 36 million (in 2021: PLN 29.8 million).

The Company's investments were related both to the construction of a new production plant and the purchase of machinery for the manufacture of products as well as the replacement of the old infrastructure with a modern one. A detailed description of the progress of the investment programme is provided in Section 5.2 of the Report.

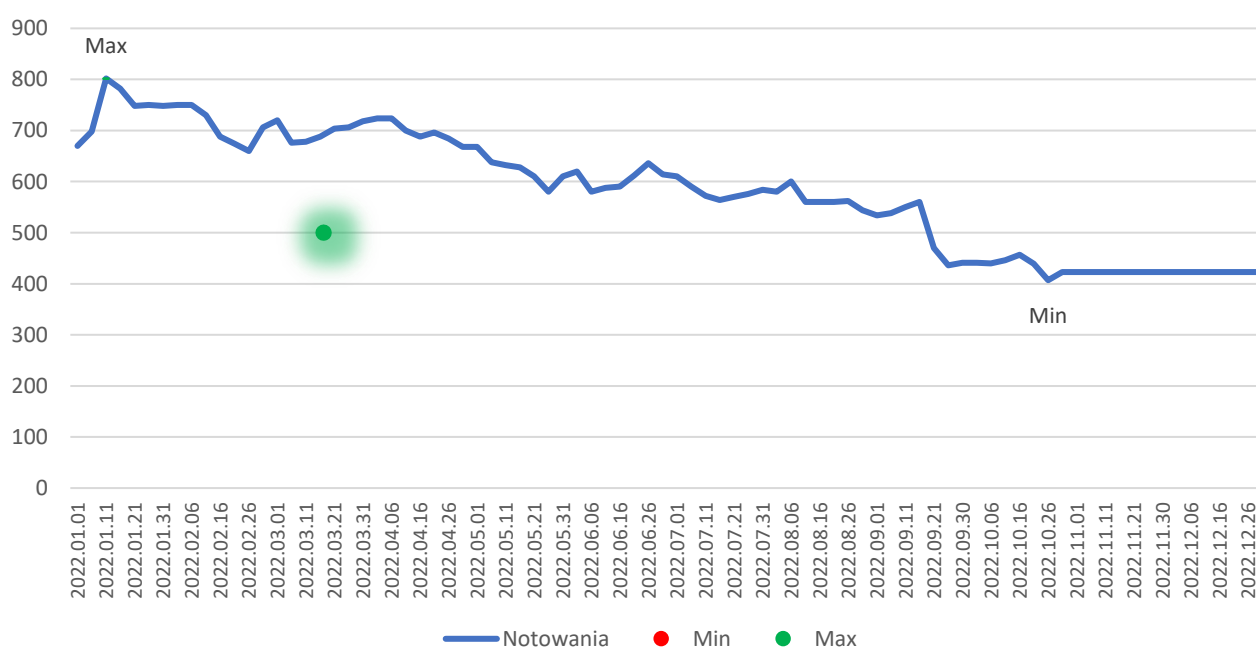
The Group incurred bank loans to finance 80% of the net investment, as described in detail in Section 4.2.9 of this Report.

### 5.10.3 Other disclosures

Other disclosures required by the Regulation of the Minister of Finance of 29 March 2018 on current and financial information provided by issuers of securities (i.e. Journal of Laws 2018, item 757, as amended) and by the Accounting Act of 29 September 1994 (Journal of Laws 2019, item 351, as amended) are presented in Section 4.10.2 of this report.

### 5.10.4 Stock quotations on the Warsaw Stock Exchange

Figure 11. The Company's share price on the WSE in 2022



According to the statistical data prepared by the Warsaw Stock Exchange, the rate of return on the Company's shares in 2021 was 18.58%, placing VIGO Photonics on 224<sup>th</sup> position among 430 issuers listed at the end of 2021 on the WSE regulated market. During the indicated period the maximum price of the Company's shares was PLN 818.00 and the minimum price was PLN 565.00.

At the end of 2022, the capitalisation of VIGO Photonics was PLN 488.43 million, placing the Group in 122<sup>nd</sup> position.

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Adam Piotrowski

Management Board President

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Łukasz Piekarski

Management Board Member

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Marcin Szrom

Management Board Member

Ożarów Mazowiecki, 17 April 2023

## 6 Management Board's statements

### STATEMENT

of the Management Board on compliance of the annual financial statements  
and the Management Board's report on VIGO Photonics S.A. operations

Pursuant to the Regulation of the Minister of Finance of 29 March 2018 on current and financial information provided by issuers of securities (i.e. Journal of Laws of 2018, item 757, as amended), the Company's Management Board hereby declares that, to the best of its knowledge, these consolidated financial statements and comparative data have been prepared in accordance with the accounting policies applicable to VIGO Photonics S.A. and that they give a true, fair and clear view of the financial position of the Company as well as its financial result.

The Company's Management Board also declares that the report on the issuer's operations gives a true and fair view of the issuer's development, achievements and position, including a description of the main threats and risks.

These consolidated financial statements have been prepared in accordance with the accounting policies compliant with the International Financial Reporting Standards (IFRSs), including the International Accounting Standards (IASs) and Interpretations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC), endorsed by the European Union (EU) and applicable to reporting periods beginning on 1 January 2017, and with respect to matters not regulated therein in accordance with the requirements of the Accounting Act of 29 September 1994 (i.e. Journal of Laws of 2021, item 217, as amended) and secondary legislation issued on the basis thereof, and to the extent required by the Regulation of the Minister of Finance of 29 March 2018 on current and financial information provided by issuers of securities (i.e. Journal of Laws of 2018, item 757, as amended).

The Company's Management Board declares that the statutory auditor responsible for audit of the annual financial statements of the Company was selected in accordance with the applicable laws, and that the entity and auditors performing the audit met the conditions to issue an impartial and independent opinion on the audited annual financial statements, in compliance with the applicable laws and professional standards.

The Management Board of VIGO Photonics S.A.:

\_\_\_\_\_  
Adam Piotrowski

Management Board President

\_\_\_\_\_  
Łukasz Piekarski

Management Board Member

\_\_\_\_\_  
Marcin Szrom

Management Board Member

Ożarów Mazowiecki, 17 April 2023