



VIGO Photonics Group

CONSOLIDATED QUARTERLY REPORT
for the period from 1 January 2023 to 30 September 2023
containing the interim condensed consolidated financial
statements of the VIGO Photonics Group prepared in
accordance with IFRS

Ożarów Mazowiecki, 15 November 2023.

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1 Selected consolidated figures

Financial highlights	PLN '000				EUR '000			
	01.07.2023	01.01.2023	01.07.2022	01.01.2022	01.07.2023	01.01.2023	01.07.2022	01.01.2022
	-30.09.2023	30.09.2023	30.09.2022	30.09.2022	-30.09.2023	30.09.2023	-30.09.2022	30.09.2022
Interim consolidated statement of comprehensive income								
Net revenue from the sale of products, services, goods and materials	17,205	53,576	16,820	47,543	4,064	12,655	3,588	10,141
Cost of sales	8,567	27,187	8,788	20,899	2,024	6,422	1,875	4,458
Operating profit (loss)	2,465	8,714	1,625	4,917	582	2,058	347	1,049
Profit (loss) before tax	421	7,681	279	2,950	99	1,814	59	629
Profit (loss) after tax	650	7,089	3,048	9,179	154	1,675	650	1,958
Net profit/ loss after tax adjusted for deferred income tax	381	7,592	254	2,904	90	1,793	54	619
Number of shares	729,000	729,000	729,000	729,000	729,000	729,000	729,000	729,000
Net profit (loss) per ordinary share (PLN/EUR)	0.89	9.72	4.18	12.59	0.21	2.30	0.89	2.69
Net profit (loss) per ordinary share (PLN/EUR) adjusted for deferred income tax	0.52	9.72	0.35	3.98	0.12	2.46	0.07	0.85

Financial highlights	PLN '000			EUR '000		
	30.09.2023	30.06.2023	31.12.2022	30.09.2023	30.06.2023	31.12.2022
Interim consolidated statement of financial position						
Non-current assets	231,042	228,939	218,908	52,874	51,443	46,677
Current assets	36,216	34,133	35,106	8,288	7,670	7,486
Equity	145,784	145,599	138,524	33,363	32,717	29,537
Long-term liabilities	83,562	85,390	81,896	19,123	19,187	17,462
Short-term liabilities	37,912	32,082	33,596	8,676	7,209	7,163
Book value per share (equity/ number of shares)	199.98	199.72	190.02	45.76	44.88	40.52

Financial highlights	PLN '000		EUR '000	
	from 01.01.2023 to 30.09.2023	from 01.01.2022 to 30.09.2022	from 01.01.2023 to 30.09.2023	from 01.01.2022 to 30.09.2022
Interim consolidated statement of cash flows				
Net cash flows from operating activities	14,793	6,007	3,494	1,281
Net cash flows from investing activities	-9,238	-26,211	-2,182	-5,591

Financial highlights	PLN '000		EUR '000	
	from 01.01.2023 to 30.09.2023	from 01.01.2022 to 30.09.2022	from 01.01.2023 to 30.09.2023	from 01.01.2022 to 30.09.2022
Net cash flows from financing activities	-3,389	16,069	-800	3,428

2 Introduction to the consolidated financial statements

2.1 Description of the activities of the VIGO Photonics Group and information about the parent company VIGO Photonics S.A.

VIGO Photonics S.A. ("Company") 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 Company provides ready-made and customised solutions, which allow to create products dedicated to a given customer's application.

The Company 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), through production of detector chips and lasers, to their microassembly and integration into electronics. The Company 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 Company 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 Company 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 S.A. 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.

VIGO System S.A. based in Ożarów Mazowiecki was created on 20 February 2002 as a result of transformation of VIGO Photonics Spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw entered in the National Court Register in the District Court for the capital city of Warsaw in Warsaw under KRS 0000110129.

VIGO Photonics S.A. was incorporated by way of Notarial Deed No. 1459/2002 dated 20 February 2002 in the Notary's Office of Krzysztof Łaski – Notary in Warsaw and was entered in the National Court Register – Register of Entrepreneurs on 21 May 2002 under KRS number 0000113394. Its duration is indefinite (it is a going concern).

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

2.2 Activities in the Special Economic Zone (hereinafter referred to as "SEZ") – tax exemption

On the basis of permit No. 116/ARP S.A./2005 issued on 9 November 2005, since 1 March 2008 the Company has conducted its business activity in the Tarnobrzeg Special Economic Zone ("TSEZ") EUROPARK WISŁOSAN in Ożarów Mazowiecki and on this grounds it is entitled to exemption from Corporate Income Tax due to capital expenditures incurred in the Zone. The company fulfilled all the conditions specified in the permit in order to be able to benefit from the tax exemption. Income generated from business activities covered by the permit within the special economic zone is exempt under Article 17,

Section 1, Point 34 of the Corporate Income Tax Act. The amount of aid obtained for the Issuer is 65% of discounted investment expenditures on fixed assets and purchased intangible assets incurred during the term of the permit. This aid is reduced by any discounted subsidies from public funds obtained for the purchase of fixed assets.

In the Tarnobrzeg SEZ, as indicated in the permit, the Company conducts the following production, trade and service activities with respect to products and services manufactured in the zone, defined under the following headings in the then-current Polish Classification of Products and Services of the Central Statistical Office:

- a. Section D, subsection DL, Division 32
Class 32.10 - Electronic tubes and other electronic components
- b. Section D, subsection DL, Division 33
Class 33.20 - Instruments and appliances for measuring, checking, navigating and similar instruments and appliances, and instruments
- c. Class 33.30 - Optical instruments and photographic equipment
Section K, Division 73
Class 73.10 - Research and development services for natural sciences and engineering.

2.3 Contact details

Name: VIGO Photonics Spółka Akcyjna
Registered office: Ożarów Mazowiecki
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NIP: 527-020-73-40
REGON: 010265179
Telecommunications numbers: Phone (+48 22) 733 54 00
Fax (+48 22) 733 54 26
Email address: info@vigo.com.pl
Website: www.vigo.com.pl

2.4 Description of VIGO Photonics Group

The Company's Group includes the following entities:

- VIGO Photonics Taiwan – a company established in 2020 as a sales office in the East Asia region. The Company has a 100% stake in VIGO Photonics Taiwan worth PLN 64 thousand. Currently, the latter company is being liquidated.
- VIGO Photonics Inc – a company established in 2021 as a sales office in the North American region. The Company has a 100% stake in VIGO Photonics Inc. worth PLN 484 thousand.
- VIGO Ventures ASI Sp. z o.o. – Company established in 2021 to take over the activities of VIGO WE Innovation Sp. z o.o. As at 30 June 2023, the VIGO Photonics S.A. held 44.2% of shares in VIGO Ventures ASI Sp. z o.o. with a value of PLN 10,169 thousand.

Data from the statement of turnover and balances of VIGO WE Innovation Sp. z o.o. and VIGO Ventures ASI Sp. z o.o. as at 30 September 2023 are as follows (in PLN thousand):

Company	Equity	Share capital	Other capitals	Profit/ loss after tax	Value of assets	Non-current assets	Current assets	Value of liabilities	Value of revenues
VIGO Ventures ASI	29,936	7,452	28,729	-1,151	29,936	29,699	237,559	96	194

2.5 Effects of changes in the structure of the economic entity

In the period covered by the report, there were no changes in the structure of the economic entity.

2.6 Opinion of the Management Board on the possibility of achieving the previously published earnings forecasts

The Company did not publish any earnings forecasts.

2.7 The ownership structure of VIGO Photonics

According to the knowledge of the Company's Management Board, as at the date of submitting the interim condensed financial statements for the period ended 30 September 2023 (15 November 2023), the following shareholders held at least 5% of the total number of votes at the General Meeting:

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
Józef Piotrowski	86,650	11.89	86,650	11.89
Janusz Kubrak	48,100	6.60	48,100	6.60
Investors TFI	47,038	6.45	47,038	6.45
PTE Allianz Polska S.A.	39,071	5.36	39,071	5.36
Mirosław Grudzień	37,200	5.10	37,200	5.10
Others	366,941	50.33	366,941	50.33
	729,000	100.00	729,000	100.00

2.8 Governing bodies of VIGO Photonics

As at the date of publication of the Q3 2023 report, the Management Board consisted of:

- Adam Piotrowski – President of the Management Board
- Łukasz Piekarski – Member of the Management Board
- Marcin Szrom – Member of the Management Board.

As at the date of publication of the Q3 2023 report, the Company's Supervisory Board consisted of:

- Marek Wiechno – Chairman of the Supervisory Board (Supervisory Board resolution of 12 May 2023)
- Zbigniew Więclaw – 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.
- Krzysztof Dziewicki – Member of the Supervisory Board (appointed on 29 June 2023)

Composition of the Audit Committee of the Supervisory Board:

- Zbigniew Więclaw – Chairman of the Audit Committee (resolution of the Supervisory Board of 19 May 2023)
- Marek Wiechno – Member of the Audit Committee
- Krzysztof Kaczmarczyk – Member of the Audit Committee.

2.9 Shareholdings by executive and non-executive directors of VIGO Photonics

As at 15 November 2023, members of the Management Board held the following shares in the Company:

- Adam Piotrowski held 660 shares (nominal value of shares: PLN 660)
- Łukasz Piekarski held 485 shares (nominal value of shares: PLN 485).

As at 15 November 2023, members of the Company's Supervisory Board held the following shares in the Company:

- Mirosław Grudzień held 37,200 shares (nominal value of shares: PLN 37,200).
- Zbigniew Więclaw held 12,000 shares (nominal value of shares: PLN 12,000)
- Krzysztof Dziewicki held 1,274 shares (nominal value of shares: PLN 1,274).

2.10 Reported periods

The interim condensed consolidated statement of financial position includes data for the period from 1 January 2023 to 30 September 2023. Comparative data are presented as at 31 December 2022 for the interim condensed consolidated statement of financial position and for the period from 1 January 2022 to 30 September 2022 for the interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of cash flows and condensed statement of changes in equity.

2.11 The basis for the preparation of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – “Interim Reporting”.

As at the date of approval of these financial statements for publication, taking into account the ongoing IFRS implementation process in the EU, as regards the Company’s operations there is no difference between the already implemented IFRSs and the IFRSs endorsed by the EU. IFRSs include the standards and interpretations approved by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee.

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 solutions adopted with regard to accounting records and the way information is grouped have been subordinated to the needs of management and internal control. They also take into account the requirements set by the provisions of the act and the needs of state statistics.

The interim condensed consolidated financial statements have been prepared on the assumption that the Company will continue in operation in the foreseeable future. The Company’s Management Board is not aware of any circumstances that would pose a threat to the continuation of the Company’s operations.

The interim condensed financial statements do not contain all the information and disclosures required of annual financial statements and should be read jointly with the financial statements for the year ended 31 December 2022, approved for publication on 17 April 2023 and the half-yearly report for the period from 1 January 2023 to 30 June 2023, approved for publication on 18 September 2023.

These interim condensed consolidated financial statements for the nine-month period of 2023 ended 30 September 2023 were approved for publication by the Management Board on 15 November 2023.

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

The Group’s functional currency and presentation currency of these interim condensed consolidated financial statements is the Polish zloty. Data in the financial statements are rounded to the nearest thousand zlotys, unless stated otherwise in specific situations.

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

2.12 Significant accounting policies

Significant accounting policies applied in this report are described in detail in point 2.14 of the consolidated half-yearly financial statements drawn up as at 30 September 2023.

2.13 PLN exchange rates

In the period covered by the financial statements, the following PLN/EUR exchange rates were applied:

Ref.	Description	01.01.2023- 30.09.2023	01.01.2022- 31.12.2022	01.01.2022- 30.09.2022
1.	Average exchange rate at the end of the period	4.6356	4.6899	4.8698
2.	Average exchange rate for the period	4.5773	4.6907	4.6880

The average exchange rate for the period 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.

3 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30.09.2023	As at 30.06.2023	As at 31.12.2022	As at 30.09.2022
ASSETS				
Non-current assets	231,042	228,939	218,908	221,500
Property, plant and equipment	114,273	115,790	113,502	113,941
Intangible assets	15,250	16,644	19,432	14,674
Right of use	3,795	3,849	3,854	3,767
Development expenditure	69,107	64,595	53,444	54,030
Deferred tax assets	21,509	21,240	22,012	28,671
Investments in jointly controlled entities	7,065	6,799	6,666	6,417
Prepayments	43	22		
Current assets	36,216	34,133	35,106	31,221
Inventories	16,941	15,100	15,281	13,942
Trade receivables	13,371	13,117	14,256	12,009
Other receivables	1,165	1,144	2,226	2,629
Other financial receivables	40	40	16	
Prepayments	266	603	1,068	585
Cash and cash equivalents	4,434	4,128	2,258	2,056
TOTAL ASSETS	267,258	263,072	254,015	252,721
EQUITY AND LIABILITIES				
Equity	145,784	145,599	138,524	140,463
Share capital	729	729	729	729
Share premium account	8,865	8,865	8,865	8,865
Revaluation reserve	105	105	99	78
Other capitals	128,996	129,051	121,611	121,611
Profit (loss) of the current period	7,089	6,849	7,219	9,179
Long-term liabilities	83,562	85,390	81,896	73,707
Bank and other loans	22,771	25,734	28,057	27,861
Deferred income	59,838	58,654	52,854	45,050
Provision for pensions and similar benefits	204	204	184	153
Lease obligations	748	797	800	643
Short-term liabilities	37,912	32,082	33,596	38,550
Bank and other loans	24,629	21,106	21,328	25,193
Trade and other liabilities	3,394	2,301	4,408	4,969
Other liabilities	2,427	1,390	1,251	1,463
Lease obligations	38	35	46	42
Deferred income	3,076	3,080	2,611	2,236
Provision for pensions and similar benefits	2,422	2,422	1,953	2,478
Other provisions	1,898	1,750	2,000	2,170
TOTAL EQUITY AND LIABILITIES	267,258	263,072	254,015	252,721

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	01.07.2023 - 30.09.2023	01.01.2023 - 30.09.2023	01.07.2022 - 30.09.2022	01.01.2022 - 30.09.2022
Revenue from sales	17,205	53,576	16,820	47,543
Revenue from the sale of products	16,365	51,334	15,734	44,822
Revenue from the sale of services	562	1,917	843	2,478
Revenue from the sale of goods and materials	277	324	243	243
Cost of products, goods and materials sold	8,567	27,187	8,788	20,899
Cost of production of products and services sold	8,511	27,131	8,788	20,899
Value of goods and materials sold	56	56		
Gross profit (loss) on sale	8,637	26,388	8,032	26,644
Selling costs	2,283	6,954	3,186	8,500
General and administrative expenses	4,716	13,748	4,567	16,813
Other operating income	1,666	5,551	2,151	6,193
Other operating costs	838	2,522	805	2,607
Profit (loss) on operating activities	2,465	8,714	1,625	4,917
Financial income		600	75	75
Financial costs	2,044	1,633	1,421	2,042
Profit/ loss before tax	421	7,681	279	2,950
Income tax	-229	592	-2,770	-6,230
Net profit (loss) on continued operations	650	7,089	3,048	9,179
Profit (loss) after tax	650	7,089	3,048	9,179
Components of other comprehensive income:	166	172		-102
Actuarial gains (losses) on defined benefit plans		6		-102
Exchange differences on translation	166	166		
Total comprehensive income	816	7,261	3,048	9,077
Net profit (loss) per share (in PLN)	0.33	9.72	4.18	12.59
Basic for the financial period	0.89	9.72	4.18	12.59
Diluted for the financial period	0.89	9.72	4.18	12.59

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the period:	For the period:
	from 01.01.2023 to 30.09.2023	from 01.01.2022 to 30.09.2022
OPERATING ACTIVITIES		
Profit/ loss before tax	7,681	2,950
Income tax	592	-6,230
Profit/ loss after tax	7,089	9,179
Total adjustments:	7,201	3,094
Depreciation/ amortisation	9,054	6,656
FX gains (losses)	-309	2,289
Interest and profit distributions (dividends)	1,587	793
Profit (loss) on investing activities	17	-271
Change in the balance of provisions	393	19
Change in the balance of inventories	-1,660	-7,043
Change in the balance of receivables	1,828	5,400
Change in liabilities, except for bank and non-bank loans	174	396
Change in prepayments	719	170
Change in accrued income	-5,111	-5,311
Change in lease obligations	-14	-180
Profit (loss) of entities accounted for using the equity method		11
Other adjustments	521	165
Cash from operating activities	14,882	6,043
Income tax (paid)/ returned	-89	-37
A. Net cash flows from operating activities	14,793	6,007
INVESTING ACTIVITIES		
Inflows	12,616	15,645
Grants received	12,601	15,338
Proceeds from the sale of tangible assets	15	232
Proceeds from the sale of shares		75
Outflows	-21,853	-41,857
Acquisition of intangible and tangible assets	-6,451	-23,358
Expenditure on acquisition of shares	-845	-2,136
Expenditure on in-process development	-14,518	-16,397
Loans granted	-40	35
B. Net cash flows from investing activities	-9,238	-26,211
FINANCING ACTIVITIES		
Inflows	6,223	26,957
Bank and other loans	6,223	26,957
Outflows	-9,612	-10,888
Repayment of bank and non-bank loans	-7,850	-9,699
Interest and fees	-1,736	-1,010
Lease payments	-27	-180
C. Net cash flows from financing activities	-3,389	16,069
D. Total net cash flows	2,167	-4,136
E. Balance sheet change in cash	2,175	-4,438
– change in cash due to FX differences	8	303
F. Cash at the beginning of the period	2,258	6,493
G. Cash at the end of the period	4,434	2,357

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium account	Revaluation reserve	Other capitals	Profit (loss) of the current period	Total equity
Nine months ended 30 September 2023						
Equity as at 01.01.2023	729	8,865	99	121,611	7,219	138,524
Profit (loss) of the period					7,089	7,089
Distribution of profit (loss) for 2022				7,219	-7,219	
Other comprehensive income:						
– actuarial gains/ losses			6	166		172
– exchange rate differences from translation						
Equity as at 30.09.2023	729	8,865	105	128,996	7,089	145,784
Twelve months ended 31 December 2022						
Equity as at 01.01.2022	729	8,865	-24	91,148	30,509	131,228
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
Equity as at 31.12.2022	729	8,865	99	121,611	7,219	138,524
Nine months ended 30 September 2022						
Equity as at 01.01.2022	729	8,865	-24	121,657		131,228
Profit (loss) of the period					9,179	9,179
Conditional increase in capital				-47		-47
Other comprehensive income: actuarial gains/losses			102			102
Equity as at 30.09.2022	729	8,865	78	121,611	9,179	140,463

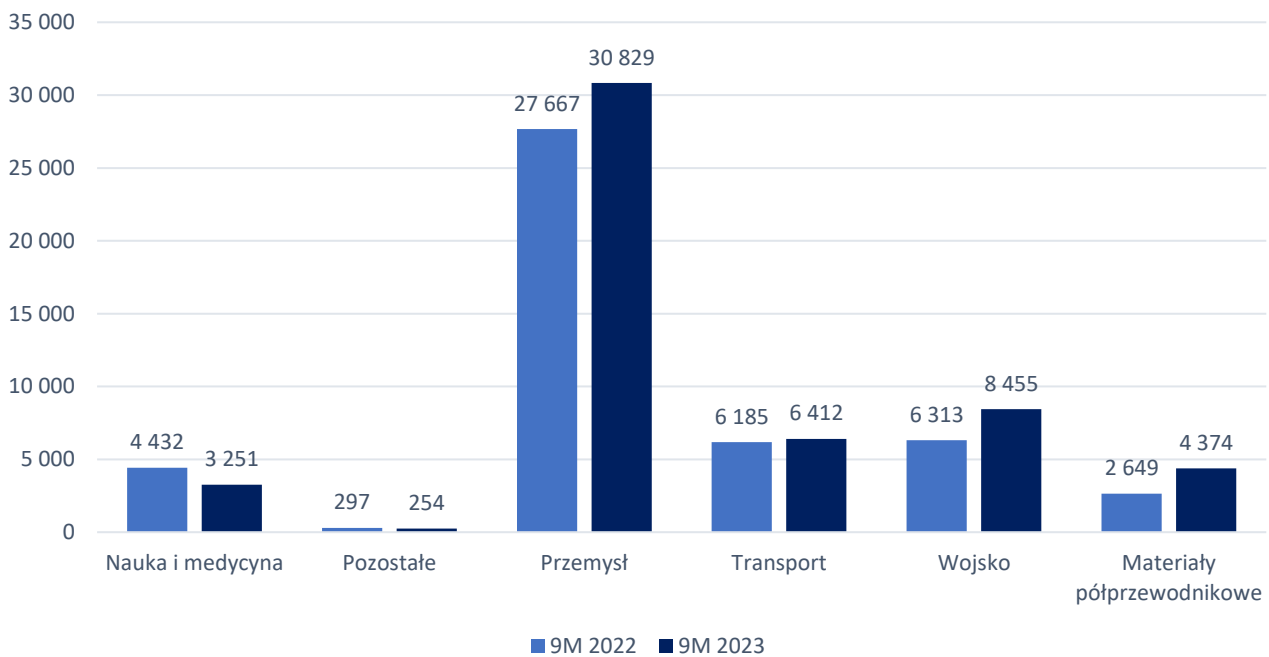
4 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4.1 Summary of activities of VIGO Photonics in the third quarter of 2023

In the third quarter of 2023, the Company recorded sales revenue of PLN 17.2 million, up 2.3% on the same period in 2022. On a year-to-date basis, the Company achieved sales of PLN 53.6 million, up 12.7% YoY.

The Company recorded the highest growth in the military segment (up 33.9% YoY), in the industrial segment (up 11.4% YoY) and in the transport segment (up 3.7% YoY).

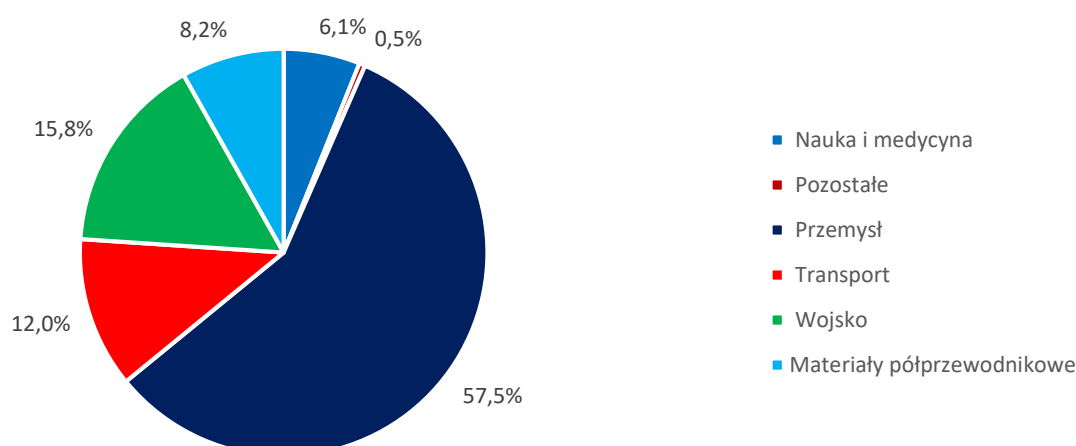
Chart1. Total sales for 9 months of 2022 and 2023 by application [PLN thousand]



The results for the 9 months of 2023 were driven by the following factors:

- Price increase made in early 2023 in response to rising production costs.
- The 33.9% increase in revenues in the military segment was caused by greater demand for the Company's products related to the increase in military spend in Poland and other European countries.

Chart 2 Total sales for 9 months of 2023 by application [%]



Until the end of Q3 2023, the status of implementation of significant agreements and orders was as follows:

- Agreement with a Caterpillar group company of 31 July 2023 with a value of EUR 3.7 million (information on the agreement was provided in current report No. 30/2023 of 31 July 2023) has been completed in 32.1%;
- Agreement with a German company of 4 May 2023 with a value of EUR 2.9 million (information on the agreement was provided in current report No. 12/2023 of 4 May 2023) has been completed in 40.4%.

4.1.1 Costs of core activities

The cost of goods and services sold for 9 months 2023 reached PLN 27.2 million, up 30.1% than in the corresponding period of 2022, which is mainly related to:

- Growing depreciation and amortisation costs caused by the purchase of new tangible assets and the adoption of new intangible assets (technology);
- Salary growth;
- An increase in the costs of materials and components, which is related to the limited availability of certain materials, as well as the increase in prices caused by the war in Ukraine.

Differences between standalone and consolidated data are presented below:

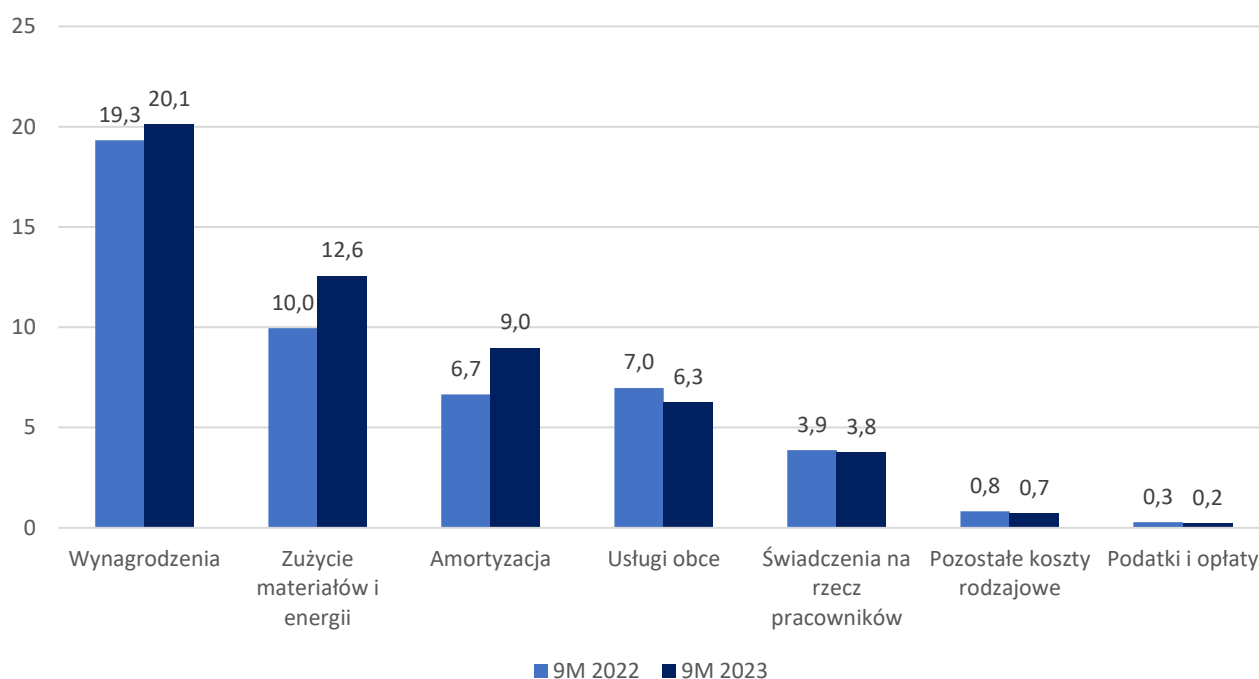
Items of the statement of comprehensive income for 01.01.2023-30.09.2023 (in PLN thousand)	Dr amount	Cr amount
Revenue elimination in the group	-1,405	-2,664
Elimination of the cost of production of products and services sold	- 1,124	-281
Elimination of the value of goods and materials sold		-264
Elimination of selling costs	-2,400	-37
Elimination of other operating income	-37	
Elimination of interest on loans granted	-118	-118

General and administrative expenses for 9 months of 2023 reached PLN 13.7 million, down 18.2% YoY.

Selling costs for 9 months of 2023 were PLN 7.0 million, down 18.2% YoY.

The Company's total operating costs for nine months of 2023 were PLN 47.9 million, up 3.6% YoY.

Chart 3 Costs by type [PLN million]



4.1.2 Profitability

Operating profit (EBIT¹) for 9 months of 2023 was PLN 8.7 million (up 77.2% YoY). Adjusted² EBITDA³ reached PLN 15.2 million, up 60.7% compared to 2022. Net profit for the 9 months of 2023 came in at PLN 7.1 million.

The main factors affecting the net profit change on a year-on-year basis were:

- An increase in depreciation/ amortisation costs of PLN 2.4 million (up 35.5% YoY)
- Recognition of a deferred tax asset in 2022 (PLN 6,276 thousand).

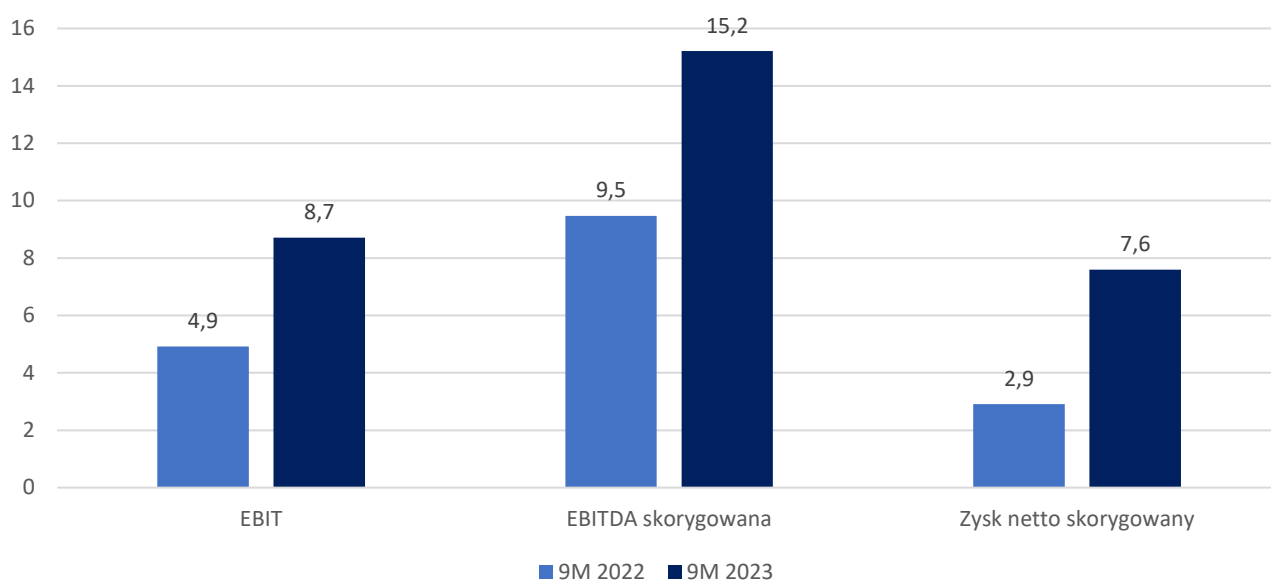
In order to ensure comparability of data with previous periods, the management report also contains net profit adjusted for non-recurring items (i.e. excluding the deferred tax asset) – the adjusted net profit for 9 months of 2023 is PLN 7.6 million, up 161.4% YoY.

¹ 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.

² Adjusted EBITDA is the sum of the result (profit/loss) on operating activities and depreciation increased by the settlement of grants and subsidies to tangible assets.

³ EBITA 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 presented and calculated EBITDA value is the sum of the result (profit/loss) on operating activities and depreciation.

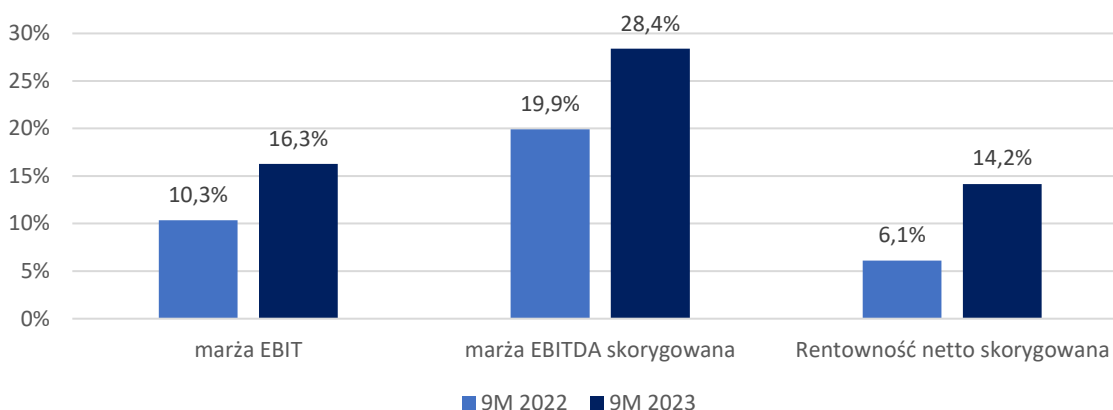
Chart 4 Financial results for 9 months of 2022 and 2023 [PLN million]



Specification (adjusted for non-recurring items)		9M 2023	9M 2022
EBIT	[PLN thousand]	8,714	4,917
Adjusted EBITDA	[PLN thousand]	15,211	9,468
Operating profit (loss)	[PLN thousand]	8,714	4,917
Depreciation/ amortisation	[PLN thousand]	9,023	6,659
Settlement of subsidies to grants and tangible assets	[PLN thousand]	-2,555	-2,137
Incentive scheme	[PLN thousand]	29	29
EBIT margin		16.3%	10.3%
Adjusted EBITDA margin		28.4%	19.9%
Adjusted net profit margin		14.2%	6.1%

For 9 months of 2023, net profit margin (based on adjusted profit) was 14.2%; adjusted EBITDA margin was 28.4%, while EBIT margin was 16.3%.

Chart 6 Profitability and margins earned for 9 months of 2022 and 2023 (%)



The difference in consolidated revenues for Q2 2023 results from the lack of elimination of inventories, revenues and costs of production of products sold from VIGO Photonics S.A. to VIGO Photonics Corp. USA, as recommended by the audit firm (presented in the table below). This fact did not change the Group's net profit for the second quarter of 2023.

Elimination of inventories	507	-507
Revenue elimination	-634	
Elimination of the cost of production of products and services sold	-507	-127
Total	-634	-634

4.2 Factors affecting the Group's performance in Q3 2023 and in subsequent periods

4.2.1 Short-term outlook

Based on the current order portfolio, the Company expects a significant increase in revenues in the fourth quarter of 2023, especially in the industrial and military segments.

The Company also expects to see accelerated growth in 2024, especially in the following segments:

- Industrial, which is related to the marketing of a new family of LN2 cooled products, as well as the strong demand for gas analysis detectors, especially on the American and Asian markets;
- Military, which is related to the increase in orders from key customers from the European market, as well as ongoing development projects for customers from the American market;
- Semiconductor materials – in connection with the launch of serial production of laser structures for a European customer and the existing pipeline of development projects for other clients.

4.2.2 Long-term outlook

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 in the perspective until 2026. This will be achieved by continued growth in the global photonics market, including by supporting the development of the market segments where the Company 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 Company focused 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.

In June 2021, the Company published the following strategic goals:

- 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.

Due to unfavorable changes in the macroeconomic environment, the Company did not achieve its goal for 2022.

However, the Company is currently implementing a number of growth initiatives that are intended to ensure a sustainable increase in sales revenues in the coming years.

2024-2026 Perspective

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

Accelerating sales growth under development initiatives that form the Company's core business (sales of infrared detectors and modules and semiconductor materials), by supporting operational activities throughout the value chain, in particular investments in the development of own sales structures in key markets and continued development of technologies and new products, in order to further strengthen the Company's position as a leading supplier of mid-infrared photon detectors and a supplier of semiconductor materials for applications in photonics and microelectronics.

Continuation of the project related to the development of infrared detector array technology for civilian and military applications and the launch of serial production of infrared detector arrays.

Implementation of a project related to the development of photonic integrated circuit technologies and their subsequent implementation into serial production as part of the PIC Initiative. The key project under this initiative is HyperPIC, for which the Company obtained a decision from the European Commission approving public aid of EUR 102.9 million. The decision on a grant for the Company and on its final amount will be taken as part of the competition procedure within the European Funds for a Modern Economy programme. The grant procedure will be available to the entities for which the European Commission has issued a positive decision regarding the eligibility for aid. The HyperPIC project will allow the Company to significantly scale its business by becoming a leading supplier of integrated mid-infrared sensor solutions.

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%.

Taking into account the investment needs arising from the implementation of the adopted Strategy, the Management Board decided to change the dividend policy, whereby the Management Board will recommend to the Company's General Meeting not to pay dividends during the Strategy implementation and to re-invest the generated profits to accelerate the Company's development.

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. The dividend policy will be subject to periodic reviews by the Management Board.

4.3 Other significant information

Impact of the war in Ukraine

In connection with the war in Ukraine, the Company has assessed its impact on the Group's activities and financial results.

In connection with the sanctions, the Company has noted additional risks associated with the supply of components manufactured in the Russian Federation. The value of components imported from Russia in 2021 was PLN 7.3 million. The Company has taken steps to find alternative suppliers.

The Company successfully completed the certification of a new supplier. In addition, the previous supplier moved its production outside of Russia. At this stage, the Company 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.

RoHS directive

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 January 2020, the Company submitted a request to the European Commission to extend the transitional period for medical devices, and for control and measurement devices.

In March 2022, a report⁴ ordered by the European Commission was published, containing an assessment of submitted requests for the extension of transitional periods. According to the report, the consultant recommends extending the possibility of using HgCdTe detectors in all three of the above-mentioned applications to 21 July 2028.

Additionally, in January 2023, the Company submitted a request to the European Commission to extend the transitional period control and measurement devices for industrial applications. Similar requests were also submitted by other manufacturers of equipment using HgCdTe detectors. The requests are now being considered.

4.4 Implementation of R&D projects

As part of the Group, the Company implements the following R&D projects (details of individual projects are provided in the Company's Annual Report for 2022⁵):

Ref.	Project	Agreement date	Project budget for the Company [PLN thousand]	Grant for the Company	Project implementation period
1.	PEMIR - development of mid-infrared detectors using plasmonic amplification	15.03.2021	1,115	836	01.03.2021 31.10.2023
2.	MIRPIC - new transparent electrodes for VCSEL lasers	22.02.2021	472	354	01.10.2020 30.09.2023

⁴ Available here: https://rohs.biois.eu/RoHS-Pack-21_Final-Report.pdf

⁵ Available here: <https://vigophotonics.com/pl/reports/jednostkowy-raport-roczny-za-2022-rok/>

Ref.	Project	Agreement date	Project budget for the Company [PLN thousand]	Grant for the Company	Project implementation period
3.	MATRIX - Integrated photonics circuit technologies for the mid-infrared range	25.05.2021	9,492	6,801	01.04.2021 31.03.2024
4.	INGAS WITH ASIC – Manufacture of InGaAs sensors with integrated ASIC electronics for the range of 1.7 - 2.6 μm	23.09.2021	12,650	8,521	01.01.2021 31.12.2023
5.	Polish matrix active in infrared for space applications	24.05.2021	9,374	6,218	01.01.2021 31.12.2023
6.	TRIAGE – Ultra-broadband infrared gas sensor for pollution detection	01.01.2021	1,967 (EUR 420,392.25)	1,377 (EUR 294,274.58)	01.01.2021 29.02.2024
7.	Photogenic - Photonics on Germanium - New Industrial Consortium	22.06.2022	6,230 (EUR 1,331,250.00)	6,230 (EUR 1,331,250.00)	01.10.2022 30.09.2025
8.	AI-Prism - AI Powered human-centred Robot Interactions for Smart Manufacturing	23.05.2022	1,122 (EUR 239,700.00)	785 (EUR 167,790.00)	01.10.2022 30.09.2025
9.	MINIBOT- Miniaturized Board-mountable Optical Transceiver for high data rate military satellite communications	02.12.2022	2,711 (EUR 609,098.84)	2,711 (EUR 609,098.84)	01.12.2022 30.11.2025
10.	OPMMEG – Optically- pumped magnetometer arrays for magnetoencephalography	04.11.2022	2,225 (EUR 500,000.00)	2,225 (EUR 500,000.00)	01.12.2022 30.11.2025
11.	IBAIA- Innovative environmental multisensing for waterbody quality monitoring and remediation assessment	30.11.2022	1,498 (EUR 336,625.00)	1,498 (EUR 336,625.00)	01.12.2022 30.11.2026
12.	BROMEDIR- Broadband MEMS- based infrared spectrometers: the core of a multipurpose spectral sensing photonic platform	17.11.2022	1,964 (EUR 441,375.00)	1,964 (EUR 441,375.00)	01.01.2023 30.06.2026
13.	LWIRPSBDA – Long wave detectors supported by dielectric antennas	14.06.2023	1,163	680	01.04.2023 31.03.2026

4.5 Seasonality and cyclicity of business

In its current operations, the Group has not observed any seasonality or cyclicity of its sales performance.

4.6 Impairment allowances

Change in inventory allowances

Specification (in PLN thousand)	Allowances on materials	Allowances on semi-finished products and work in progress	Allowances on goods	Total allowances on inventories
Status as at 01.01.2023	697	70	244	1,011
Increases in the period 01.01.2023–30.09.2023:	520	26	114	660
recognition of allowances in correspondence with other operating costs	520	26	114	660
Status as at 30.09.2023	1,219	96	358	1,671
Status as at 01.01.2022	417	20		437
Increases in the period 01.01.2022–30.09.2022:				
recognition of allowances in correspondence with other operating costs	370	55	216	641
Status as at 30.09.2022	787	75	216	1,078

4.7 Provisions

Provision for pensions and similar benefits

	As at:	As at:	As at:
	30.09.2022	31.12.2022	30.09.2022
Provisions for retirement and disability severance payments	205	187	186
Provisions for holiday leaves	2,422	1,950	2,446
Total, including:	2,627	2,138	2,632
- long-term	202	184	153
- short term	2,425	1,953	2,478

Changes in provisions for pensions and similar benefits

	Provisions for retirement and disability severance payments	Provisions for holiday leaves
As at 01.01.2023	187	1,950
Provisions raised	17	472
Balance as at 30.09.2023, including:	204	2,422
- long-term	201	
- short term	3	2,422
As at 01.01.2022	272	1,671
Provisions raised		280
Provisions released	84	
Balance as at 31.12.2022, including:	187	1,950
- long-term	184	
- short term	3	1,950
As at 01.01.2022	272	1,671
Provisions raised		775

	Provisions for retirement and disability severance payments	Provisions for holiday leaves
Provisions released	86	
Balance as at 30.09.2022, including:	186	2,446
- long-term	153	
- short term	32	2,446

Other provisions

	As at: 30.09.2023	As at: 31.12.2022	As at: 30.09.2022
Provision for remuneration	1,319	1,375	1,554
Provisions for warranty repairs and returns	580	584	598
Provision for the audit of financial statements		38	
Provision for probable future liabilities		3	18
Total, including:	1,898	2,000	2,170
- short term	1,898	2,000	2,170

Change in other provisions

	Provisions for warranty repairs and returns	Other provisions	Total
As at 01.01.2023	584	1,416	2,000
Recognised during the financial year	148	2	150
Released	152	99	251
Balance as at 30.09.2023, including:	580	1,319	1,898
- short term	580	1,319	1,898
As at 01.01.2022	607	2,336	2,943
Recognised during the financial year	20		20
Released	44	919	962
Balance as at 31.12.2022, including:	584	1,416	2,000
- short term	584	1,416	2,000
As at 01.01.2022	607	2,336	2,943
Recognised during the financial year	20	1,690	1,710
Released	29	2,454	2,483
Balance as at 30.09.2022, including:	598	1,572	2,170
- short term	598	1,572	2,170

Provision for employee bonuses

The Group recognised provisions (PLN 1,017 thousand) for remuneration related to the equalisation of the bonus for Q3 2023 due to employees under remuneration regulations, payable by the end of the month following the quarter for which the bonus is accounted for.

Provision for performance bonuses payable to Management Board members a given year

A provision of PLN 302 thousand was recognised for bonuses payable to Management Board members for three quarters of 2023 to be paid following the approval of the 2023 financial statements by the AGM.

Provision for costs of anticipated warranty repairs

The Group creates provisions for the costs of anticipated warranty repairs and returns of products sold in the last 3 financial years based on the level of warranty repairs and returns recorded in previous years. Most of these costs are expected to be incurred in the next financial year (and all of them within 3 years from the balance sheet date). The assumptions underlying

the calculation of the provision for warranty repairs and returns are based on current sales levels and available current information on returns, and a one-year warranty period for all products sold.

Provisions for retirement and disability severance payments, and holiday accruals

In the reporting period, the Group recognised provisions for retirement and disability severance payments, and holiday accruals of PLN 414 thousand.

4.8 Property, plant and equipment

In Q3 2023, tangible assets with a value of over PLN 6.43 million were purchased. These include machinery and equipment as well as construction works related to the reconstruction of the production plant, implementation of new technologies, purchase of a new reactor, increasing the level of automation of measurements and quality control.

4.9 Court disputes

No claim payments were made in relation to court cases in the reporting period. During three quarters of 2023 and until the date of publication of the report, no court, administrative or arbitration proceedings were/ are pending before a court, administrative or arbitration authority.

4.10 Correction of errors from previous periods

In the presented period, no corrections of errors from previous periods were made.

4.11 Outstanding loans and advances and breaches of credit agreements

The balance of loans outstanding as at 30 September 2023 is presented in the table below.

Lender and loan type	Loan amount under the agreement (PLN k/ EUR k)	Loan balance (PLN k/ EUR k)	Nominal interest rate	Maturity date
ING Bank Śląski - corporate FX investment loan	EUR 5,800	EUR 1,169	1M EURIBOR + margin	31.03.2026
ING Bank Śląski - corporate FX investment loan	EUR 3,600	EUR 1,284	1M EURIBOR + margin	31.12.2026
ING Bank Śląski - corporate FX investment loan	EUR 2,000	EUR 1,250	1M EURIBOR + margin	31.03.2026
ING Bank Śląski – technological investment loan in PLN	EUR 5,950	EUR 4,293	1M EURIBOR + margin	21.06.2028
ING Bank Śląski - working capital facility (overdraft)	EUR 5,500	EUR 2,243	1M EURIBOR + margin	possible extension

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
ING Bank Śląski - corporate FX investment loan	EUR 5,800	EUR 1,831	1M EURIBOR + margin	31.03.2026
ING Bank Śląski - corporate FX investment loan	EUR 3,600	EUR 1,670	1M EURIBOR + margin	31.12.2026
ING Bank Śląski - corporate FX investment loan	EUR 2,000	EUR 1,625	1M EURIBOR + margin	31.03.2026
ING Bank Śląski – technological investment loan in PLN	EUR 5,950	EUR 3,347	1M EURIBOR + margin	21.06.2028
ING Bank Śląski - working capital facility (overdraft)	EUR 5,500	EUR 2,050	1M EURIBOR + margin	possible extension

Bank loans as at 30.09.2022

Lender and loan type	Loan amount under the agreement (PLN k/ EUR k)	Loan balance (PLN k/ EUR k)	Nominal interest rate	Maturity date
ING Bank Śląski - corporate FX investment loan	EUR 5,800	EUR 2,051	1M EURIBOR + margin	31.03.2026
ING Bank Śląski - corporate FX investment loan	EUR 3,600	EUR 1,799	1M EURIBOR + margin	31.12.2026
ING Bank Śląski - corporate FX investment loan	EUR 2,000	EUR 1,750	1M EURIBOR + margin	31.03.2026
ING Bank Śląski – technological investment loan in PLN	PLN 6,000	PLN 667	1M WIBOR + margin	31.12.2022
ING Bank Śląski - corporate FX investment loan	EUR 5,950	EUR 2,913	1M EURIBOR + margin	21.06.2028
ING Bank Śląski - working capital facility (overdraft)	EUR 2,500	EUR 2,245	1M EURIBOR + margin	21.03.2023

Collateral for the above loans is described in Section 4.2.9 of the Annual Report for 2022.

Presented below are the covenants of active credit agreements that were breached as at 30 June 2023:

- Starting from the full calendar month following the date of signing the annex to the Agreement, the minimum inflows on all bank accounts in EUR maintained for the Client by the Bank, excluding the social fund account (if any) and excluding transfers and currency conversions between the Client's own accounts, reversals, proceeds from the purchase of receivables and credit drawdowns must not be lower than EUR 1,600,000.00 in each calendar month. The Bank is to test this covenant quarterly as of 1 January 2023.
- Throughout the Loan Period: the DSCR calculated as FCF (EBITDA less CIT, Net Investment Expenditures, Net Changes in Working Capital, Dividends and other payments to owners, Net Loans Granted and increased by Cash at the Beginning of the Period) to the amount of principal installments payable during the previous 12 months (or a shorter period if data from the last 12 months are not available) and the level of interest calculated on the basis of the last 12 months (or a shorter period if data from the last 12 months are not available) must not be lower than 1.2.

As at 30 September 2023, the valuation of loans in foreign currencies decreased by PLN 790 thousand, with the difference being recognised as financial income.

Other long-term liabilities

The Company has a long-term lease liability of PLN 787 thousand (2022: PLN 800 thousand).

Loans and guarantees granted

The Company did not grant any loans or guarantees to members of the Management Board or Supervisory Board.

4.12 Financial instruments

In the reporting period, no changes were made in the method of determining the fair value of financial instruments. In the reporting period, no changes were made in the classification of financial assets.

4.13 Changes in the principles of determining the value of assets and liabilities and measuring the financial result

No changes were made in the principles of determining the value of assets and liabilities and measuring the financial result.

4.14 Significant liabilities on account of purchase of tangible assets

In the reporting period, no significant liabilities were recognised on account of purchase of tangible assets.

4.15 Issue, redemption or repayment of non-equity and equity instruments

In the reporting period, no non-equity or equity securities were issued, redeemed or repaid

4.16 Dividend paid or declared

No dividend was paid in the period covered by this report.

4.17 Subsequent events that might affect the results.

Contracts in the military segment

On 31 August 2023, the Company signed an agreement with an entity from the PGZ Group for the supply of detectors for explosion suppression and fire extinguishing systems in tanks, combat vehicles and other vehicles for both military and civilian purposes. The agreement was concluded for a fixed period expiring on 31 December 2035. The value of the agreement will be a minimum of PLN 15.7 million, and the unit price of the products will be indexed to the inflation rate. In the Company's opinion, the turnover under the agreement is likely to be increased as the fire extinguishing system using VIGO detectors will be installed on additional military and civilian vehicles.

In turn, on 7 September 2023, during the International Defense Industry Exhibition in Kielce, the Company signed a letter of intent with PCO S.A. concerning cooperation aimed at developing innovative solutions tailored to the needs of the modern battlefield, in particular infrared matrices based on T2SL (Type II Superlattice) technology.

PCO is a leading manufacturer of high-class optoelectronic equipment, developing expertise in the field of new defense technologies. Among its products are thermal imaging cameras for military applications.

As part of the cooperation, VIGO and PCO will be able to effectively implement Polish semiconductor solutions for military infrared technology devices. The new generation products will provide new capabilities in a wide spectral range to Polish and allied armed forces in the area of imaging and sensors. The cooperation between VIGO and PCO will relate to the following areas: securing the supply chain; solutions for detecting threats on the battlefield, as well as preparing and implementing the technological strategy of both entities. The cooperation is expected to ensure that Polish matrices developed by VIGO are implemented into production and placed on the market, including as part of distribution through PCO. Implementation or production based on jointly developed technologies may only be undertaken by one of the parties or by another entity jointly determined by the parties.

The Company is currently in talks to agree detailed terms of commercial supply of matrices for the needs of the Polish military industry.

New co-financed project

On 20 October 2023, the Management Board received information that the Company's project "Long-wave cascade detectors for spectroscopy and FSO" ("Project") was put on the List of positively assessed projects in the first call for proposals for the Smart Path of the European Funds for a Modern Economy Programme.

A positive assessment of the project does not mean concluding a contract or granting funding. After completing the project assessment process, PARP started verification activities related to granting co-financing for positively assessed projects.

The total amount of eligible costs of the Project is PLN 13,958,559.25, while the grant amount is PLN 9,371,626.00, i.e. 67.14% of the total eligible costs.

The duration of the Project and the co-financing is 36 months. The Project starts on 1 October 2024.

The project envisages the implementation of an R&D module which will include industrial research and development work aimed at developing the technology of cascade infrared detectors and detection modules. The project will generate new products from the family of sensors: cascade detectors made of III-V materials with an active area from a type II superlattice, optimised for the long-wave infrared range $\geq 10.6 \mu\text{m}$, operating without cryogenic cooling, and detection modules based on them, i.e. cascade detectors integrated with amplifying and accompanying electronics. These will be:

- Detectors and detection modules with a long-wave immersion cascade detector for spectroscopy applications.
- Fast detectors and modules with a bandwidth of $\geq 3 \text{ GHz}$ with a long-wave immersive cascade detector.
- 32 element cascade detector lines and cascade detector line modules.

These will be new products intended mainly for foreign markets for manufacturers of optoelectronic systems. The final outcome of the project will be the development of all stages of detector technology.

Taking into account the value of the grant obtained, the Issuer estimates that it will be of significant importance from the point of view of the Issuer's financial position, strategy implementation and development prospects.

The Project is a continuation of the implementation of the Company's Strategy for 2021–2026, as announced in Current Report No. 12/2021 on 16 June 2021.

4.18 Contingent liabilities and contingent assets

The Company has no contingent assets. Contingent liabilities were described in detail in the Annual Report for 2022 and in the Half-Yearly Report for 2023.

4.19 Operating segments

Specification 01.01.2023 - 30.09.2023		Continued operations		Total
		Detection modules	Semiconductor materials	
Segment income	including:	53,901	5,226	59,127
	Revenue from sales	49,180	4,396	53,576
	Other operating income	4,720	831	5,551
Segment costs	including:	46,695	3,716	50,411
	Cost of products, services and materials sold	24,347	2,840	27,187
	Selling costs	6,649	305	6,954
	General and administrative expenses	13,177	571	13,748
	Other operating costs	2,522	0	2,522
Segment's profit/(loss).		46,695	3,716	50,411
Profit/(loss) from continued operations before tax and financial income (costs)		24,347	2,840	27,187
Interest income		6,649	305	6,954
Interest expense		13,177	571	13,748
Significant items of income		2,522	0	2,522
Significant cost items disclosed		7,204	1,510	8,714
Profit/(loss) before tax		46,695	3,716	50,411
Income tax		24,347	2,840	27,187
Profit (loss) after tax		6,649	305	6,954
Total assets		209,301	58,445	267,746
Segment assets		209,301	58,445	267,746
Total liabilities		79,383	42,091	121,474
Segment liabilities		79,383	42,091	121,474
Other segment information				
Capital expenditure		88,996	40,527	129,523
- tangible assets		75,450	38,823	114,273
- intangible assets		13,546	1,704	15,250
Depreciation/ amortisation		8,111	912	9,023

Specification 01.01.2022 - 31.12.2022	Continued operations		Total
	Detection modules	Semiconductor materials	
including:	71,494	4,650	76,144
Revenue from sales	63,725	4,149	67,874
Other operating income	7,769	502	8,270
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
Segment's profit/(loss).	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
Profit/(loss) before tax	7,724	-40	7,684
Income tax	-465		-465
Profit (loss) after tax	7,259	-40	7,219
Total assets	168,010	50,898	218,908
Segment assets	168,010	50,898	218,908
Total liabilities	76,528	38,963	115,491
Segment liabilities	76,528	38,963	115,491
Other segment information			
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 01.01.2022 - 30.09.2022	Continued operations		Total
	Detection modules	Semiconductor materials	
including:	50,692	3,044	53,736
Segment income			
Revenue from sales	44,893	2,649	47,543
Other operating income	5,799	395	6,193
including:	45,975	2,843	48,819
Segment costs			
Cost of products, services and materials sold	19,511	1,387	20,899
Selling costs	8,415	85	8,500
General and administrative expenses	16,277	536	16,813
Other operating costs	1,772	835	2,607
Segment's profit/(loss).	4,717	201	4,917
Profit/(loss) from continued operations before tax and financial income (costs)	4,717	201	4,917
Interest income			
Interest expense	88	224	312
Significant items of income	75	0	75

Specification 01.01.2022 - 30.09.2022	Continued operations		Total
	Detection modules	Semiconductor materials	
Significant cost items disclosed	951	779	1,730
Profit/(loss) before tax	3,752	-802	2,950
Income tax	-6,230	0	-6,230
Profit (loss) after tax	9,982	-802	9,179
Total assets	201,414	51,307	252,721
Segment assets	201,414	51,307	252,721
Total liabilities	77,928	34,330	112,258
Segment liabilities	77,928	34,330	112,258
Other segment information			
Capital expenditure	91,230	37,386	128,615
- tangible assets	78,273	35,669	113 94 1
- intangible assets	12,957	1,717	14,674
Depreciation/ amortisation	6,508	151	6,659

4.20 Consolidation adjustments

Items of the statement of financial position for 01.01.2023-30.09.2023 (in PLN thousand)	Dr amount	Cr amount
Elimination of loans	-5,246	
Elimination of trade receivables	-1,091	- 272
Elimination of inventories	860	-860
Elimination of financial liabilities		-5,246
Elimination of trade liabilities	-272	-1,091
Total	-5,749	-7,469
Items of the statement of comprehensive income for 01.01.2023-30.09.2023 (in PLN thousand)	Dr amount	Cr amount
Revenue elimination in the group	-1,405	-2,191
Elimination of the cost of production of products and services sold	- 1,124	-281
Elimination of the value of goods and materials sold		-264
Elimination of selling costs	-1,927	-37
Elimination of other operating income	-37	
Elimination of interest on loans granted	-118	-118
Total	-4,612	-2,891
Total consolidation adjustments	-10,361	-10,361

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 loans	-3,575	
Elimination of trade receivables	-1,716	-207

Items of the statement of financial position for 01.01.2022-31.12.2022 (in PLN thousand)	Dr amount	Cr amount
Elimination of inventories	3,241	-3,296
Elimination of financial liabilities		-3,575
Elimination of trade liabilities	-207	-1,716
Total	-2,798	-9,335
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
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
Total	-7,957	-1,420
Total consolidation adjustments	-10,755	-10,755
Items of the statement of financial position for 01.01.2022-30.09.2022 (in PLN thousand)	Dr amount	Cr amount
Elimination of financial receivables	4,127	
Elimination of trade receivables	1,396	487
Elimination of inventories	-1,737	2,171
Elimination of financial liabilities		4,127
Elimination of trade liabilities	487	1,396
Total	4,273	8,182
Items of the statement of comprehensive income for 01.01.2022-30.09.2022 (in PLN thousand)	Dr amount	Cr amount
Revenue elimination in the group	2,171	994
Elimination of the cost of production of products and services sold	1,737	
Elimination of selling costs	994	
Elimination of financial income	675	
Elimination of financial costs		675
Total	5,578	1,670
Total consolidation adjustments	9,852	9,852

4.21 Related party transactions

In the reporting period, the Company granted loans to related parties. Their carrying amount as at 30 September 2023 was PLN 4,748 thousand.

Commercial transactions with VIGO Photonics USA:

- Sale of products of PLN 1,442 thousand.
- The current costs of the period include a contractual commission on sales of PLN 1,980 thousand.

Ożarów Mazowiecki, 15 November 2023.

Adam Piotrowski		Łukasz Piekarski		Marcin Szrom		Sylwia Wiśniewska-
Management	Board	Management	Board	Management	Board	Filipiak
President		Member		Member		Chief Accountant