

# **Interim condensed consolidated financial statements of the Silvair, Inc. Group**

Kraków, 28 September 2022

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# General information

## Parent company

|   |   |
|---|---|
| Name:   | Silvair, Inc.   |
| Changes to identification data that occurred after the end of the previous reporting period:                                      | None  |
| Headquarters:   | San Francisco, USA  |
| Registered office:  | 717 Market Street, Suite 100, San Francisco, CA 94103, USA                                |
| Primary place of business:  | United States of America  |
| Core business:  | IT business   |
| Legal form:   | American law company (Inc.)   |
| Country of registration:  | USA   |
| Registration authority:   | Secretary of State,<br>Delaware Department of State,<br>Delaware Corporate Number 5543093 |
| EIN:<br>(Employer Identification Number)  | 43-2119611  |
| Company's duration:   | Unlimited   |
| Name of the group's parent company:   | Silvair, Inc.   |
| Name of the group's ultimate parent company:  | Silvair, Inc.   |
| End date of the reporting period:   | 2022-06-30  |
| Period covered by financial statements:   | from 01 January 2022 to 30 June 2022  |
| Presentation currency:  | US Dollar (USD)   |
| Level of rounding used in financial statements:   | all amounts, unless indicated otherwise, are expressed in thousands of USD ("USD '000s")  |
| LEI code  | 549300Q23N6B0O12P505  |
| Explanation of changes in the reporting entity's name or other identification data since the end of the previous reporting period | Did not occur   |

## Group's business

The Issuer is the parent company of the Group operating in the field of new technologies focusing on the Internet of Things (IoT). The Group has developed an innovative technology for wireless communication of devices in the mesh topology, and is currently commercializing - in the global market - its product in the form of software and services with particular focus on smart lighting systems.

The Group's strategic goal is to achieve a leading position on the market of modern technological solutions for the IoT that are based on the Bluetooth Mesh standard. The main factor contributing to the Group's competitive advantage is its participation and the role it plays in the Bluetooth Special Interest Group (Bluetooth SIG), an organization supervising the development of standards. In 2014, the organization formed a task force under the name Mesh Working Group, aiming to develop a new version of the Bluetooth protocol that would support wireless exchange of data in the mesh network topology. The Group has made a significant contribution to the work of this organization, both in the intellectual and organizational dimension, and many of the solutions developed earlier by the Issuer have been adopted to the protocol specification, becoming the foundation of the new Bluetooth Mesh standard published by the Bluetooth SIG in 2017.

The Group's market expansion is based on the following products: Silvair Mesh Stack, i.e. firmware to be installed directly in devices forming part of smart lighting infrastructure, and a technology and service platform named Silvair Platform which is designed to be implemented in commercial buildings

The Group enables component manufacturers to quickly integrate Silvair Firmware into their devices without incurring significant costs related to the independent development of the appropriate technology. This in turn allows them to quickly enter the market of wireless lighting control solutions, the share of which in the global lighting market is steadily growing, and which are already today widely regarded as the future of the lighting industry. The tools for commissioning and managing wireless lighting control systems, which the Company provides to its partners as part of the Silvair Platform, set new trends in the lighting control sector. They allow users to commission and manage the network from the level of applications that are available for commonly used mobile devices (smartphones, tablets). Using the innovative approaches provided by the Bluetooth Mesh standard, the Group has introduced a number of user-friendly solutions that significantly facilitate network commissioning and management, which in turn accelerates the entire process and considerably reduces the cost of commissioning of a lighting control system.

The Group also develops tools that allow the analysis and use of data generated by lighting infrastructure - including both operational data related to the current functioning of the installation (Connected Lighting), as well as data generated by sensors that are part of the lighting infrastructure (Building Intelligence). The said tools allow the provision of innovative services that can be offered, among others, in a subscription model. Appropriately processed operational data related to the current functioning of the lighting installation make it easier for commercial space managers to automate the processes related to the management of lighting infrastructure, which directly translates into maintenance costs reduction (through i.a. automatic monitoring of the condition of devices, monitoring of the level of electricity consumption, or automation of mandatory emergency lighting tests).

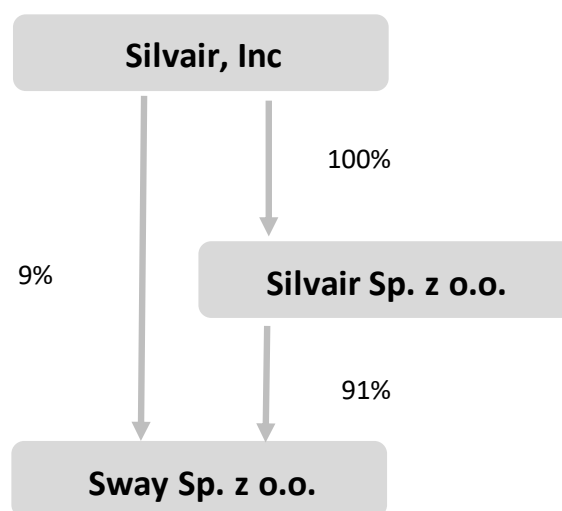
On the other hand, the use of data generated by sensors that are part of the lighting infrastructure gives managers and owners a detailed insight into the processes taking place inside their properties, which allows for using the available resources in a more efficient way and increasing the quality of services provided to tenants and occupants of commercial spaces. In particular, such data can be used, among others, to: monitor the occupancy of commercial spaces (for example to optimize space utilization or enable more efficient

management of HVAC infrastructure), enable radio location of resources on a floor plan (to optimize warehouse logistics or enable faster identification and finding of key resources, e.g. medical apparatus in hospitals), or to navigate people through indoor spaces.

The Group's business activity covers the global market, and in particular the markets of North America and Europe.

## Silvair, Inc. Group

The Group's structure as at 30 June 2022.



## Functional and presentation currency

The interim condensed consolidated financial statements are presented in the US dollar (USD), which is the Parent Company's functional currency and the Group's presentation currency; unless otherwise stated, all amounts are expressed in thousands of American dollars ("USD '000s").

For each subsidiary, functional currency is determined and the assets and liabilities of the subsidiary are measured in that functional currency. The Group uses the direct consolidation method, which entails translation of the financial statements of its subsidiaries directly into the functional currency of the ultimate parent company, and it has chosen a method of recognizing translation gains and losses that is consistent with this method.

The Group uses the average USD/PLN exchange rate of the National Bank of Poland as the immediate exchange rate. The results and the financial position of all the Group entities, whose functional currencies differ from the presentation currency, are translated into the presentation currency as follows:

- assets and liabilities in each statement of financial position are translated at the closing exchange rate in effect on that balance sheet date;
- income and expenses in each statement of comprehensive income are translated at average exchange rates (unless the average exchange rate is not a satisfactory approximation of the cumulative effect of exchange rates on the transaction dates – in such a case, income and expenses are translated at the exchange rates in effect on the relevant transaction dates);



- equity of subsidiaries and interests in subsidiaries are excluded for consolidation purposes at the historical exchange rate as at the date of taking up the shares; and
- any resulting foreign exchange differences are cumulatively recognized in other comprehensive income as a separate component of equity.

### **Presentation periods**

The interim condensed consolidated financial statements were prepared as at 30 June 2022 and cover the period of 6 months, i.e. from 1 January 2022 to 30 June 2022.

For the data presented in the interim condensed consolidated statement of financial position and off-balance sheet items, comparative financial data were presented as at 30 June 2021 and as at 31 December 2021.

For the data presented in the interim condensed consolidated: profit and loss account with the consolidated statement of comprehensive income, statement of changes in equity and cash flow statement, comparative financial data were presented for the period from 1 January 2021 to 30 June 2021.

### **Going concern assumption**

The interim condensed consolidated statements have been drawn up based on the going concern assumption for the foreseeable future.

The first half of 2022 brought a further expected increase of the most important indicators reflecting the level of adoption of the Group's solutions by the lighting industry. The Group continues to perceive the number of devices installed using Silvair Commissioning tools as the most important of these indicators, since it is the most accurate representation of the actual use of smart components with Silvair Firmware in commercial lighting projects. Important milestones achieved after the end of the reporting period - almost 10,000 devices installed in a single month, over 100,000 devices installed since the beginning of commercialization, and almost 200,000 devices manufactured (with the activation fee already paid) since the beginning of commercialization - show that the dynamic upward trend does not seem to be threatened today and it will certainly be continued in the coming quarters and years.

Based on the above-mentioned indicators and numerous signals coming from the market (including declarations of partners regarding future production volumes, participation of partners in large tenders for mass modernization of lighting infrastructures, positive reception of Silvair technology at LightFair International, and many others), it can be assumed that the Silvair Group is today on the threshold of a completely new chapter in its history. A significant risk and, at the same time, the greatest challenge for the coming quarters will be the appropriate scaling of the business in order to smoothly meet the growing demand for Silvair's products. This challenge should be considered both from the point of view of the scalability of the business itself and from the point of view of technological capacity in terms of supporting the expected dynamic increase in sales. It is necessary to undertake appropriate preparations in the field of human resources and logistics (e.g. due to the need to ensure an appropriate level of customer support for partners amid a growing number of inquiries and interactions), as well as in the product field. It is also necessary to ensure failure-free operation of the key product infrastructure in the event of a rapid increase in the number of active users and the volume of processed data. Therefore, the Group has already initiated a number of activities aimed at providing installers and partners with a range of diagnostic tools, which will allow for quick resolution of potential installation problems without the need to involve the Group's product and support teams.

It is also worth noting that the Group reports dynamic business growth despite the war in Ukraine and the continuing adverse effects of the COVID-19 pandemic. In the context of the effects of the pandemic itself, the biggest challenge today is the availability of semiconductors used on a large scale in many areas of the economy, including the production of components for wireless lighting control systems. In the context of the war in Ukraine, although the Group does not sell its products to the Russian market, the escalation of geopolitical tensions may have an indirect negative impact on the pace of the Group's business development. At the same time, the high energy efficiency of Silvair solutions becomes particularly important in times of unprecedented increase in energy prices, and the expected long-term nature of this increase may lead to a growth of interest in the Group's products.

In the context of the above-mentioned factors, the prospects for the development of the Group's business in the coming years seem very promising. This also has a positive effect on the investment climate around the Group and the process of raising capital to finance its further operations. On 9 June 2022, the Company's Board of Directors adopted a resolution approving incurring liabilities up to a total nominal amount of USD 3.0 million in the form of an issue of debt securities convertible into common shares of the Company's new issue (Convertible Promissory Notes). As part of this issue, by the date of publication of this report, the Company has issued Convertible Securities in the total amount of USD 1.25 million.

### **Composition of the corporate bodies of the Parent Company as at 30 June 2022.**

#### **Board of Directors:**

Szymon Słupik — President

Adam Gembala — Vice-President,  
Secretary and Treasurer

Rafał Han — Director

Paweł Szymański — Director

Christopher Morawski — Director

#### **Officers:**

Rafał Han — Chief Executive Officer (CEO)

Szymon Słupik — Chief Technology Officer (CTO)

Adam Gembala — Chief Financial Officer (CFO)

As at the publication date, the composition of the Parent company's corporate bodies remained unchanged.

### **Consolidation**

Silvair, Inc. is the Group's parent company preparing interim condensed consolidated financial statements. The reporting entity Silvair, Inc. is, at the same time, the ultimate parent company that prepares consolidated financial statements

As at 30 June 2022, as at 30 June 2021, and as at 31 December 2021, consolidation encompasses Silvair, Inc. and two subsidiaries: Silvair Sp. z o.o. and Sway Sp. z o.o.

As at 30 June 2022, as at 30 June 2021, and as at 31 December 2021, Silvair, Inc. held directly 100% shares in Silvair Sp. z o.o., as well as 9% shares directly and 91% shares indirectly – through Silvair Sp. z o.o. – in Swap Sp. z o.o.

The financial data of the subsidiaries, after taking into consideration adjustments introduced to make them compliant with IFRS, are prepared for the same reporting period as the statements of the Parent Company, applying consistent accounting principles, based on uniform accounting principles applied for transactions and similar economic events. IFRS conversion adjustments are made in order to eliminate any discrepancies in the application of accounting policies.

Silvair, Inc. verifies whether or not it has control over other entities if an event occurs that indicates a change of one or more of the above conditions of control. Any significant balances and transactions between the Group's entities, including unrealized profit from intra-Group transactions, have been fully eliminated.

## Selected financial data

Average USD to EUR exchange rates in the periods covered by the interim consolidated financial statements are calculated as a quotient of the EUR/PLN and USD/PLN exchange rates published by the National Bank of Poland.

Average USD/EUR exchange rates in the periods covered by the interim condensed consolidated financial statements:

| Reporting period        | Average exchange rate in the period | Minimum exchange rate in the period | Maximum exchange rate in the period | Exchange rate as at the last day of the period |
|-------------------------|-------------------------------------|-------------------------------------|-------------------------------------|--|
| 01.01.2022 - 30.06.2022 | 1,0862                              | 1,0408                              | 1,1472                              | 1,0442   |
| 01.01.2021 - 30.06.2021 | 1,2025                              | 1,1727                              | 1,2294                              | 1,1886   |
| 01.01.2021 - 31.12.2021 | 1,1811                              | 1,1208                              | 1,2294                              | 1,1329   |

Average USD/PLN exchange rates in the periods covered by the interim consolidated financial statements:

| Reporting period        | Average exchange rate in the period | Minimum exchange rate in the period | Maximum exchange rate in the period | Exchange rate as at the last day of the period |
|-------------------------|-------------------------------------|-------------------------------------|-------------------------------------|--|
| 01.01.2022 - 30.06.2022 | 0,2340                              | 0,2187                              | 0,2550                              | 0,2231   |
| 01.01.2021 - 30.06.2021 | 0,2644                              | 0,2520                              | 0,2736                              | 0,2629   |
| 01.01.2021 - 31.12.2021 | 0,2580                              | 0,2387                              | 0,2736                              | 0,2463   |

The individual items of assets and liabilities and equity in the interim condensed consolidated statement of financial position have been translated using an exchange rate calculated as a quotient of the EUR/PLN and USD/PLN exchange rates published by the National Bank of Poland in effect on the last day of the period.

The individual items of the interim condensed consolidated profit and loss account and the consolidated cash flow statement have been translated using an exchange rate calculated as a quotient of the exchange rates constituting an arithmetical mean of the average EUR/PLN and USD/PLN exchange rates published by the National Bank of Poland as at the last day of each month in the reporting period.

**Selected financial data translated as at the balance sheet date:**

**For line items of the profit and loss account and the cash flow statement**

| Item   | USD                        |                            |                            | EUR                        |                            | PLN                        |
|--|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
|  | 01.01.2022<br>- 30.06.2022 | 01.01.2021<br>- 30.06.2021 | 01.01.2022<br>- 30.06.2022 | 01.01.2021<br>- 30.06.2021 | 01.01.2022<br>- 30.06.2022 | 01.01.2021<br>- 30.06.2021 |
| Net revenue on the sale of products, goods and materials | 515                        | 266                        | 474                        | 220                        | 2 201                      | 1 006                      |
| Operating profit (loss)                                  | -1 007                     | -1 138                     | -927                       | -941                       | -4 303                     | -4 304                     |
| Profit (loss) before tax                                 | -1 890                     | -1 386                     | -1 740                     | -1 146                     | -8 077                     | -5 242                     |
| Profit (loss) of the period                              | -1 855                     | -1 584                     | -1 708                     | -1 310                     | -7 927                     | -5 991                     |
| Net cash flows from operating activities                 | -282                       | -500                       | -260                       | -414                       | -1 205                     | -1 891                     |
| Net cash flows from investing activities                 | -835                       | -921                       | -769                       | -762                       | -3 568                     | -3 483                     |
| Net cash flows from financing activities                 | 933                        | -40                        | 859                        | -33                        | 3 987                      | -151                       |
| Total net cash flows                                     | -184                       | -1 461                     | -170                       | -1 209                     | -786                       | -5 525                     |

**For items of the statement of financial position**

| Item  | USD        |            | EUR        |            | PLN        |            |
|---|------------|------------|------------|------------|------------|------------|
|   | 30.06.2022 | 31.12.2021 | 30.06.2022 | 31.12.2021 | 30.06.2022 | 31.12.2021 |
| Total assets  | 11 679     | 12 641     | 11 185     | 11 159     | 52 349     | 51 324     |
| Liabilities and provisions for liabilities                    | 4 531      | 3 635      | 4 339      | 3 209      | 20 309     | 14 758     |
| Non-current liabilities                                       | 1 262      | 316        | 1 209      | 279        | 5 657      | 1 283      |
| Current liabilities   | 3 269      | 3 319      | 3 131      | 2 930      | 14 653     | 13 475     |
| Equity attributable to the shareholders of the parent company | 7 148      | 9 006      | 6 845      | 7 950      | 32 039     | 36 565     |
| Share capital   | 1 574      | 1 558      | 1 507      | 1 375      | 7 055      | 6 326      |
| Number of shares  | 15 740 645 | 15 583 106 | 15 740 645 | 15 583 106 | 15 740 645 | 15 583 106 |
| Weighted average number of shares                             | 15 731 114 | 13 608 994 | 15 731 114 | 13 608 994 | 15 731 114 | 13 608 994 |
| Earnings (loss) per share<br>(in USD, EUR and PLN)            | -0,12      | -0,23      | -0,11      | -0,19      | -0,51      | -0,88      |
| Book value per share<br>(in USD, EUR and PLN)                 | 0,45       | 0,58       | 0,43       | 0,51       | 2,04       | 2,35       |

## Representation by the Board of Directors

The scope of these condensed consolidated financial statements, which are part of the semi-annual report, complies with the requirements of International Accounting Standard no. 34 "Interim Financial Reporting" approved by the EU ("IAS34").

The scope of the interim condensed consolidated financial statements, which are part of the semi-annual report, complies with the Finance Minister's Regulation of 29 March 2018 on the current and periodic information transmitted by securities issuers and the conditions for recognizing the information required by the regulations of a non-member state as equivalent (consolidated text: Journal of Laws of 2018, Item 757) ("Regulation"), and covers the half-year reporting period from 1 January 2022 to 30 June 2022 and the comparative period from 1 January 2021 to 30 June 2021 for the interim consolidated profit and loss account with the consolidated statement of comprehensive income, the interim consolidated cash flow statement, and the interim consolidated statement of changes in equity, respectively, however the last-mentioned statement additionally presents data for the comparative period from 1 January to 31 December 2021. The data of the interim consolidated statement of financial position are presented as at 30 June 2022, together with comparative data as at 31 December 2021 and as at 30 June 2021.

Silvair, Inc. Group informs that the representations by the Board of Directors regarding preparation and publication of these condensed consolidated financial statements for the period from 1 January 2022 to 30 June 2022 are presented in the Report of the Board of Directors of Silvair, Inc. on the activity of the Silvair, Inc. Group for the first half of 2022.

**Interim condensed  
consolidated  
financial statements  
of Silvair, Inc. Group**

## Interim consolidated statement of financial position

| (amounts in USD thousand)                    | Note<br>no. | 30 June 2022  | 31 December 2021 | 30 June 2021  |
|--|-------------|---------------|------------------|---------------|
| <b>Non-current assets</b>                    |             | <b>10 233</b> | <b>11 019</b>    | <b>11 419</b> |
| Capitalized expenditures on development work | 1           | 9 660         | 10 430           | 10 917        |
| Computer software                            | 2           | 55            | 60               | 65            |
| Property, plant and equipment                | 3           | 14            | 13               | 17            |
| Right-of-use assets                          | 3.7         | 36            | 83               | 35            |
| Financial assets                             | 4           | 6             | 6                | 7             |
| Deferred tax assets                          | 5           | 462           | 427              | 378           |
| <b>Current assets</b>                        |             | <b>1 446</b>  | <b>1 622</b>     | <b>1 612</b>  |
| Inventory                                    | 6           | 3             | 2                | 5             |
| Trade receivables and other receivables      | 7÷10        | 366           | 359              | 249           |
| Cash and cash equivalents                    | 11          | 1 077         | 1 261            | 1 358         |
| <b>Total assets</b>                          |             | <b>11 679</b> | <b>12 641</b>    | <b>13 031</b> |



| (amounts in USD thousand)  | Note no. | 30 June 2022  | 31 December 2021 | 30 June 2021  |
|--|----------|---------------|------------------|---------------|
| <b>Equity</b>  |          | <b>7 148</b>  | <b>9 006</b>     | <b>7 441</b>  |
| <b>Equity attributable to the shareholders of the parent company</b> |          | <b>7 148</b>  | <b>9 006</b>     | <b>7 441</b>  |
| Share capital  | 12       | 1 574         | 1 558            | 1 350         |
| Capital from revaluation of options                                  | 13       | 506           | 537              | 576           |
| Share premium account  | 14.2     | 28 106        | 27 937           | 24 861        |
| Other capital  | 14.3     | 208           | 365              | 554           |
| Retained earnings  | 15       | -23 246       | -21 391          | -19 900       |
| <b>Equity attributable to non-controlling entities</b>               |          | <b>-</b>      | <b>-</b>         | <b>-</b>      |
| <b>Non-current liabilities</b>                                       |          | <b>1 262</b>  | <b>316</b>       | <b>2 562</b>  |
| Deferred tax liabilities   | 17       | 14            | 16               | 18            |
| Liabilities on bonds convertible to shares                           | 20.1.1   | 1 003         | -                | 2 192         |
| Prepayments and accruals related to grants                           | 21       | 245           | 300              | 352           |
| <b>Current liabilities</b>   |          | <b>3 269</b>  | <b>3 319</b>     | <b>3 028</b>  |
| Trade liabilities and other current liabilities                      | 19       | 313           | 353              | 431           |
| Liabilities from contracts with customers                            | 20.4     | 204           | 183              | 155           |
| Lease liabilities  | 18.1     | 39            | 83               | 35            |
| Liabilities on bonds convertible to shares                           | 20.1.1   | 2 297         | 2 245            | 1 888         |
| Other short-term provisions  | 20.3     | 49            | 50               | 87            |
| Prepayments and accruals   | 21       | 367           | 405              | 432           |
| <b>Equity and liabilities</b>  |          | <b>11 679</b> | <b>12 641</b>    | <b>13 031</b> |

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

## Interim consolidated profit and loss account with consolidated statement of comprehensive income

| Interim consolidated profit and loss account<br>(amounts in USD thousand) | Note<br>no. | 01.01.2022<br>– 30.06.2022 | 01.01.2021<br>– 30.06.2021 | 01.04.2022<br>– 30.06.2022* | 01.04.2021<br>– 30.06.2021* |
|---|-------------|----------------------------|----------------------------|-----------------------------|-----------------------------|
| Revenue   | 22          | 515                        | 266                        | 255                         | 124                         |
| Cost of sales   |             | 551                        | 541                        | 268                         | 272                         |
| Gross sales result  |             | -36                        | -275                       | -13                         | -148                        |
| Selling and distribution expenses   |             | 274                        | 159                        | 142                         | 38                          |
| General and administrative expenses                                       |             | 714                        | 722                        | 340                         | 415                         |
| Other operating income  | 24          | 41                         | 38                         | 16                          | 11                          |
| Other operating expenses  | 25          | 9                          | 14                         | 8                           | 1                           |
| Losses on account of expected credit losses                               | 25          | 15                         | 6                          | 15                          | 6                           |
| Operating result  |             | -1 007                     | -1 138                     | -502                        | -597                        |
| Financial income  | 27          | -                          | -                          | -                           | 506                         |
| Financial costs   | 28          | 883                        | 248                        | 461                         | 52                          |
| Result before tax   |             | -1 890                     | -1 386                     | -963                        | -143                        |
| Income tax  | 29          | -35                        | 198                        | -12                         | 215                         |
| Net profit/(loss) for the period  |             | -1 855                     | -1 584                     | -951                        | -358                        |
| Profit/(loss) attributable to:  |             |                            |                            |                             |                             |
| shareholders of the parent company  |             | -1 855                     | -1 584                     | -951                        | -358                        |
| non-controlling interest  |             | -                          | -                          | -                           | -                           |

|  |    | 01.01.2022<br>– 30.06.2022 | 01.01.2021<br>– 30.06.2021 | 01.04.2022<br>– 30.06.2022* | 01.04.2021<br>– 30.06.2021* |
|--|----|----------------------------|----------------------------|-----------------------------|-----------------------------|
| Net earnings/(loss) per share (in USD)       | 16 | -0,12                      | -0,12                      | -0,06                       | -0,03                       |
| Diluted earnings/(loss) per share (in USD)** |    | -0,10                      | -0,09**                    | -0,05                       | -0,02                       |

\* Unaudited data

\*\* Updated amount after recalculation in the period

| Annual consolidated statement of other comprehensive income<br>(amounts in USD thousand) | 01.01.2022<br>– 30.06.2022 | 01.01.2021<br>– 30.06.2021 | 01.04.2022<br>– 30.06.2022* | 01.04.2021<br>– 30.06.2021* |
|--|----------------------------|----------------------------|-----------------------------|-----------------------------|
| Net profit/(loss) for the period   | -1 855                     | -1 584                     | -951                        | -44                         |
| Other comprehensive income   | -157                       | 21                         | -249                        | -69                         |
| Other comprehensive income to be reclassified to result in the future                    | -157                       | 21                         | -249                        | -69                         |
| Foreign exchange differences from translation of foreign operations                      | -157                       | 21                         | -249                        | -69                         |
| Other comprehensive income not to be reclassified to result in the future                | -                          | -                          | -                           | -                           |
| Total comprehensive income   | -2 012                     | -1 563                     | -1 200                      | -113                        |
| Total comprehensive income attributable to:  |                            |                            |                             |                             |
| Shareholders of the parent company   | -2 012                     | -1 563                     | -1 200                      | -113                        |
| Non-controlling interest   | -                          | -                          | -                           | -                           |

\* Unaudited data

## Interim consolidated statement of changes in equity

| Interim consolidated statement of changes in equity<br>(amounts in USD thousand) | Share<br>capital | Capital<br>from<br>revaluation<br>of options | Share premium<br>account | Other capital | Retained<br>earnings | Equity attributable to<br>shareholders of the parent<br>company | Equity<br>attributable to<br>non-controlling<br>interest | Total equity |
|--|------------------|--|--------------------------|---------------|----------------------|---|--|--------------|
| At the beginning of the period 01.01.2022  | 1 558            | 537  | 27 937                   | 365           | -21 391              | 9 006   | -  | 9 006        |
| Exercise of stock options for Company shares                                     | 16               | -169   | 169                      | -             | -                    | 16  | -  | 16           |
| Issue of new shares as part of the stock plan                                    | -                | -  | -                        | -             | -                    | -   | -  | -            |
| Share issue costs  | -                | -  | -                        | -             | -                    | -   | -  | -            |
| Valuation of stock options under IFRS 2  | -                | 138  | -                        | -             | -                    | 138   | -  | 138          |
| Issue and conversion of bonds convertible to shares                              | -                | -  | -                        | -             | -                    | -   | -  | -            |
| Result of the period   | -                | -  | -                        | -             | -1 855               | -1 855  | -  | -1 855       |
| Other comprehensive income for the period  | -                | -  | -                        | -157          | -                    | -157  | -  | -157         |
| At the end of the period 30.06.2022  | 1 574            | 506  | 28 106                   | 208           | -23 246              | 7 148   | -  | 7 148        |

Interim condensed consolidated financial statements of the Silvair, Inc. Group  
for the period from 1 January to 30 June 2022

| Annual consolidated statement of changes in equity<br>(amounts in USD thousand) | Share capital | Capital from<br>revaluation of<br>options | Share premium<br>account | Other<br>capital | Retained<br>earnings | Equity attributable to<br>shareholders of the<br>parent company | Equity<br>attributable to<br>non-controlling<br>interest | Total<br>equity |
|---|---------------|---|--------------------------|------------------|----------------------|---|--|-----------------|
| At the beginning of the period 01.01.2021                                       | 1 343         | 483                                       | 24 819                   | 533              | -18 316              | 8 862   | -  | 8 862           |
| Exercise of stock options for Company shares                                    | 33            | -238                                      | 239                      | -                | -                    | 34  | -  | 34              |
| Issue of new shares as part of the stock plan                                   | 65            | -   | 1 117                    | -                | -                    | 1 182   | -  | 1 182           |
| Share issue costs   | -             | -   | -50                      | -                | -                    | -50   | -  | -50             |
| Valuation of stock options under IFRS 2   | -             | 292                                       | -                        | -                | -                    | 292   | -  | 292             |
| Issue and conversion of bonds convertible to shares                             | 117           | -   | 1 812                    | -                | -                    | 1 929   | -  | 1 929           |
| Result of the period  | -             | -   | -                        | -                | -3 075               | -3 075  | -  | -3 075          |
| Other comprehensive income for the period                                       | -             | -   | -                        | -168             | -                    | -168  | -  | -168            |
| At the end of the period 31.12.2021   | 1 558         | 537                                       | 27 937                   | 365              | -21 391              | 9 006   | -  | 9 006           |

| Interim consolidated statement of changes<br>in equity (amounts in USD thousand) | Share<br>capital | Capital<br>from<br>revaluation<br>of options | Share premium account | Other<br>capital | Retained<br>earnings | Equity attributable to<br>shareholders of the parent<br>company | Equity<br>attributable to<br>non-controlling<br>interest | Total equity |
|--|------------------|--|-----------------------|------------------|----------------------|---|--|--------------|
| At the beginning of the period 01.01.2021  | 1 343            | 483  | 24 819                | 533              | -18 316              | 8 862   | -  | 8 862        |
| Exercise of stock options for Company shares                                     | 7                | -  | -                     | -                | -                    | 7   | -  | 7            |
| Issue of new shares as part of the stock plan                                    | -                | -45  | 42                    | -                | -                    | -3  | -  | -3           |
| Share issue costs  | -                | -  | -                     | -                | -                    | -   | -  | -            |
| Valuation of stock options under IFRS 2  | -                | 138  | -                     | -                | -                    | 138   | -  | 138          |
| Issue and conversion of bonds convertible to shares                              | -                | -  | -                     | -                | -                    | -   | -  | -            |
| Result of the period   | -                | -  | -                     | -                | -1 584               | -1 584  | -  | -1 584       |
| Other comprehensive income for the period  | -                | -  | -                     | 21               | -                    | 21  | -  | 21           |
| At the end of the period 30.06.2021  | 1 350            | 576  | 24 861                | 554              | -19 900              | 7 441   | -  | 7 441        |

## Interim consolidated cash flow statement

| (amounts in USD thousand)  | Note<br>no. | 01.01.2022<br>– 30.06.2022 | 01.01.2021<br>– 30.06.2021 |
|--|-------------|----------------------------|----------------------------|
| <b>Profit (loss) before tax</b>  |             | <b>-1 890</b>              | <b>-1 386</b>              |
| <b>Adjustments for:</b>  |             |                            |                            |
| Depreciation and amortization  | 26          | 693                        | 691                        |
| Foreign exchange gains (losses)  |             | 799                        | 122                        |
| Interest   |             | 94                         | 111                        |
| Profit (loss) from investing activities                                      |             | -                          | -                          |
| Movement in provisions   |             | -1                         | 42                         |
| Movement in inventory  |             | -1                         | -                          |
| Movement in receivables  |             | -28                        | -53                        |
| Movement in current liabilities, except for loans and borrowings             |             | -14                        | -132                       |
| Tax paid   |             | -1                         | -1                         |
| Movement in prepayments and accruals   |             | -71                        | -34                        |
| Other adjustments resulting from operating activity                          | 11.1        | 138                        | 139                        |
| <b>Net cash from operating activities</b>                                    |             | <b>-282</b>                | <b>-500</b>                |
| Disposal of intangible assets and property, plant and equipment              |             | -                          | -                          |
| Purchase of property, plant and equipment                                    | 3.2         | 7                          | 4                          |
| Expenditures incurred for development work and purchase of intangible assets | 1.2         | 828                        | 917                        |
| <b>Net cash from investing activities</b>                                    |             | <b>-835</b>                | <b>-921</b>                |
| Net proceeds from issuing shares   |             | 16                         | 3                          |
| Loans and borrowings drawn   |             | -                          | -                          |
| Proceeds from the issue of debt securities                                   |             | 1 000                      | -                          |
| Repayment of loans and borrowings  |             | 7                          | -                          |
| Repayment of lease liabilities   |             | 37                         | 29                         |
| Interest paid  |             | 39                         | 14                         |

|  |       |        |
|--|-------|--------|
| Net cash from financing activities                             | 933   | -40    |
| Net cash flows   | -184  | -1 461 |
| Movement in cash   | -184  | -1 461 |
| movement in cash on account of foreign<br>exchange differences | -     | -      |
| Cash at the beginning of the period                            | 1 261 | 2 819  |
| Cash at the end of the period                                  | 1 077 | 1 358  |



# **Explanatory notes to the interim condensed consolidated financial statements**

## Basis for preparation and accounting policies

### Basis for preparation of the interim consolidated financial statements

These interim condensed consolidated financial statements of the Group have been prepared in accordance with the historical cost principle, except for financial assets measured at fair value through financial result or other comprehensive income, financial assets measured at amortized cost, financial liabilities measured at fair value, and financial assets measured at amortized cost.

These interim condensed consolidated financial statements of the Group cover the period of 6 months ended on 30 June 2022 and have been prepared in accordance with IAS 34 "Interim Financial Reporting".

For a more complete understanding of the Group's financial and property situation, the interim consolidated statement of financial position prepared as at 30 June 2021 and the consolidated statement of changes in equity for 2021 were additionally included to provide data for comparable periods, despite the lack of such requirements in IAS 34.

The interim condensed consolidated financial statements do not contain all the information that is disclosed in the annual consolidated financial statements prepared in accordance with IFRS.

These interim condensed consolidated financial statements should be read together with the Group's consolidated financial statements for 2021 which were made public on 26 April 2022.

### Changes in standards or interpretations introduced in 2022

Published Standards and Interpretations that have been issued and are effective for annual periods beginning on 1 January 2022:

- Amendments to IAS 16 Property, plant and equipment - prohibiting the deduction from the production cost of an item of property, plant and equipment of any proceeds from the sale of items produced while the asset is being brought to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity shall recognize the proceeds from the sale of such items and the production cost of those items in the profit and loss account. Effective date - annual period beginning on or after 1 January 2022.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets - the amendments provide clarifications regarding the costs that an entity considers in analyzing whether a contract is an onerous contract. The amendment is effective for financial statements for periods beginning on or after 1 January 2022
- Annual Improvements Programme 2018-2020 - the amendments provide clarifications and further specify the standards' guidance on recognition and measurement: IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture, and to illustrative examples to IFRS 16 Leases. Effective for annual periods beginning 1 January 2022.
- Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, and IAS 37 Provisions, Contingent Liabilities and Contingent Assets - effective for annual periods beginning on or after 1 January 2022.

The Group considers that the application of the above-mentioned standards and amendments to standards did not have a material impact on the interim condensed consolidated financial statements in the period of

their initial application, and resulted only in changes to the applied accounting principles or, possibly, extension of the scope of necessary disclosures.

New standards and interpretations that have been published but are not yet effective:

The following standards and interpretations have been issued by the International Accounting Standards Board (IASB) or the International Financial Reporting Interpretations Committee (IFRIC), but have not entered into force yet:

- Amendments to IFRS 10 and IAS 28 Sales or contributions of assets between an investor and its associate/joint venture. The accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a "business". In the event that the non-monetary asset constitutes a "business", the investor will show the full gain or loss on the transaction. If the assets do not meet the definition of a business, the investor recognizes a gain or loss excluding the portion representing the interests of other investors. The effective date of the amended regulations has not been set by the International Accounting Standards Board.
- IFRS 17 Insurance Contracts – published on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023. The main purpose of IFRS 17 is to ensure the transparency and comparability of insurers' financial statements. IFRS 17 introduces a number of significant changes in relation to the existing requirements of IFRS 4.
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current - published on 23 January 2020 and effective for annual periods beginning on or after 1 January 2023. Amendments to IAS 1 affect the requirements relating to the presentation of liabilities in financial statements. The classification of financial liabilities as non-current will depend on the existence of the rights to prolong the liability for a period longer than 12 months, and on the fulfillment of the conditions for the implementation of such a prolongation as at the balance sheet date.
- Amendments to IAS 8 Accounting Policies, Changes to Accounting Estimates and Errors – Definition of accounting estimates. An amendment clarifying the definition of estimated values, i.e. monetary amounts recognized in the financial statements that are subject to measurement uncertainty. The amendment is applicable to annual periods beginning on or after 1 January 2023.
- Amendments to IAS 12 Income Taxes - obligation to recognize deferred tax on individual lease transactions and expired liabilities - effective for annual periods beginning on or after 1 January 2023.

**Application of a standard or interpretation before its effective date.**

The Group decided not to use the option of earlier application of the above standards, amendments to standards, and interpretations. The Group will apply the amended standards to the extent of the introduced changes from 1 January 2023, unless a different effective date is provided. The application of the amended standards will not have a material impact on the Group's consolidated financial statements during the period of their initial application.

**Disclosure of information on changes in presentation**

In order to improve the relevance of the data presented in the consolidated financial statements and to ensure better comparability with other entities reporting to the WSE, but without prejudice to the reflection of nature of the transactions and balances presented in the Group's consolidated financial statements, the classification and presentation of selected items have been changed.

The introduced changes did not affect the valuation of particular assets and liabilities, income and costs, or capital flows and cash flows, but only their presentation. The applied changes have no effect on the net result, the value of equity or the balance sheet total. The adjustments in the Statement of changes in equity result from the changes introduced to the statement of financial position

The impact of changes introduced in the presentation on the comparative data is presented in the tables below.

Data for the first half of 2021 before and after change in presentation:

#### Statement of financial position

| BEFORE CHANGE<br>(amounts in USD thousand) | 30 June 2021  | AFTER CHANGE<br>(amounts in USD thousand)    | 30 June 2021  |
|--|---------------|--|---------------|
| <b>Non-current assets</b>                  | <b>11 419</b> | <b>Non-current assets</b>                    | <b>11 419</b> |
| Costs of development work                  | 10 917        | Capitalized expenditures on development work | 10 917        |
| Intangible assets                          | 65            | Computer software                            | 65            |
| Property, plant and equipment              | 17            | Property, plant and equipment                | 17            |
| Right-of-use assets                        | 35            | Right-of-use assets                          | 35            |
| Financial assets                           | 7             | Financial assets                             | 7             |
| Deferred income tax assets                 | 378           | Deferred income tax assets                   | 378           |
| <b>Current assets</b>                      | <b>1 612</b>  | <b>Current assets</b>                        | <b>1 612</b>  |
| Inventory                                  | 5             | Inventory                                    | 5             |
| Trade receivables                          | 156           | Trade receivables and other receivables      | 249           |
| Other receivables                          | 72            |  |               |
| Prepayments and accruals                   | 21            |  |               |
| Cash and cash equivalents                  | 1 358         | Cash and cash equivalents                    | 1 358         |
| <b>Total assets</b>                        | <b>13 031</b> | <b>Total assets</b>                          | <b>13 031</b> |

| BEFORE CHANGE<br>(amounts in USD thousand)                                       | 30 June 2021  | AFTER CHANGE<br>(amounts in USD thousand)                        | 30 June 2021  |
|--|---------------|--|---------------|
| <b>Equity</b>  | <b>7 441</b>  | <b>Equity</b>  | <b>7 441</b>  |
| <b>Equity attributable to shareholders of the parent company</b>                 | <b>7 441</b>  | <b>Equity attributable to shareholders of the parent company</b> | <b>7 441</b>  |
| Share capital  | 1 350         | Share capital  | 1 350         |
| Capital from revaluation of options  | 576           | Capital from revaluation of options                              | 576           |
| Other capital  | 24 861        | Share premium account  | 24 861        |
| Minority interest transactions   | -365          | Other capital  | 554           |
| Capital from foreign exchange differences from translation of foreign operations | 919           | Retained earnings  | -19 900       |
| Retained earnings  | -18 316       |  |               |
| Financial result of the current year   | -1 584        |  |               |
| <b>Equity attributable to non-controlling entities</b>                           | <b>-</b>      | <b>Equity attributable to non-controlling entities</b>           | <b>-</b>      |
| <b>Non-current liabilities</b>   | <b>2 562</b>  | <b>Non-current liabilities</b>                                   | <b>2 562</b>  |
| Deferred tax liabilities   | 18            | Deferred tax liabilities   | 18            |
| Liabilities on bonds convertible to shares                                       | 2 192         | Liabilities on bonds convertible to shares                       | 2 192         |
| Prepayments and accruals   | 352           | Prepayments and accruals   | 352           |
| <b>Current liabilities</b>   | <b>3 028</b>  | <b>Current liabilities</b>                                       | <b>3 028</b>  |
| Trade liabilities  | 167           | Trade liabilities and other current liabilities                  | 431           |
| Liabilities from contracts with customers  | 155           | Liabilities from contracts with customers                        | 155           |
| Lease liabilities  | 35            | Lease liabilities  | 35            |
| Liabilities on bonds convertible to shares                                       | 1 888         | Liabilities on bonds convertible to shares                       | 1 888         |
| Other current liabilities  | 264           |  |               |
| Other short-term provisions  | 87            | Other short-term provisions                                      | 87            |
| Prepayments and accruals   | 432           | Prepayments and accruals   | 432           |
| <b>Equity and liabilities</b>  | <b>13 031</b> | <b>Equity and liabilities</b>                                    | <b>13 031</b> |

## Profit and loss account together with consolidated statement of comprehensive income

| BEFORE CHANGE<br>(amounts in USD thousand)                             | 01.01.2021<br>–30.06.2021 | AFTER CHANGE<br>(amounts in USD thousand)   | 01.01.2021<br>–30.06.2021 |
|--|---------------------------|---|---------------------------|
| Revenue  | 266                       | Revenue                                     | 266                       |
| Cost of sales  | 541                       | Cost of sales                               | 541                       |
| Gross sales result   | -275                      | Gross sales result                          | -275                      |
| Selling and distribution expenses                                      | 159                       | Selling and distribution expenses           | 159                       |
| General and administrative expenses                                    | 722                       | General and administrative expenses         | 722                       |
| Net sales result   | -1 156                    |   |                           |
| Recognition/reversal of impairment losses on costs of development work | -                         |   |                           |
| Other operating income, including:                                     | 38                        | Other operating income                      | 38                        |
| Grants settled over time   | 32                        |   |                           |
| Other operating expenses   | 14                        | Other operating expenses                    | 14                        |
| Losses on account of expected credit losses                            | 6                         | Losses on account of expected credit losses | 6                         |
| Operating result   | -1 138                    | Operating result                            | -1 138                    |
| Financial income   | -                         | Financial income                            | -                         |
| Financial costs, including:  | 248                       | Financial costs                             | 248                       |
| Foreign exchange differences   | 114                       |   |                           |
| Interest   | 111                       |   |                           |
| Result before tax  | -1 386                    | Result before tax                           | -1 386                    |
| Income tax   | 198                       | Income tax                                  | 198                       |
| current part   | 1                         |   |                           |
| deferred part  | 197                       |   |                           |
| Net profit/(loss) for the period                                       | -1 584                    | Net profit/(loss) for the period            | -1 584                    |
| Profit/(loss) attributable to:   |                           | Profit/(loss) attributable to:              |                           |
| shareholders of the parent company                                     | -1 584                    | shareholders of the parent company          | -1 584                    |
| non-controlling interest   | -                         | non-controlling interest                    | -                         |

| BEFORE CHANGE<br>(amounts in USD thousand) | 01.01.2021<br>-30.06.2021 | AFTER CHANGE<br>(amounts in USD thousand)  | 01.01.2021<br>-30.06.2021 |
|--|---------------------------|--|---------------------------|
| Net earnings/(loss) per share (in USD)     | -0,12                     | Net earnings/(loss) per share (in USD)     | -0,12                     |
| Diluted earnings/(loss) per share (in USD) | -0,10                     | Diluted earnings/(loss) per share (in USD) | -0,10                     |

#### Annual consolidated statement of other comprehensive income

| BEFORE CHANGE<br>(amounts in USD thousand)                                | 01.01.2021<br>-30.06.2021 | AFTER CHANGE<br>(amounts in USD thousand)                                 | 01.01.2021<br>-30.06.2021 |
|---|---------------------------|---|---------------------------|
| Net profit/(loss) for the period  | -1 584                    | Net profit/(loss) for the period  | -1 584                    |
| Other comprehensive income  | 21                        | Other comprehensive income  | 21                        |
| Other comprehensive income to be reclassified to result in the future     | 21                        | Other comprehensive income to be reclassified to result in the future     | 21                        |
| Foreign exchange differences from translation of foreign operations       | 21                        | Foreign exchange differences from translation of foreign operations       | 21                        |
| Other comprehensive income not to be reclassified to result in the future | -                         | Other comprehensive income not to be reclassified to result in the future | -                         |
| <b>Total comprehensive income</b>   | <b>-1 563</b>             | <b>Total comprehensive income</b>   | <b>-1 563</b>             |
| Total comprehensive income attributable to:                               |                           | Total comprehensive income attributable to:                               |                           |
| Shareholders of the parent company  | -1 563                    | Shareholders of the parent company  | -1 563                    |
| Non-controlling interest  | -                         | Non-controlling interest  | -                         |

## Interim consolidated statement of changes in equity

| BEFORE CHANGE<br>(amounts in USD thousand)               | Share capital | Capital<br>from<br>reval. of | Other<br>capital | Minority<br>interest<br>transactions | Capital from foreign<br>exch. diff. from transl.<br>of foreign operations | Retained<br>earnings | Financial<br>result | Total<br>equity | Equity attributable<br>to non-controlling<br>entities | Total<br>equity |
|--|---------------|------------------------------|------------------|--------------------------------------|---|----------------------|---------------------|-----------------|---|-----------------|
| At the beginning of the period 01.01.2021                | 1 343         | 483                          | 24 819           | -365                                 | 898   | -18 316              | -                   | 8 862           | -   | 8 862           |
| Correction of errors:                                    | -             | -                            | -                | -                                    | -   | -                    | -                   | -               | -   | -               |
| Correction related to the right to acquire shares        | -             | -                            | -                | -                                    | -   | -                    | -                   | -               | -   | -               |
| Correction on minority interest                          | -             | -                            | -                | -                                    | -   | -                    | -                   | -               | -   | -               |
| At the beginning of the period 01.01.2021, corrected     | 1 343         | 483                          | 24 819           | -365                                 | 898   | -18 316              | -                   | 8 862           | -   | 8 862           |
| Changes to equity in the period from 01.01 to 30.06.2021 |               |                              |                  |                                      |   |                      |                     |                 |   |                 |
| Exercise of stock options for Company shares             | 7             | -                            | -                | -                                    | -   | -                    | -                   | 7               | -   | 7               |
| Issue of new shares as part of the stock plan            | -             | -45                          | 42               | -                                    | -   | -                    | -                   | -3              | -   | -3              |
| Costs of issuing shares                                  | -             | -                            | -                | -                                    | -   | -                    | -                   | -               | -   | -               |
| Valuation of stock options under IFRS 2                  | -             | 138                          | -                | -                                    | -   | -                    | -                   | 138             | -   | 138             |
| Issue and conversion of bonds convertible to shares      | -             | -                            | -                | -                                    | -   | -                    | -                   | -               | -   | -               |
| <b>Total transactions with owners</b>                    | <b>7</b>      | <b>93</b>                    | <b>42</b>        | <b>-</b>                             | <b>-</b>  | <b>-</b>             | <b>-</b>            | <b>142</b>      | <b>-</b>  | <b>142</b>      |
| Result of the period                                     | -             | -                            | -                | -                                    | -   | -                    | -1 584              | -1 584          | -   | -1 584          |
| Other comprehensive income for the period                | -             | -                            | -                | -                                    | 21  | -                    | -                   | 21              | -   | 21              |
| <b>Total comprehensive income</b>                        | <b>-</b>      | <b>-</b>                     | <b>-</b>         | <b>-</b>                             | <b>21</b>   | <b>-</b>             | <b>-1 584</b>       | <b>-1 563</b>   | <b>-</b>  | <b>-1 563</b>   |
| At the end of the period 30.06.2021                      | 1 350         | 576                          | 24 861           | -365                                 | 919   | -18 316              | -1 584              | 7 441           | -   | 7 441           |



| AFTER CHANGE<br>(amounts in USD thousand)           | Share capital | Capital from<br>revaluation of<br>options | Share premium<br>account | Other<br>capital | Retained<br>earnings | Equity attributable to<br>shareholders of the<br>parent company | Equity<br>attributable to<br>non-<br>controlling<br>interest | Total equity |
|---|---------------|---|--------------------------|------------------|----------------------|---|--|--------------|
| At the beginning of the period 01.01.2021           | 1 343         | 483                                       | 24 819                   | 533              | -18 316              | 8 862   | -  | 8 862        |
| Exercise of stock options for Company shares        | 7             | -   | -                        | -                | -                    | 7   | -  | 7            |
| Issue of new shares as part of the stock plan       | -             | -45                                       | 42                       | -                | -                    | -3  | -  | -3           |
| Costs of issuing shares                             | -             | -   | -                        | -                | -                    | -   | -  | -            |
| Valuation of stock options under IFRS 2             | -             | 138                                       | -                        | -                | -                    | 138   | -  | 138          |
| Issue and conversion of bonds convertible to shares | -             | -   | -                        | -                | -                    | -   | -  | -            |
| Result of the period                                | -             | -   | -                        | -                | -1 584               | -1 584  | -  | -1 584       |
| Other comprehensive income for the period           | -             | -   | -                        | 21               | -                    | 21  | -  | 21           |
| At the end of the period 30.06.2021                 | 1 350         | 576                                       | 24 861                   | 554              | -19 900              | 7 441   | -  | 7 441        |

## Cash flow statement

| BEFORE CHANGE<br>(amounts in USD thousand)                       | 01.01.2021<br>– 30.06.2021 | AFTER CHANGE<br>(amounts in USD thousand)                                   | 01.01.2021<br>– 30.06.2021 |
|--|----------------------------|---|----------------------------|
| Profit (loss) before tax   | -1 386                     | Profit (loss) before tax  | -1 386                     |
| Adjustments for:   | 886                        | Adjustments for:  |                            |
| Depreciation and amortization                                    | 691                        | Depreciation and amortization   | 691                        |
| Foreign exchange gains (losses)                                  | 122                        | Foreign exchange gains (losses)   | 122                        |
| Interest and profit sharing (dividends)                          | 111                        | Interest and profit sharing (dividends)                                     | 111                        |
| Profit (loss) from investing activities                          | -                          | Profit (loss) from investing activities                                     | -                          |
| Movement in provisions   | 42                         | Movement in provisions  | 42                         |
| Movement in inventory  | -                          |   | -                          |
| Movement in receivables  | -53                        | Movement in receivables   | -53                        |
| Movement in current liabilities, except for loans and borrowings | -132                       | Movement in current liabilities, except for loans and borrowings            | -132                       |
| Tax paid   | -1                         | Tax paid  | -1                         |
| Movement in prepayments and accruals                             | -34                        | Movement in prepayments and accruals  | -34                        |
| Other adjustments resulting from operating activity              | 139                        | Other adjustments resulting from operating activity                         | 139                        |
| <b>Net cash from operating activities</b>                        | <b>-500</b>                | <b>Net cash from operating activities</b>                                   | <b>-500</b>                |
| Proceeds   | -                          |   |                            |
| Disposal of intangible assets and property, plant and equipment  | -                          | Disposal of intangible assets and property, plant and equipment             | -                          |
| Expenditures   | 921                        |   |                            |
| Purchase of intangible assets and property, plant and equipment  | 4                          | Purchase of property, plant and equipment                                   | 4                          |
| Expenditures incurred on development work                        | 917                        | Expenditures incurred on development work and purchase of intangible assets | 917                        |
| <b>Net cash from investing activities</b>                        | <b>-921</b>                | <b>Net cash from investing activities</b>                                   | <b>-921</b>                |
| Proceeds   | 3                          |   |                            |

|   |        |   |        |
|---|--------|---|--------|
| Net proceeds from issuing shares and additional capital contributions | 3      | Net proceeds from issuing shares                            | 3      |
| Loans and borrowings drawn  | -      | Loans and borrowings drawn                                  | -      |
| Proceeds from the issue of debt securities                            | -      | Proceeds from the issue of debt securities                  | -      |
| Interest  | -      | Interest earned   | -      |
| Expenditures  | 43     |   |        |
| Repayment of loans and borrowings                                     | -      | Repayment of loans and borrowings                           | -      |
| Repayment of lease liabilities  | 29     | Repayment of lease liabilities                              | 29     |
| Interest  | 14     | Interest paid   | 14     |
| Net cash from financing activities                                    | -40    | Net cash from financing activities                          | -40    |
| Net cash flows  | -1 461 | Net cash flows  | -1 461 |
| Movement in cash  | -1 461 | Movement in cash  | -1 461 |
| Movement in cash on account of foreign exchange differences           | -      | Movement in cash on account of foreign exchange differences | -      |
| Cash at the beginning of the period                                   | 2 819  | Cash at the beginning of the period                         | 2 819  |
| Cash at the end of the period   | 1 358  | Cash at the end of the period                               | 1 358  |

## Description of adopted accounting policies

These interim condensed consolidated financial statements have been prepared in accordance with the same accounting policies as the annual consolidated financial statements of the Silvair, Inc. Group for the year 2021.

### Translation of items in foreign currencies

Transactions captured in the ledgers of the Parent Company Silvair, Inc. denominated in currencies other than USD are translated into US dollars at the rate effective on the transaction date.

As at the balance sheet date, monetary assets and liabilities expressed in currencies other than USD are translated into US dollars using the average exchange rate for such a currency in effect at the end of the reporting period.

The functional currency of both subsidiaries is PLN. As at the balance sheet date, assets and liabilities of these foreign subsidiaries are translated into the Group's presentation currency using the exchange rate in effect on the balance sheet date, and their statements of comprehensive income are translated at the average exchange rates for the financial period. The translation method is described in the section "Functional and presentation currency".

The Group has adopted the following PLN/USD exchange rates for the purposes of balance sheet measurement:

|         | 30 June 2022 | 31 December 2021 | 30 June 2021 |
|---------|--------------|------------------|--------------|
| PLN/USD | 0,2231       | 0,2463           | 0,2629       |

Average PLN/USD exchange rates for individual financial periods were as follows:

|         | 01.01.2022<br>- 30.06.2022 | 01.01.2021<br>- 31.12.2021 | 01.01.2021<br>- 30.06.2021 |
|---------|----------------------------|----------------------------|----------------------------|
| PLN/USD | 0,2340                     | 0,2580                     | 0,2644                     |

## Uncertainty of estimates

In preparation of the consolidated financial statements, the Parent Company's Board uses its judgment in making numerous estimates and assumptions that affect the adopted accounting policies and the presented values of assets, liabilities, revenues and costs. Although the adopted assumptions and estimates rely on the best knowledge of the Company's management on current actions and events, the actual results may differ from the expectations.

As regards the development works conducted by the Issuer, two key assumptions have been identified for which there is a significant risk of material adjustments of the carrying amounts of the Group's assets:

- Commercial success of the products and services depends on the pace and scale of dissemination and commercial implementation of the Bluetooth Mesh standard. It cannot be ruled out that Bluetooth Mesh will not achieve the expected market success.
- The pursuit of the Group's strategy depends on the success of its development work and effective commercialization of the developed products. Although the first products have already been launched in the market, the Issuer cannot rule out that the current form of these products will not satisfy customer requirements or will require additional, unpredicted modifications.

Since the above assumptions pertain to a longer time horizon, in the Issuer's assessment, they do not have any significant impact on the risk of major adjustments of the carrying amounts of the Group's assets during the next financial year. The uncertainty of estimates is also burdened with the risk of not fully known consequences of the situation caused by COVID-19. In the opinion of the Board, at the moment this does not necessitate the adjustment of the carrying amounts of the Group's assets.

## Subjective assessments and judgments

Relevant explanatory notes present the main areas in which, in the process of application of accounting principles (policy), in addition to accounting estimates, an important role was played also by the management's professional judgment, and for which a change of the estimates may have significant impact on the Group's financial data presented in such notes in the future:

- impairment of expenditures for development work (see Note 1.1 and 1.3)
- impairment of other intangible assets (see Note 2.1)
- impairment of property, plant and equipment (see Note 3.1)
- impairment losses (see Note 1.1, 1.3, 5, 6, and 7)
- revenues from contracts with customers (see Note 22.1)
- provisions (see Note 20.3)
- duration of leasing contracts (see Note 18.1)
- share-based payment agreements (see Note 30)

In the reporting period, no changes were made in the methods used to make estimations, compared to 2021.

### **Seasonality of business**

The Group's business is not seasonal.

### **Business combinations and loss of control**

In the first 6 months of 2022 there were no business combinations or loss of control in the Group. There were no such events in 2021 either.

# **Additional notes and explanations to the condensed interim consolidated financial statements**

## Note 1.1 Costs of development work

| Costs of development work<br>(amounts in USD thousand) | 30.06.2022   | 31.12.2021    | 30.06.2021    |
|--|--------------|---------------|---------------|
| Completed development work                             | 8 083        | 9 603         | 9 252         |
| Development work not yet completed                     | 1 577        | 827           | 1 665         |
| <b>Total</b>   | <b>9 660</b> | <b>10 430</b> | <b>10 917</b> |

In the period from 1 January to 30 June 2022, the Group's capitalized costs of development work amounted to USD 828 thousand, of which: USD 430 thousand – Silvair Platform, USD 337 thousand - Silvair Mesh Stack, USD 61 thousand - Bluetooth Mesh Protocol.

Due to the specificity of its activity, the Issuer has singled out and currently executes 3 interrelated development projects, whose total value is a major part of the development work assets:

### Bluetooth Mesh protocol:

The aim of the project is to prepare and develop a wireless communication protocol in the mesh topology based on the Bluetooth technology. The project is executed in cooperation with other partners in the task force appointed by the Bluetooth Special Interest Group, aiming to prepare the specification and develop the Bluetooth Mesh standard. The project has been developed since 2014 and is of open nature, i.e. individual protocol development work stages are closed (i.e. accepted for use) together with publication of subsequent versions of the Bluetooth Mesh standard. The first stage of the development work under the project was closed in 2017 with publication of the new standard. Subsequent stages of work are completed with the publication of subsequent versions of the Bluetooth Mesh protocol specification. The expenditures incurred in the reporting period from 1 January to 30 June 2022 for development of the next project stage increased the value of development work not yet completed.

### Silvair Mesh Stack:

The aim of the project is to develop a firmware stack for electronic devices (in particular for electronic lighting components) on the basis of a standardized communication protocol Bluetooth Mesh. The project has been developed since 2015, in parallel with the work on the Bluetooth Mesh protocol, and is of open nature, i.e. individual development work stages are closed (i.e. accepted for use) along with publication of subsequent commercial versions of the software. The first stage of development work was completed in 2017, one day after the publication of the standard, along with the qualification, by the Bluetooth SIG, of the implementation of software released by the Issuer, i.e. the firmware stack (the so-called Mesh Core) and the application layer (the so-called Model Mesh Core). The completion of subsequent stages of work takes place when the Issuer releases subsequent commercial versions of the firmware (Silvair Lighting Firmware). In the reporting period, the expenditures incurred for development of the next project stage increased the value of development work not yet completed.

### Silvair Platform:

The aim of the project is to develop a technology and service platform, comprising digital tools for launch, configuration and management of smart lighting networks, and an infrastructure that allows the Company to provide innovative services. The project has been developed since 2015, in parallel with the work on the

Bluetooth Mesh protocol and the Silvair Mesh Stack, and is of open nature, i.e. individual development work stages are closed (i.e. accepted for use) along with delivery of subsequent commercial versions of digital tools and expansion of the scope of services provided by the Issuer. The first stage of development work was completed at the end of 2018 along with the Issuer releasing the commercial version of digital tools (the so-called Commissioning Tool). From the beginning of 2019, the second stage of the work has been underway. The expenditures incurred in the reporting period for development of the next project stage increased the value of development work not yet completed.

In the reporting period, the Issuer did not incur any research expenditure.

| Amortization of costs of development work<br>(amounts in USD thousand) | 30.06.2022 | 30.06.2021 |
|--|------------|------------|
| Completed development work   | 694        | 702        |
| Development work not yet completed                                     | -          | -          |
| <b>Total</b>   | <b>694</b> | <b>702</b> |

Amortization of completed development work is charged to the cost of sales or to general and administrative expenses, depending on the sales realized in particular types of activity.

#### Estimates:

As at each balance sheet date, the Group analyzes whether or not objective grounds exist that might imply an impairment of expenditures on development work.

Due to the specific nature of the business, which covers comprehensive development and implementation of innovative technology, the Issuer conducts tests for impairment in relation to a set of assets which are collectively referred to as cash generating units. When conducting tests for the impairment of unfinished and completed development works, the Issuer is guided by two major factors, i.e.:

- Pace of adoption, scale of dissemination and commercial implementation of the Bluetooth Mesh standard. The Issuer carries out, among others, observations to assess the current behavior of market participants, analyzes market trends, participates in industry events, monitors market activity with regard to implementations of technology based on the Bluetooth Mesh standard, tracks the involvement of new entities in the work of the Bluetooth SIG's working group, and observes the behavior of competitors.
- The scale of market interest in the products and services offered by the Group. In this respect, the Issuer assesses the dynamics of the process of acquiring and contracting partners and customers, as well as the dynamics and scale of sales of the Group's products covered by these contracts.



The Issuer has also assessed the following:

- technical feasibility of completing an intangible asset,
- intention to complete, use or sell an asset,
- ability to use or sell an asset,
- how an asset will generate future economic benefits,
- availability of sufficient resources to complete development works or sell an asset,
- ability to reliably measure the expenditures incurred on an asset during its development.

Amortization is recognized, in principle, using the straight-line method for the estimated useful life of the given asset.

The adopted 10-year amortization period is justified by the innovative nature of the developed technology and its market potential, backed up by the global Bluetooth Mesh standard. The amortization period has been estimated taking into account the useful life of the technology and the possibility of deriving benefits from individual development works. Information on the performed tests and their results is presented in Note 1.3. Results of tests for impairment of development costs.

At least once a year, the Group revises the assumed periods of useful life, based on its current estimates. The verification did not reveal the necessity to adjust the adopted periods.

## Note 1.2 Movement in costs of development work

| Costs of development work (*)<br>(amounts in USD thousand)             | 01.01.2022<br>- 30.06.2022 | 01.01.2021<br>- 31.12.2021 | 01.01.2021<br>- 30.06.2021 |
|--|----------------------------|----------------------------|----------------------------|
| Gross value at the beginning of the period                             | 15 726                     | 14 800                     | 14 800                     |
| Additions, including:  | 828                        | 1 665                      | 917                        |
| expenditures incurred  | 828                        | 1 665                      | 917                        |
| foreign exchange differences from measurement in presentation currency | -                          | -                          | -                          |
| Reductions, including:   | 953                        | 739                        | 118                        |
| liquidation and sale   | -                          | -                          | -                          |
| foreign exchange differences from measurement in presentation currency | 953                        | 739                        | 118                        |
| Gross value at the end of the period                                   | 15 601                     | 15 726                     | 15 599                     |
| Accumulated depreciation at the beginning of the period                | 4 805                      | 3 436                      | 3 436                      |
| Additions  | 694                        | 1 369                      | 702                        |
| Reductions   | -                          | -                          | -                          |
| Accumulated depreciation at the end of the period                      | 5 499                      | 4 805                      | 4 138                      |
| Impairment losses at the beginning of the period                       | 491                        | 592                        | 592                        |
| Additions  | -                          | -                          | -                          |
| Reductions   | 49                         | 101                        | 48                         |
| Impairment losses at the end of the period                             | 442                        | 491                        | 544                        |
| Net value at the beginning of the period                               | 10 430                     | 10 772                     | 10 772                     |
| Net value at the end of the period                                     | 9 660                      | 10 430                     | 10 917                     |

(\*) balance sheet measurement of the costs of development work, calculated by translating the carrying amount to the presentation currency, i.e. the functional currency of the Parent Company, is presented in the table above in additions or reductions of the gross value.

## Note 1.3 Results of impairment tests for development costs

| Cash generating unit<br>(amounts in USD thousand) | The value of development<br>work as at 30.06.2022 | Recoverable amount |
|---|---|--------------------|
| Bluetooth Mesh Protocol and Silvair Mesh Stack    | 4 652   | 27 358             |
| Silvair Platform and Multi ALS                    | 4 454   | 96 479             |
| Wi-Home   | 594   | 3 266              |
| <b>Total</b>                                      | <b>9 700</b>                                      | <b>127 103</b>     |

The recoverable amount has been determined on the basis of the value in use of the assets, understood as the present estimated value of future cash flows which are expected to be achieved due to further use of the cash generating unit.

The impairment tests were updated with the following assumptions:

- The test is prepared on the basis of an internal financial forecast of the Silvair Group for 2021-2030 (Forecast) based on the discounted cash flow method.
- Due to the innovative nature of the commercialized technology, a 10-year projection period has been adopted.
- The execution of development work has multiple stages, i.e. individual development work stages are closed upon release of the next software versions and/or launch of the next service or package of digital services.
- The development work expenditures in individual projection years comprises: initial carrying amount, direct expenditures (personnel and non-personnel) on continuation of individual work stages, indirect expenditures and other expenditures of the Group which are aimed to contribute to earning revenues from the tested assets.
- The initial carrying amount comprises all expenditures incurred both for development works completed and not yet completed included in the cash generating unit.
- To determine the discount rate, the weighted average cost of capital was used. The WACC value calculated for the needs of the Test was 9.97%.

The financial forecast has been prepared on the basis of the following assumptions:

- The market size and potential have been estimated on the basis of market reports, including, among others: "Intelligent Lighting Controls" prepared by Navigant Research and "Smart Lighting Market" prepared by Markets&Markets.
- The business model has been verified with the partners and confirmed by already concluded contracts.
- The revenue increase rate in the years to come has been based on the so-called S-Curve – characterizing the implementation of new technologies.
- 10-year projection period has been adopted.
- It has been assumed that in the projection period the Group will reach the stage of business maturity.

- The pace and scale of acquisition of new customers have been based on historical data on the contracted clients and the scaling of the sales team, taking into account an appropriate cost relation.

When conducting impairment tests and preparing the financial forecast, the economic and financial impact of the COVID'19 pandemic and the war in Ukraine was also taken into account.

As a result of the tests performed, a need to recognize additional impairment losses on costs of development work, as compared to the state as at 31 December 2021, has not been identified.

## Note 2.1 Other intangible assets (computer software)

| Other intangible assets<br>(amounts in USD thousand) | 30.06.2022 | 31.12.2021 | 30.06.2021 |
|--|------------|------------|------------|
| Other intangible assets (computer software)          | 55         | 60         | 65         |
| <b>Total</b>   | <b>55</b>  | <b>60</b>  | <b>65</b>  |

### Estimates:

As at each balance sheet date, the Group analyzes whether or not objective grounds exist that might imply an impairment of computer software value.

Amortization is recognized, in principle, using the straight-line method for the estimated useful life of the given asset.

The amortization rates are determined on the basis of the anticipated useful life of computer software.

At least once a year, the Group revises the assumed periods of useful life, based on its current estimates.

## Note 2.2 Movement in other intangible assets – computer software

| Computer software<br>(amounts in USD thousand)             | 01.01.2022<br>- 30.06.2022 | 01.01.2021<br>- 31.12.2021 | 01.01.2021<br>- 30.06.2021 |
|--|----------------------------|----------------------------|----------------------------|
| Gross value<br>at the beginning of the period              | 641                        | 641                        | 641                        |
| Additions  | -                          | -                          | -                          |
| Reductions   | -                          | -                          | -                          |
| Gross value at the end of the period                       | 641                        | 641                        | 641                        |
| Accumulated depreciation<br>at the beginning of the period | 581                        | 571                        | 571                        |
| Additions  | 5                          | 10                         | 5                          |
| Reductions   | -                          | -                          | -                          |
| Accumulated depreciation<br>at the end of the period       | 586                        | 581                        | 576                        |
| Net value at the beginning of the period                   | 60                         | 70                         | 70                         |
| Net value at the end of the period                         | 55                         | 60                         | 65                         |

The Group has no computer software used under lease agreements.

The Group has no computer software with restricted use rights.

The Group has no bank loans that would be secured with intangible assets such as computer software.

As at 30 June 2022 and 31 December 2021, there were no contractual obligations related to the purchase of computer software.

## Note 2.3 Ownership structure of other intangible assets

| Intangible assets<br>(amounts in USD thousand) | 30.06.2022 | 31.12.2021 | 30.06.2021 |
|--|------------|------------|------------|
| Owned  | 55         | 60         | 65         |
| Third party                                    | -          | -          | -          |
| Total  | 55         | 60         | 65         |

### Note 3.1 Property, plant and equipment

| Property, plant and equipment<br>(amounts in USD thousand) | 30.06.2022 | 31.12.2021 | 30.06.2021 |
|--|------------|------------|------------|
| Fixed assets, including:                                   |            |            |            |
| Land   | -          | -          | -          |
| Buildings and structures                                   | 3          | 5          | 6          |
| Plant and machinery  | 11         | 8          | 11         |
| Means of transport   | -          | -          | -          |
| Other fixed assets   | -          | -          | -          |
| Fixed assets under construction                            | -          | -          | -          |
| <b>Total</b>   | <b>14</b>  | <b>13</b>  | <b>17</b>  |

Information about fixed assets used on the basis of lease agreements is presented in Note 3.7.

The Group has no land in perpetual usufruct.

The Group has no property, plant and equipment with restricted property and use rights.

The depreciation expenses for fixed assets are charged to general and administrative expenses.

As at 30 June 2022 and 31 December 2021, there were no contractual obligations related to the purchase of property, plant and equipment.

As at 30 June 2022 and 31 December 2021, there were no liabilities to the state budget or local government units related to the acquisition of ownership titles to buildings or structures.

#### Estimates:

As at each balance sheet date, the Group analyzes whether or not objective grounds exist that might imply an impairment of the given property, plant and equipment component.

Amortization is recognized, in principle, using the straight-line method for the estimated useful life of the given asset.

The amortization rates are determined on the basis of the anticipated useful life of property, plant and equipment components.

At least once a year, the Group revises the assumed periods of useful life, based on its current estimates.

### Note 3.2 Movement in property, plant and equipment, by type

| Item<br>(amounts in USD thousand)  | Own land | Buildings<br>and<br>structures | Plant and<br>machinery | Means of<br>transport | Other<br>fixed<br>assets | Fixed assets<br>under<br>construction | Total |
|--|----------|--------------------------------|------------------------|-----------------------|--------------------------|---------------------------------------|-------|
| Gross value as at 01.01.2022   | -        | 23                             | 231                    | -                     | 33                       | -                                     | 287   |
| Additions, including:  | -        | -                              | 7                      | -                     | -                        | -                                     | 7     |
| Acquisition  | -        | -                              | 7                      | -                     | -                        | -                                     | 7     |
| Foreign exchange differences<br>from measurement in<br>presentation currency | -        | -                              | -                      | -                     | -                        | -                                     | -     |
| Reductions, including:   | -        | 1                              | 3                      | -                     | -                        | -                                     | 4     |
| Liquidation and sale   | -        | -                              | 1                      | -                     | -                        | -                                     | 1     |
| Foreign exchange differences<br>from measurement in<br>presentation currency | -        | 1                              | 2                      | -                     | -                        | -                                     | 3     |
| Gross value as at 30.06.2022   | -        | 22                             | 235                    | -                     | 33                       | -                                     | 290   |
| Accumulated depreciation as at<br>01.01.2022                                 | -        | 18                             | 223                    | -                     | 33                       | -                                     | 274   |
| Additions  | -        | 1                              | 2                      | -                     | -                        | -                                     | 3     |
| Reductions   | -        | -                              | 1                      | -                     | -                        | -                                     | 1     |
| Accumulated depreciation as at<br>30.06.2022                                 | -        | 19                             | 224                    | -                     | 33                       | -                                     | 276   |
| Net value as at 01.01.2022   | -        | 5                              | 8                      | -                     | -                        | -                                     | 13    |
| Net value as at 30.06.2022   | -        | 3                              | 11                     | -                     | -                        | -                                     | 14    |

| Item<br>(amounts in USD thousand)  | Own land | Buildings<br>and<br>structures | Plant and<br>machinery | Means of<br>transport | Other<br>fixed<br>assets | Fixed assets<br>under<br>construction | Total |
|--|----------|--------------------------------|------------------------|-----------------------|--------------------------|---------------------------------------|-------|
| Gross value as at 01.01.2021   | -        | 23                             | 238                    | -                     | 33                       | -                                     | 294   |
| Additions, including:  | -        | -                              | 4                      | -                     | -                        | -                                     | 4     |
| Acquisition  | -        | -                              | -                      | -                     | -                        | -                                     | -     |
| Foreign exchange differences<br>from measurement in<br>presentation currency | -        | -                              | 4                      | -                     | -                        | -                                     | 4     |
| Reductions, including:   | -        | -                              | 11                     | -                     | -                        | -                                     | 11    |
| Liquidation and sale   | -        | -                              | 10                     | -                     | -                        | -                                     | 10    |
| Foreign exchange differences<br>from measurement in<br>presentation currency | -        | -                              | 1                      | -                     | -                        | -                                     | 1     |
| Gross value as at 31.12.2021   | -        | 23                             | 231                    | -                     | 33                       | -                                     | 287   |
| Accumulated depreciation as at<br>01.01.2021                                 | -        | 17                             | 228                    | -                     | 33                       | -                                     | 278   |
| Additions  | -        | 1                              | 5                      | -                     | -                        | -                                     | 6     |
| Reductions   | -        | -                              | 10                     | -                     | -                        | -                                     | 10    |
| Accumulated depreciation as at<br>31.12.2021                                 | -        | 18                             | 223                    | -                     | 33                       | -                                     | 274   |
| Net value as at 01.01.2021   | -        | 6                              | 10                     | -                     | -                        | -                                     | 16    |
| Net value as at 31.12.2021   | -        | 5                              | 8                      | -                     | -                        | -                                     | 13    |



| Item<br>(amounts in USD thousand)  | Own land | Buildings<br>and<br>structures | Plant and<br>machinery | Means of<br>transport | Other<br>fixed<br>assets | Fixed assets<br>under<br>construction | Total |
|--|----------|--------------------------------|------------------------|-----------------------|--------------------------|---------------------------------------|-------|
| Gross value as at 01.01.2021   | -        | 23                             | 238                    | -                     | 33                       | -                                     | 294   |
| Additions, including:  | -        | -                              | 4                      | -                     | -                        | -                                     | 4     |
| Acquisition  | -        | -                              | -                      | -                     | -                        | -                                     | -     |
| Foreign exchange differences<br>from measurement in<br>presentation currency | -        | -                              | 4                      | -                     | -                        | -                                     | 4     |
| Reductions, including:   | -        | -                              | 5                      | -                     | -                        | -                                     | 5     |
| Liquidation and sale   | -        | -                              | 5                      | -                     | -                        | -                                     | 5     |
| Foreign exchange differences<br>from measurement in<br>presentation currency | -        | -                              | -                      | -                     | -                        | -                                     | -     |
| Gross value as at 30.06.2021   | -        | 23                             | 237                    | -                     | 33                       | -                                     | 293   |
| Accumulated depreciation as at<br>01.01.2021                                 | -        | 17                             | 228                    | -                     | 33                       | -                                     | 278   |
| Additions  | -        | -                              | 3                      | -                     | -                        | -                                     | 3     |
| Reductions   | -        | -                              | 5                      | -                     | -                        | -                                     | 5     |
| Accumulated depreciation as at<br>30.06.2021                                 | -        | 17                             | 226                    | -                     | 33                       | -                                     | 276   |
| Net value as at 01.01.2021   | -        | 6                              | 10                     | -                     | -                        | -                                     | 16    |
| Net value as at 30.06.2021   | -        | 6                              | 11                     | -                     | -                        | -                                     | 17    |

### Note 3.3 Ownership structure of property, plant and equipment

| Property, plant and equipment<br>(amounts in USD thousand) | 30.06.2022 | 31.12.2021 | 30.06.2021 |
|--|------------|------------|------------|
| Owned  | 14         | 13         | 17         |
| Third party  | -          | -          | -          |
| <b>Total</b>   | <b>14</b>  | <b>13</b>  | <b>17</b>  |

### Note 3.4 Value of fixed assets not depreciated by the Group, used under operating lease, rental and other similar agreements, and value of land in perpetual usufruct

There are no fixed assets in the Group used under lease, rental and other similar agreements that would not be depreciated or redeemed. The Group does not have perpetual usufruct of land.

### Note 3.5 Production costs of fixed assets under construction and fixed assets for own use

In the period from 1 January to 30 June 2022 and in the comparable period of 2021, the Group did not incur costs for the production of fixed assets for its own use.

### Note 3.6 Expenditures on non-financial non-current assets and on environmental protection, incurred last year and planned for the next year

| Item<br>(amounts in USD thousand)                      | 01.01.2022<br>- 30.06.2022 | 01.01.2021<br>- 31.12.2021 | 01.01.2021<br>- 30.06.2021 |
|--|----------------------------|----------------------------|----------------------------|
| Expenditures incurred on property, plant and equipment | 7                          | -                          | -                          |
| Expenditures incurred on intangible assets             | 828                        | 1 665                      | 917                        |
| <b>Total</b>   | <b>835</b>                 | <b>1 665</b>               | <b>917</b>                 |

The Group expects that expenditures (expenses) on intangible assets in 2022 will be maintained on the level of expenditures incurred in 2021.

In the period from 1 January to 30 June 2022 and in the comparable period of 2021, the Group did not incur any environmental protection expenditures.

The Group does not intend to make any environmental protection expenditures in 2022.

### Note 3.7 Right-of-use assets

| Right-of-use assets<br>(amounts in USD thousand) | 30.06.2022 | 31.12.2021 | 30.06.2021 |
|--|------------|------------|------------|
| Real estate right-of-use assets                  | 36         | 83         | 35         |
| Other assets                                     | -          | -          | -          |
| <b>Total</b>                                     | <b>36</b>  | <b>83</b>  | <b>35</b>  |

Since the entire right-of-use assets pertain to one category (lease of premises), the changes are presented without a category breakdown.

As at 30 June 2022 and 31 December 2021, the subsidiaries, i.e. Silvair Sp. z o.o. and Sway Sp. z o.o, were parties to a lease agreement for a property in Kraków at ul. Jasnogórska. As at 30 June 2022, the agreement was signed until 31 December 2022.

The information about the agreements is presented in Note 38 - Related party transactions.

| Item<br>(amounts in USD thousand)                                      | 01.01.2022<br>– 30.06.2022 | 01.01.2021<br>– 31.12.2021 | 01.01.2021<br>– 30.06.2021 |
|--|----------------------------|----------------------------|----------------------------|
| Gross value at the beginning of the period                             | 377                        | 296                        | 296                        |
| Additions, including:  | -                          | 83                         | -                          |
| acquisition  | -                          | 83                         | -                          |
| internal relocation  | -                          | -                          | -                          |
| Reductions, including:   | 8                          | 2                          | 1                          |
| revaluation (change of contract terms)                                 | -                          | -                          | -                          |
| foreign exchange differences from measurement in presentation currency | 8                          | 2                          | 1                          |
| Gross value at the end of the period                                   | 369                        | 377                        | 295                        |
| Accumulated depreciation at the beginning of the period                | 294                        | 225                        | 225                        |
| Additions  | 39                         | 69                         | 35                         |
| Reductions   | -                          | -                          | -                          |
| foreign exchange differences from measurement in presentation currency | -                          | -                          | -                          |
| Accumulated depreciation at the end of the period                      | 333                        | 294                        | 260                        |
| Net value at the beginning of the period                               | 83                         | 71                         | 71                         |
| Net value at the end of the period                                     | 36                         | 83                         | 35                         |

#### Note 4 Financial assets (long-term)

| Financial assets (long-term)<br>(amounts in USD thousand) | 30.06.2022 | 31.12.2021 | 30.06.2021 |
|---|------------|------------|------------|
| In related entities                                       | -          | -          | -          |
| In other entities   | 6          | 6          | 7          |
| Total   | 6          | 6          | 7          |

Silvair Sp. z o.o. holds a stake in S-Labs Sp. z o.o. with its registered office in Kraków. The change results from the exchange rate differences from translation.

## Note 5 Deferred tax assets

| Deferred tax assets<br>(amounts in USD thousand)                      | 30.06.2022 | 31.12.2021 | 30.06.2021 |
|---|------------|------------|------------|
| <b>Deferred tax assets at the beginning of the period, including:</b> | <b>427</b> | <b>576</b> | <b>576</b> |
| through profit or loss  | 427        | 563        | 563        |
| through equity  | -          | 13         | 13         |
| <b>Additions</b>  | <b>52</b>  | <b>205</b> | <b>138</b> |
| through profit or loss  | 52         | 205        | 138        |
| through equity  | -          | -          | -          |
| <b>Reductions</b>   | <b>17</b>  | <b>354</b> | <b>336</b> |
| through profit or loss  | 17         | 341        | 336        |
| through equity  | -          | 13         | -          |
| <b>Deferred tax assets at the end of the period, including::</b>      | <b>462</b> | <b>427</b> | <b>378</b> |
| through profit or loss  | 462        | 427        | 365        |
| through equity  | -          | -          | 13         |

| Deferred tax assets arising from temporary differences<br>resulting from:<br>(amounts in USD thousand)  | 30.06.2022   | 31.12.2021   | 30.06.2021   |
|---|--------------|--------------|--------------|
| Accumulated tax losses to be used   | 7 843        | 8 130        | 9 689        |
| Impairment losses on deferred tax assets up to the amount of<br>tax losses available for use in the future (calculation<br>based on the financial budget) | -5 418       | -5 885       | -7 700       |
| <b>Total</b>  | <b>2 425</b> | <b>2 245</b> | <b>1 989</b> |
| <b>Deferred tax assets (19%)</b>  | <b>462</b>   | <b>427</b>   | <b>378</b>   |

Deferred tax assets are treated in entirety as non-current assets and are not subject to discounting.

Deferred tax assets are calculated using tax rates that are expected to be effective at the time of realization of particular asset or release of provisions, based on tax rates (and tax legislation) enacted or substantively enacted at the balance sheet date.

## Estimates:

The Group evaluates, as at each balance sheet date, the possibility of realization of the deferred tax asset. This assessment requires a professional judgment and estimates regarding, among others, future tax results. The conducted analysis of the expected tax revenues showed a limited possibility of settling a part of the tax loss from the current year and the adjustment of previously adopted levels of loss settlement for 2018-2020 and for year 2021. Therefore, the Group has made a decision to recognize an additional impairment loss for the deferred tax assets.

The recognized deferred tax assets partially cover the loss from years 2019-2021. The adopted assumptions regarding the likelihood of the Group's realization of revenues in the following years justify maintaining the asset at the presented level.

Regulations regarding corporate income tax are subject to frequent changes, as a result of which there is often no reference to well-established line of rulings. Applicable regulations are not always unambiguous, which additionally leads to differences in their interpretation. Tax settlements are subject to audits by tax authorities. If irregularities are identified in the tax settlements, the taxpayer is obligated to pay the overdue amount together with the statutory interest due. Payment of overdue liabilities does not always release the taxpayer from criminal tax liability.

As a result of the aforementioned phenomena, tax settlements are burdened with risk. Tax settlements may be subject to audit within a period of five years from the end of the year in which the tax returns were submitted. As a result, the amounts reported in the financial statements, and thus the basis for calculation of the asset on tax losses and the asset itself may change at a later date after their final determination by the tax authorities.

## Note 6 Inventory

| Inventory<br>(amounts in USD thousand) | 30.06.2022 | 31.12.2021 | 30.06.2021 |
|--|------------|------------|------------|
| Goods for resale                       | 43         | 46         | 48         |
| Impairment loss on merchandise         | -40        | -44        | -43        |
| <b>Total</b>                           | <b>3</b>   | <b>2</b>   | <b>5</b>   |

Inventory releases are recognized using the detailed identification method. As at each balance sheet date, the Company analyzes whether the carrying amount of inventory is higher than or equal to the realizable sales price. Impairment losses on the inventory are recognized in operating expenses.

As at 30 June 2022, the level of the impairment loss remained at the level from 31 December 2021, adjusted only by the USD/PLN exchange rate differences.

## Note 7 Trade receivables and other receivables

| Trade receivables and other receivables<br>(amounts in USD thousand) | 30.06.2022 | 31.12.2021 | 30.06.2021 |
|--|------------|------------|------------|
| From related entities  | -          | -          | -          |
| From other entities  | 391        | 380        | 295        |
| Impairment losses  | -25        | -21        | -46        |
| <b>Total</b>   | <b>366</b> | <b>359</b> | <b>249</b> |

### Note 7.1 Trade receivables

| Trade receivables<br>(amounts in USD thousand) | 30.06.2022 | 31.12.2021 | 30.06.2021 |
|--|------------|------------|------------|
| From related entities                          | -          | -          | -          |
| From other entities                            | 296        | 292        | 202        |
| Impairment losses                              | -25        | -21        | -46        |
| <b>Total</b>                                   | <b>271</b> | <b>271</b> | <b>156</b> |

### Note 7.2 Impairment losses on trade receivables

As at 30 June 2022, impairment losses on trade receivables amounted to USD 25 thousand. As at 31 December 2021, impairment losses on trade receivables amounted to USD 21 thousand. The change of the impairment loss results from measurement of the receivable subject to the impairment loss and the write-off for expected losses. To estimate the impairment losses on trade receivables, the Group uses historical past due dates and the link between the arrears and the actual repayments over the last 2 years, taking into account the available information regarding the future.

The applied model is presented in the section "Description of adopted accounting policies" in the consolidated financial statements of the Group for 2021. Since the Group's sales revenues appeared in material amounts in 2019, the adopted method of estimating impairment losses will be verified by the Group on the basis of data available in the following years. As at 30 June 2022, the analysis did not show the need to update the model used.

## Note 8 Aging of trade receivables

| Trade receivables<br>(amounts in USD thousand) | 30.06.2022 | 31.12.2021 | 30.06.2021 |
|--|------------|------------|------------|
| Not overdue                                    | 168        | 197        | 82         |
| Overdue, including:                            | 103        | 74         | 74         |
| up to one month                                | 35         | 29         | 7          |
| over 1 month to 3 months                       | 78         | 40         | 54         |
| over 3 months to 6 months                      | 3          | 4          | 22         |
| over 6 months to 1 year                        | 5          | 17         | 7          |
| over 1 year                                    | 7          | 5          | 31         |
| impairment losses on receivables               | -25        | -21        | -47        |
| <b>Trade receivables, including:</b>           | <b>271</b> | <b>271</b> | <b>156</b> |
| Overdue receivables (gross)                    | 128        | 95         | 121        |

## Note 9 Other receivables

| Other receivables<br>(amounts in USD thousand) | 30.06.2022 | 31.12.2021 | 30.06.2021 |
|--|------------|------------|------------|
| On taxes and other public benefits             | 73         | 45         | 71         |
| Other receivables                              | 1          | 1          | 1          |
| Prepayments and accruals                       | 21         | 42         | 21         |
| Impairment losses                              | -          | -          | -          |
| <b>Total</b>                                   | <b>95</b>  | <b>88</b>  | <b>93</b>  |

In accruals, the Group presents expenditures which pertain to future periods incurred up to the balance sheet date. Prepayments and accrued income as at 30 June 2022 and as at the end of 2021 comprised mainly the costs of prepaid participation in fairs and conferences associated with presentation of the Group's activity, and license fees to be incurred in the profit and loss account successively in future periods.

## Note 10 Impairment losses on other receivables

As at 30 June 2022, as at 31 December 2021, and as at 30 June 2021, the Group did not recognize any impairment losses on other short-term receivables.



## Note 11 Cash and cash equivalents

| Cash and cash equivalents<br>(amounts in USD thousand) | 30.06.2022   | 31.12.2021   | 30.06.2021   |
|--|--------------|--------------|--------------|
| Cash on hand   | 1            | 1            | 1            |
| Cash in bank   | 1 076        | 1 260        | 1 357        |
| <b>Total</b>   | <b>1 077</b> | <b>1 261</b> | <b>1 358</b> |

### Note 11.1 Explanation to selected items of the cash flow statement

The line item "Other adjustments resulting from operating activity" shows the value charged to the general and administrative expenses corresponding to the value of accrued option capital, taking into account the executed portion in the amount of USD 138 thousand. The difference between the item "Net proceeds from the issue of shares and additional capital contributions" and the Statement of Changes in Equity relates to the accrued (non-cash) value of the option capital.

## Note 12 Share capital

### Share capital of the Parent Company as at 30 June 2022

| Type            | Number of shares  | Par value<br>(USD '000s) | Share subscription<br>price (USD '000s) | Share premium<br>account (USD '000s) |
|-----------------|-------------------|--------------------------|---|--------------------------------------|
| Common Stock    | 14 780 645        | 1 478                    | 27 782                                  | 26 304                               |
| Preferred Stock | 960 000           | 96                       | 125                                     | 29                                   |
| <b>Total</b>    | <b>15 740 645</b> | <b>1 574</b>             | <b>27 907</b>                           | <b>26 333</b>                        |

The par value of one share is USD 0.1. The number of shares expressed in single units.

| Share capital ownership<br>structure                 | Number of shares  | % of shares   | Number of votes <sup>(1)</sup> | % of votes    |
|--|-------------------|---------------|--------------------------------|---------------|
| Rafał Han  | 1 923 668         | 12,22         | 3 555 668                      | 17,31         |
| Szymon Stupik  | 1 902 340         | 12,09         | 3 547 500                      | 17,27         |
| Adam Gembala   | 1 018 760         | 6,47          | 2 145 520                      | 10,45         |
| Chris Morawski                                       | 1 836 429         | 11,67         | 1 836 429                      | 8,94          |
| Krzysztof Januszkiewicz                              | 1 677 324         | 10,66         | 1 677 324                      | 8,17          |
| Other shareholders holding<br>less than 5% of shares | 7 382 124         | 46,89         | 7 778 204                      | 37,86         |
| <b>Total</b>   | <b>15 740 645</b> | <b>100,00</b> | <b>20 540 645</b>              | <b>100,00</b> |

<sup>(1)</sup> Pursuant to the Certificate of Incorporation: (i) a holder of one Common Share holds one vote at the Shareholder Meeting; (ii) a holder of one Preferred Founder Share holds as many votes at the Shareholder Meeting as corresponds to the six-fold of the number

of Common Shares that a share of the Founders Preferred Stock may be converted into pursuant to the Certificate of Incorporation. The Group's shareholders do not hold any other voting rights than the rights specified above.

In 2022 and in 2021, no redemption or repayment of non-equity and equity securities took place. As at 30 June 2022, out of 15,740,645 issued shares, 15,733,745 shares have been paid in full, while the number of unpaid shares was 6,900. As at 31 December 2021, out of 15,583,106 issued shares, 15,569,306 shares have been paid in full. As at 30 June 2021, out of 13,497,792 issued shares, 13,470,192 shares have been paid in full, and the number of unpaid shares was 27,600.

#### Share capital of the Parent Company as at 31 December 2021

| Type            | Number of shares  | Par value (USD '000s) | Share subscription price (USD '000s) | Share premium account (USD '000s) |
|-----------------|-------------------|-----------------------|--------------------------------------|-----------------------------------|
| Common Stock    | 14 623 106        | 1 462                 | 27 597                               | 26 085                            |
| Preferred Stock | 960 000           | 96                    | 125                                  | 29                                |
| <b>Total</b>    | <b>15 583 106</b> | <b>1 558</b>          | <b>27 722</b>                        | <b>26 114</b>                     |

| Share capital ownership structure                 | Number of shares  | % of shares   | Number of votes   | % of votes    |
|---|-------------------|---------------|-------------------|---------------|
| Rafał Han   | 1 914 455         | 12,29         | 3 546 455         | 17,40         |
| Szymon Stupik                                     | 1 902 340         | 12,21         | 3 547 500         | 17,40         |
| Adam Gembala                                      | 1 018 760         | 6,54          | 2 145 520         | 10,53         |
| Chris Morawski                                    | 1 781 888         | 11,43         | 1 781 888         | 8,74          |
| Krzysztof Januszkiewicz                           | 1 055 865         | 6,78          | 1 055 865         | 5,18          |
| Other shareholders holding less than 5% of shares | 7 909 798         | 50,75         | 8 305 878         | 40,75         |
| <b>Total</b>                                      | <b>15 583 106</b> | <b>100,00</b> | <b>20 383 106</b> | <b>100,00</b> |

#### Share capital of the Parent Company as at 30 June 2021

| Type            | Number of shares  | Par value (USD '000s) | Share subscription price (USD '000s) | Share premium account (USD '000s) |
|-----------------|-------------------|-----------------------|--------------------------------------|-----------------------------------|
| Common Stock    | 12 537 792        | 1 254                 | 24 270                               | 23 016                            |
| Preferred Stock | 960 000           | 96                    | 125                                  | 29                                |
| <b>Total</b>    | <b>13 497 792</b> | <b>1 350</b>          | <b>24 395</b>                        | <b>23 045</b>                     |

| Share capital ownership structure                 | Number of shares  | % of shares   | Number of votes   | % of votes    |
|---|-------------------|---------------|-------------------|---------------|
| Szymon Słupik                                     | 1 904 672         | 14,11         | 3 536 762         | 19,33         |
| Rafał Han   | 1 891 472         | 14,01         | 3 536 632         | 19,33         |
| Adam Gembala                                      | 1 018 760         | 7,55          | 2 145 520         | 11,73         |
| Other shareholders holding less than 5% of shares | 8 682 888         | 64,33         | 9 078 968         | 49,61         |
| <b>Total</b>                                      | <b>13 497 792</b> | <b>100,00</b> | <b>18 297 792</b> | <b>100,00</b> |

## Note 13 Capital from revaluation of options

| Capital from revaluation of options<br>(amounts in USD thousand) | 30.06.2022 | 31.12.2021 | 30.06.2021 |
|--|------------|------------|------------|
| Valuation of stock options under IFRS 2                          | 506        | 537        | 576        |
| <b>Total</b>   | <b>506</b> | <b>537</b> | <b>576</b> |

See Note 30 for additional information on valuation of options.

## Note 14.1 Share premium account

| Share premium account<br>(amounts in USD thousand) | 30.06.2022    | 31.12.2021    | 30.06.2021    |
|--|---------------|---------------|---------------|
| Supplementary capital                              | 28 106        | 27 937        | 24 861        |
| <b>Total</b>                                       | <b>28 106</b> | <b>27 937</b> | <b>24 861</b> |

## Note 14.2 Movement in the item Share premium account

| Movement in other capital<br>(amounts in USD thousand)   | 01.01.2022<br>- 30.06.2022 | 01.01.2021<br>- 31.12.2021 | 01.01.2021<br>- 30.06.2021 |
|--|----------------------------|----------------------------|----------------------------|
| <b>At the beginning of the period</b>                    | <b>27 937</b>              | <b>24 819</b>              | <b>24 819</b>              |
| Exercise of stock options for Company shares             | 169                        | 239                        | 45                         |
| Expenditures incurred in connection with the stock issue | -                          | -50                        | -                          |
| Issue of new shares (IPO)                                | -                          | 1 117                      | -                          |
| Unpaid capital which has been called up                  | -                          | -                          | -3                         |
| Issue of bonds convertible to shares                     | -                          | 1 812                      | -                          |
| <b>At the end of the period</b>                          | <b>28 106</b>              | <b>27 937</b>              | <b>24 861</b>              |

## Note 14.3 Other capital

Other capital consists of two items reported separately in prior periods as:

- Minority interest transactions,
- Capital from foreign exchange differences on translation of foreign operations.

The appearance of the balance sheet item Minority interest transactions is a consequence of transactions occurring in 2018 and related to the issuance of bonds and their conversion into shares of the Parent Company in exchange for the right to shares in the subsidiary Sway. The event is described in detail in the annual consolidated statements for 2019.

As at 30 June 2022, the value of the item Minority interest transactions amounted to USD -365 thousand and was same as on 31 December 2021.

| Other capital<br>(amounts in USD thousand)                                     | 30.06.2022 | 31.12.2021 | 30.06.2021 |
|--|------------|------------|------------|
| Minority interest transactions   | -365       | -365       | -365       |
| Capital from foreign exchange differences on translation of foreign operations | 573        | 730        | 919        |
| <b>Total</b>   | <b>208</b> | <b>365</b> | <b>554</b> |

## Note 15 Retained earnings

The balance sheet item Retained earnings is the sum of two items reported separately in prior years as:

- retained earnings,
- financial result of the current period.

| Retained earnings<br>(amounts in USD thousand) | 30.06.2022     | 31.12.2021     | 30.06.2021     |
|--|----------------|----------------|----------------|
| Accumulated losses from previous years         | -21 391        | -18 316        | -18 316        |
| Financial result of the current period         | -1 855         | -3 075         | -1 584         |
| <b>Total</b>                                   | <b>-23 246</b> | <b>-21 391</b> | <b>-19 900</b> |

## Note 16 Earnings (loss) per share

Earnings/(loss) per share are calculated by dividing the net profit/(loss) for the reporting period attributable to the shareholders of the parent company by the weighted average number of shares outstanding during the financial year. Diluted earnings/(loss) per share are calculated by dividing the net profit/(loss), adjusted for the impact of interest on potential common shares, for the reporting period, attributable to the shareholders of the parent company, by the weighted average number of common shares outstanding during the reporting period, adjusted for the effect of diluting options. Diluting options also include the allocation of Parent Company shares in the period from 1 January 2022 to the publication date.

| Earnings/(loss) per share in the period covered by the financial statements:<br>(amounts in USD thousand) | 30.06.2022 | 31.12.2021 | 30.06.2021  |
|---|------------|------------|-------------|
| Weighted average number of parent company's shares in the period*   | 15 731 114 | 13 608 994 | 13 486 561* |
| Diluting options, including:  | 1 994 803  | 3 403 963  | 3 490 722*  |
| On account of the option plan   | 502 588    | 866 300    | 912 937     |
| On account of bonds   | 1 492 215  | 2 537 663  | 2 577 785   |
| Weighted average number of parent company's shares in the period after diluting options*                  | 17 725 917 | 17 012 957 | 16 977 283* |
| <b>Continued operations</b>   |            |            |             |
| Earnings/(loss) per share (USD)   | -0,12      | -0,23      | -0,12       |
| Diluted earnings/(loss) per share (USD)   | -0,10      | -0,18      | -0,09*      |
| <b>Discontinued operations</b>  |            |            |             |
| Earnings/(loss) per share (USD)   | -          | -          | -           |
| Diluted earnings/(loss) per share (USD)   | -          | -          | -           |
| <b>Continued and discontinued operations</b>  |            |            |             |
| Earnings/(loss) per share (USD)   | -0,12      | -0,23      | -0,12       |
| Diluted earnings/(loss) per share (USD)   | -0,10      | -0,18      | -0,09*      |

\* The amount was updated after recalculation in the period

## Note 17 Deferred tax liabilities

| Deferred tax liabilities<br>(amounts in USD thousand)   | 30.06.2022 | 31.12.2021 | 30.06.2021 |
|---|------------|------------|------------|
| Deferred tax liabilities at the beginning of the period | 16         | 20         | 20         |
| Through profit or loss                                  | 16         | 20         | 20         |
| Through equity  | -          | -          | -          |
| Additions   | -          | -          | -          |
| Through profit or loss                                  | -          | -          | -          |
| Through equity  | -          | -          | -          |
| Reductions  | 2          | 4          | 2          |
| Through profit or loss                                  | 2          | 4          | 2          |
| Through equity  | -          | -          | -          |
| Deferred tax liabilities at the end of the period       | 14         | 16         | 18         |
| Through profit or loss                                  | 14         | 16         | 18         |
| Through equity  | -          | -          | -          |

| Deferred tax liabilities arising from temporary differences<br>resulting from:<br>(amounts in USD thousand) | 30.06.2022 | 31.12.2021 | 30.06.2021 |
|---|------------|------------|------------|
| Difference between the tax value and carrying amount of<br>completed development work                       | 74         | 84         | 95         |
| Total   | 74         | 84         | 95         |
| Deferred tax liabilities (19%)  | 14         | 16         | 18         |

## Note 18.1 Lease liabilities

| Lease liabilities<br>(amounts in USD thousand) | 30.06.2022 | 31.12.2021 | 30.06.2021 |
|--|------------|------------|------------|
| Long-term                                      | -          | -          | -          |
| Short-term                                     | 39         | 83         | 35         |
| Total  | 39         | 83         | 35         |

The lease liability pertains to real property lease agreements which, pursuant to IFRS 16, have been classified to lease liabilities. Information related to the agreements included in this item is presented in Note 3.7 Right-of-use assets, and Note 38 Transactions with related entities. Valuation of liabilities does not comprise variable fees for consumption of utilities associated with the use of the real properties.

Repayment of the interest part in the reporting period amounted to USD 1 thousand.

In the Issuer's opinion, as at the publication date, in the future there will be no cash outflows to which the lessee would be exposed and which are not included in the valuation of lease liabilities. The agreements do not contain limitations or covenants imposed by the lessor.

## Note 19.1 Trade liabilities

| Other liabilities<br>(amounts in USD thousand) | 30.06.2022 | 31.12.2021 | 30.06.2021 |
|--|------------|------------|------------|
| To related entities                            | -          | -          | -          |
| To other entities                              | 170        | 220        | 167        |
| <b>Total</b>                                   | <b>170</b> | <b>220</b> | <b>167</b> |

## Note 19.2 Aging of trade liabilities

| Trade liabilities<br>(amounts in USD thousand) | 30.06.2022 | 31.12.2021 | 30.06.2021 |
|--|------------|------------|------------|
| Up to one month                                | 164        | 166        | 159        |
| Over 1 month to 3 months                       | -          | -          | -          |
| Over 3 months to 6 months                      | -          | -          | -          |
| Over 6 months to 1 year                        | -          | -          | -          |
| Over 1 year                                    | -          | -          | -          |
| <b>Overdue</b>                                 | <b>6</b>   | <b>54</b>  | <b>8</b>   |
| Up to one month                                | -          | -          | 7          |
| Over 1 month to 3 months                       | 6          | -          | -          |
| Over 3 months to 6 months                      | -          | 54         | -          |
| Over 6 months to 1 year                        | -          | -          | -          |
| Over 1 year                                    | -          | -          | 1          |
| <b>Total</b>                                   | <b>170</b> | <b>220</b> | <b>167</b> |

## Note 20.1 Other liabilities (current)

| Other current liabilities<br>(amounts in USD thousand) | 30.06.2022 | 31.12.2021 | 30.06.2021 |
|--|------------|------------|------------|
| To related entities                                    | -          | -          | -          |
| To other entities, including:                          | 143        | 133        | 264        |
| On loans   | -          | 7          | 126        |
| On taxes and other public benefits                     | 73         | 72         | 80         |
| On payroll   | 51         | 53         | 57         |
| Other  | 19         | 1          | 1          |
| <b>Total</b>   | <b>143</b> | <b>133</b> | <b>264</b> |

### Note 20.1.1 Liabilities on bonds convertible to shares

| Liabilities on bonds convertible to shares (non-current)<br>(amounts in USD thousand) | 30.06.2022   | 31.12.2021* | 30.06.2021   |
|---|--------------|-------------|--------------|
| Bonds convertible to shares   | 1 000        | -           | 2 100        |
| Interest on bonds convertible to shares   | 3            | -           | 92           |
| <b>Total</b>  | <b>1 003</b> | <b>-</b>    | <b>2 192</b> |

| Liabilities on bonds convertible to shares (current)<br>(amounts in USD thousand) | 30.06.2022   | 31.12.2021   | 30.06.2021   |
|---|--------------|--------------|--------------|
| Bonds convertible to shares   | 2 100        | 2 100        | 1 750        |
| Interest on bonds convertible to shares   | 197          | 145          | 138          |
| <b>Total</b>  | <b>2 297</b> | <b>2 245</b> | <b>1 888</b> |

| Liabilities on bonds convertible to shares<br>(amounts in USD thousand) | 30.06.2022   | 31.12.2021   | 30.06.2021   |
|---|--------------|--------------|--------------|
| Par value of issued bonds   | 3 100        | 2 100        | 3 850        |
| Interest costs  | 200          | 145          | 230          |
| Interest paid   | -            | -            | -            |
| <b>Total</b>  | <b>3 300</b> | <b>2 245</b> | <b>4 080</b> |



| Liabilities on bonds convertible to shares<br>(amounts in USD thousand) | 01.01.2022<br>– 30.06.2022 | 01.01.2021<br>– 31.12.2021 | 01.01.2021<br>– 30.06.2021 |
|---|----------------------------|----------------------------|----------------------------|
| At the beginning of the period  | 2 245                      | 3 985                      | 3 985                      |
| Additions   | 1 055                      | 189                        | 95                         |
| Reductions  | -                          | 1 929                      | -                          |
| <b>Total</b>  | <b>3 300</b>               | <b>2 245</b>               | <b>4 080</b>               |

On 9 June 2022, the Company's Board of Directors adopted a resolution approving incurring liabilities up to a total nominal amount of USD 3.0 million in the form of an issue of debt securities convertible into common shares of the Company's new issue (Convertible Promissory Notes; Convertible Securities), and specifying the main terms of the issue of Convertible Securities. Within the total maximum value of the issue approved by the Board of Directors, the issues of Convertible Securities are to be executed as part of private placement without obligation to register under the United States Securities Act of 1933 ("**United States Securities Act**"), as amended, and without obligation to prepare a prospectus or other offering document, in accordance with the Company's current capital needs. The resolution of the Company's Board of Directors does not specify a schedule or deadline for issuing the Convertible Securities.

Pursuant to the decision of the Company's Board of Directors, the Convertible Securities bear interest at a fixed rate. Holders of Convertible Securities may request their redemption two years after their issue ("**Redemption Date**"). In addition, with the consent of the holders of the Convertible Securities representing the majority of the outstanding par value of Convertible Securities, the Company may, on the terms set out in the terms of the Convertible Securities, repay its liabilities under the Convertible Securities prior to their Redemption Date. Notwithstanding the foregoing, Convertible Securities are due in cases set out in the terms of Convertible Securities, including without limitation filing for bankruptcy of the Company or for any safeguard under the federal bankruptcy law and the appointment of a commissioner or trustee to manage the assets of the Company. Convertible Securities will be converted into newly issued common stock of the Company at a fixed price of USD 1.50 ("**Conversion Price**"). In particular, as a result of the Conversion, the Company will issue – to the holders of Convertible Securities – common stock of the Company in the amount being the quotient of the Conversion Amount (as defined below) and the Conversion Price.

The Terms of the Convertible Securities provide for a mechanism for conversion of claims arising from the Convertible Securities, including a claim for payment of the par value of the Convertible Securities and the accrued unpaid interest ("**Conversion Amount**"), into common stock of the Company's new issue in the event of: (i) change of control over the Company in accordance with the definition laid down in the terms of the Convertible Securities, including, among others, sale of essentially all assets of the Company, merger, consolidation, capital reorganization or other similar transaction, subject to the specific provisions of the terms of the Convertible Securities ("**Change of Control**"), or (ii) on 1 June 2024, whereby the conversion will not lead to the Company's issue, within the 12 months preceding the issue, of: (a) the number of shares exceeding the number of common shares remaining to be issued within the Company's authorized capital established in accordance with the Company's Articles of Association in force at the time, or (b) 20% of the number of the Company's shares admitted to trading on the regulated market run by the Warsaw Stock Exchange as at the day 12 months before the conversion, depending which of these numbers of shares will be lower. In the event of a Change of Control, the Company will issue – to the owners of the Convertible Securities – the Company's common shares in the number resulting from dividing the Conversion Amount

by the price per a common share of the Company payable in connection with the Change of Control (in the case of a Change of Control). The terms of the Convertible Securities contain provisions relating to the prohibition of a disposal of the Company's securities in the event of an initial public offering of the Company's securities under the US Securities Act. Convertible Securities are governed by the laws of the State of Delaware.

By the date of publication of this report, the Company has issued Convertible Securities with a total par value of USD 1.25 million.

As a result of the assessment it has been concluded that the bonds do not contain an equity element and have not been classified as compound financial instruments in accordance with IAS 32. Therefore, they were fully recognized as liabilities measured at amortized cost.

## Note 20.2 Contingent liabilities, including guarantees and sureties extended by the Group, including promissory notes

As at 30 June 2022, as at 31 December 2021, and as at 30 June 2021, the Group had no other contingent liabilities. As at 30 June 2022, as at 31 December 2021, and as at 30 June 2021, the Group's companies were not acting as guarantors or sureties and also had not drawn thier own or received third party promissory notes as collateral or payment for a transaction. Contingent liabilities related to loans are described in Note 20.1 Other liabilities (current).

## Note 20.3 Other short-term provisions

The Group recognizes a "provision" for unused vacation time, which pertains to periods preceding the balance sheet date and will be used in the future for all Company employees, because in the Polish system unused vacation time constitutes cumulative paid absences (the entitlement to such absences passes on to future periods and can be used if it has not been used in the current period). The amount of the provision depends on the average monthly salary and the number of unused days of vacation time to which the employee is entitled as at the balance sheet date. The Company recognizes the costs of unused vacation time on the accrual basis, based on the estimate values, and presents them in the profit and loss account in the payroll line item (in accordance with the place where they occur). The provision for unused vacation time is a short-term provision and is not subject to discounting.

In 2022 and in 2021, apart from provisions for unused vacation time, the Group did not recognize other provisions for liabilities.

| Other short-term provisions<br>(amounts in USD thousand) | 30.06.2022 | 31.12.2021 | 30.06.2021 |
|--|------------|------------|------------|
| Provisions for unused vacation time                      | 49         | 50         | 87         |
| Provisions for disputes                                  | -          | -          | -          |
| <b>Total</b>   | <b>49</b>  | <b>50</b>  | <b>87</b>  |

| Provisions for unused vacation time<br>(amounts in USD thousand) | 30.06.2022 | 31.12.2021 | 30.06.2021 |
|--|------------|------------|------------|
| At the beginning of the period                                   | 50         | 45         | 45         |
| Additions  | 5          | 43         | 42         |
| Reductions   | 6          | 38         | -          |
| At the end of the period   | 49         | 50         | 87         |

The Group estimates the amount of the provisions on the basis of adopted assumptions and methodology, assessing the probability of spending the funds comprising economic benefits, and classifies amounts with a high probability of spending, as at the balance sheet, as liabilities. The estimates pertaining to the value of provisions for unused vacation time were based on the data on the number of vacation time days unused by employees, the value of the average compensation individually for each employee divided by the average number of business days per month (22 days), and the charges on compensations charged to the employer. As at 30 June 2022, as at 30 June 2021 and as at 31 December 2021, the percentage rate of social security charged to the employer was adopted at the level of 22.11%, taking into account the contributions to PPK (Employee Capital Plan).

#### Note 20.4 Liabilities from contracts with customers

| Liabilities from contracts with customers<br>(amounts in USD thousand) | 01.01.2022 | Additions  | Reductions | 30.06.2022 |
|--|------------|------------|------------|------------|
| Maintenance services for Silvair Platform                              | 177        | 138        | 115        | 200        |
| Maintenance services for Silvair Mesh Stack                            | 6          | 3          | 5          | 4          |
| <b>Total</b>   | <b>183</b> | <b>141</b> | <b>120</b> | <b>204</b> |

| Liabilities from contracts with customers<br>(amounts in USD thousand) | 01.01.2021 | Additions  | Reductions | 31.12.2021 |
|--|------------|------------|------------|------------|
| Maintenance services for Silvair Platform                              | 126        | 247        | 196        | 177        |
| Maintenance services for Silvair Mesh Stack                            | 5          | 8          | 7          | 6          |
| <b>Total</b>   | <b>131</b> | <b>225</b> | <b>203</b> | <b>183</b> |

| Liabilities from contracts with customers<br>(amounts in USD thousand) | 01.01.2021 | Additions  | Reductions | 30.06.2021 |
|--|------------|------------|------------|------------|
| Maintenance services for Silvair Platform                              | 126        | 114        | 87         | 153        |
| Maintenance services for Silvair Mesh Stack                            | 5          | 1          | 4          | 2          |
| <b>Total</b>   | <b>131</b> | <b>115</b> | <b>91</b>  | <b>155</b> |

As at 30 June 2022, as at 31 December 2021, and as at 30 June 2021, the Group identified liabilities associated with maintenance agreements according to the description in section Operating Revenues in the Explanatory note to the financial statements and Note 23.

The payment terms specified in the agreements do not exceed 60 days. Elements such as obligations to accept returns or to refund the fees and other similar obligations, as well as warranties and related obligations, do not apply to liabilities from contracts with customers. The Group settles the identified performance obligations using the straight-line method, spread evenly over time, as the activities are performed evenly throughout the entire period of performance.

#### Liabilities from contracts with customers by maturity:

| Maturity periods<br>(amounts in USD thousand) | 30.06.2022 | 31.12.2021 | 30.06.2021 |
|---|------------|------------|------------|
| Up to one month                               | 15         | 14         | 15         |
| Over 1 month to 3 months                      | 25         | 25         | 26         |
| Over 3 months to 6 months                     | 33         | 34         | 27         |
| Over 6 months to 1 year                       | 30         | 30         | 24         |
| Over 1 year to 3 years                        | 68         | 53         | 40         |
| Over 3 to 5 years                             | 33         | 27         | 23         |
| <b>Total</b>                                  | <b>204</b> | <b>183</b> | <b>155</b> |

#### Note 21 Prepayments and accruals

| Prepayments and accruals<br>(amounts in USD thousand) | 01.01.2022 | Additions | Reductions | 30.06.2022 |
|---|------------|-----------|------------|------------|
| Financing under the Smart Growth Operational Program  | 345        | -         | 33         | 312        |
| NCBiR subsidy for fixed assets                        | 360        | -         | 60         | 300        |
| <b>Total</b>  | <b>705</b> | <b>-</b>  | <b>93</b>  | <b>612</b> |

| Prepayments and accruals<br>(amounts in USD thousand) | 01.01.2021 | Additions | Reductions        | 31.12.2021 |
|---|------------|-----------|-------------------|------------|
| Financing under the Smart Growth Operational Program  | 372        | -         | 27 <sup>(1)</sup> | 345        |
| NCBiR subsidy for fixed assets                        | 454        | -         | 94                | 360        |
| <b>Total</b>  | <b>826</b> | <b>-</b>  | <b>121</b>        | <b>705</b> |

| Prepayments and accruals<br>(amounts in USD thousand) | 01.01.2021 | Additions | Reductions | 30.06.2021 |
|---|------------|-----------|------------|------------|
| Financing under the Smart Growth Operational Program  | 372        | -         | 4          | 368        |
| NCBiR subsidy for fixed assets                        | 454        | -         | 38         | 416        |
| <b>Total</b>  | <b>826</b> | <b>-</b>  | <b>42</b>  | <b>784</b> |

<sup>(1)</sup> The change results from the exchange rate translation

| Prepayments and accruals<br>(amounts in USD thousand) | 30.06.2022 | 31.12.2021 | 30.06.2021 |
|---|------------|------------|------------|
| Non-current part                                      | 245        | 300        | 352        |
| Current part  | 367        | 405        | 432        |
| <b>Total</b>  | <b>612</b> | <b>705</b> | <b>784</b> |

## Note 22.1 Sales revenues

| Sales revenues<br>(amounts in USD thousand) | 01.01.2022<br>- 30.06.2022 | 01.01.2021<br>- 30.06.2021 | 01.04.2022<br>- 30.06.2022* | 01.04.2021<br>- 30.06.2021* |
|---|----------------------------|----------------------------|-----------------------------|-----------------------------|
| Revenues from sales of products             | 392                        | 159                        | 201                         | 76                          |
| Revenues from sales of goods and services   | 123                        | 107                        | 54                          | 48                          |
| <b>Total</b>                                | <b>515</b>                 | <b>266</b>                 | <b>255</b>                  | <b>124</b>                  |

\* Unaudited data

In 2019, the Group for the first time recorded revenues from sales of products and services which are to become the main source of revenues. These are revenues from contracts with customers:

- Commissioning Service Agreement (CSA), consisting in delivery of a web application and a mobile application for activation and control of lighting management software.
- Supply, License and Service Agreement (SLS), where, on the basis of a license agreement, the Group delivers firmware for wireless lighting control, hardware for firmware implementation, and software service and maintenance.

Under **Commissioning Service Agreements (CSA)**, the Group delivers, maintains and operates applications for activation and control of the lighting management software for and on behalf of the Partner. Under these services it is also possible to provide the Silvair platform for lighting installations that are not based on the firmware developed by Silvair.

Revenues under CSA agreements are included in the Lighting Control segment.

Under **Supply, License and Service Agreements (SLS)**:

- A product in the form of firmware for wireless lighting control is delivered. The firmware is downloaded from the cloud via the Internet and installed on components manufactured by the Partner. The firmware is delivered on the basis of a license.
- In addition, hardware is delivered that enables installation of the Silvair MaTE software. The hardware is then connected on the production line to the Partner's computer (making it possible to download activation keys for the software and install the firmware from the cloud in the Partner's components).
- Software service and maintenance is guaranteed.

Revenues under SLS contracts are included in the Lighting Control segment.

**Breakdown of revenues from contracts with customers:**

| Contract type                                     |                |                |                                  | 01.01.2022 – 30.06.2022 |
|---|----------------|----------------|----------------------------------|-------------------------|
| Product/service type<br>(amounts in USD thousand) | CSA agreements | SLS agreements | Other revenues from<br>contracts | Total                   |
| Firmware license                                  | -              | 186            | -                                | 186                     |
| Activation  | 206            | -              | -                                | 206                     |
| Development                                       | 4              | -              | -                                | 4                       |
| Maintenance                                       | 86             | -              | -                                | 86                      |
| Other   | 14             | 19             | -                                | 33                      |
| <b>Total</b>                                      | <b>310</b>     | <b>205</b>     | <b>-</b>                         | <b>515</b>              |
| <b>Delivery date</b>                              |                |                |                                  |                         |
| At the time                                       | 219            | 187            | -                                | 406                     |
| Over time   | 91             | 18             | -                                | 109                     |
| <b>Total</b>                                      | <b>310</b>     | <b>205</b>     | <b>-</b>                         | <b>515</b>              |

| Contract type                                     |                |                |                                  | 01.01.2021 - 30.06.2021 |
|---|----------------|----------------|----------------------------------|-------------------------|
| Product/service type<br>(amounts in USD thousand) | CSA agreements | SLS agreements | Other revenues from<br>contracts | Total                   |
| Firmware license                                  | -              | 73             | -                                | 73                      |
| Activation  | 86             | -              | -                                | 86                      |
| Development                                       | 4              | -              | -                                | 4                       |
| Maintenance                                       | 79             | -              | -                                | 79                      |
| Other   | 8              | 16             | -                                | 24                      |
| <b>Total</b>                                      | <b>177</b>     | <b>89</b>      | <b>-</b>                         | <b>266</b>              |
| Delivery date                                     |                |                |                                  |                         |
| At the time                                       | 99             | 76             | -                                | 175                     |
| Over time   | 78             | 13             | -                                | 91                      |
| <b>Total</b>                                      | <b>177</b>     | <b>89</b>      | <b>-</b>                         | <b>266</b>              |

Revenues broken down by segments and description of the segments are presented in Note 23.

#### Estimates:

In the case of obligations performed over time (service and maintenance), the Group used the straight-line method to recognize revenues, pro rata to the elapse of time. The entity's actions and expenditures are executed evenly throughout the entire period of performance.

In the case of revenues recognized at the time, the Group has made a judgment that the licenses offered under SLS agreements have the nature of licenses with the right to use intellectual property, which means that the revenue from the sale of such licenses is recognized once, at the time of hand-over of control over the license to the customer.

In the case of granting access to the Silvair Platform, the Group estimated that the benefits are transferred at the time of activation of access to the Platform for each connected device.

## Note 22.2 Sales revenues – geographic structure

| Sales revenues<br>(amounts in USD thousand) | 01.01.2022<br>- 30.06.2022 | 01.01.2021<br>- 30.06.2021 | 01.04.2022<br>- 30.06.2022* | 01.04.2021<br>- 30.06.2021* |
|---|----------------------------|----------------------------|-----------------------------|-----------------------------|
| Revenues from sales of products             | 358                        | 159                        | 167                         | 76                          |
| Domestically                                | -                          | -                          | -                           | -                           |
| Within the European Union                   | 89                         | 57                         | 20                          | 39                          |
| In third countries                          | 269                        | 102                        | 147                         | 37                          |
| Revenues from sales of services and goods   | 157                        | 107                        | 88                          | 48                          |
| Domestically                                | -                          | -                          | -                           | -                           |
| Within the European Union                   | 34                         | 41                         | 18                          | 19                          |
| In third countries                          | 123                        | 66                         | 70                          | 29                          |
| <b>Total</b>                                | <b>515</b>                 | <b>266</b>                 | <b>255</b>                  | <b>124</b>                  |

\* Unaudited data

### Information on sales revenues – main buyers:

In 2022, the Group generated sales exceeding 10% of consolidated revenues in cooperation with three buyers:

- buyer A: 21.36 % of the Group's total consolidated sales revenues,
- buyer B: 20.39 % of the Group's total consolidated sales revenues,
- buyer C: 11.91 % of the Group's total consolidated sales revenues,

The buyers listed above are not affiliates or subsidiaries of Silvair, Inc. As predicted by the Group, the decrease in the share of one customer reported in 2021, which resulted from a longer period of cooperation, increased again in 2022.



## Information on sales revenues – geographic structure

| Country                         | Sales to external customers | 01.01.2022<br>– 30.06.2022 | 01.01.2021<br>– 30.06.2021 | 01.04.2022<br>– 30.06.2022* | 01.04.2021<br>– 30.06.2021* |
|---------------------------------|-----------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|
| European Union including Poland | USD                         | 123                        | 98                         | 38                          | 58                          |
|                                 | %                           | 24%                        | 37%                        | 15%                         | 47%                         |
| Other countries                 | USD                         | 392                        | 168                        | 217                         | 66                          |
|                                 | %                           | 76%                        | 63%                        | 85%                         | 53%                         |
| Total revenues                  | USD                         | 515                        | 266                        | 255                         | 124                         |
|                                 | %                           | 100%                       | 100%                       | 100%                        | 100%                        |

\* Unaudited data

## Note 23 Operating segments

Pursuant to IFRS 8, an operating segment is a component of an entity that is a profit center, that has discrete financial information available, and whose results are reviewed regularly by the entity's chief operating decision maker for purposes of performance assessment and resource allocation.

The segments have been distinguished taking into account the specificity of the Group's activity and its directions of development, and the possibility of generating revenues by such segments in the long run. It was taken into account whether there is a significant possibility of allocating the costs and assigning the assets to the distinguished segments.

Currently, the Group distinguishes 3 segments: Lighting Control, Smart Lighting Services, and Smart Building Management. In the reporting period, the Group earned revenues only in the Lighting Control segment. Revenues in the other two segments will show up next year.

General and administrative expenses, selling and distribution expenses, other operating income and expenses, financing of the Group (including financial income and expenses) and income tax are not monitored on the segment level, hence these items are not allocated to segments. The Board does not analyze cash flows by segment either.

The Group does not allocate the following to the segments: administrative costs, selling costs, other operating revenues and costs, financial revenues and costs, and income tax. These items are presented in other activities.

The table below presents the key figures reviewed by the chief decision maker in the Company.

Information on individual operating segments in the period from 1 January 2022 to 30 June 2022

| Segment type<br>(amounts in USD thousand)              | Lighting Control | Items not allocated to<br>segments | Total         |
|--|------------------|------------------------------------|---------------|
| <b>Revenues and expenses</b>                           |                  |                                    |               |
| Sales to external customers                            | 515              | -                                  | 515           |
| Inter-segment sales                                    | -                | -                                  | -             |
| Cost of sales  | 551              | -                                  | 551           |
| Income and expenses (operating<br>and other operating) | -17              | -954                               | -971          |
| <b>EBIT</b>  | <b>-53</b>       | <b>-954</b>                        | <b>-1 007</b> |
| Net financial income (costs)                           | -                | -883                               | -883          |
| Share in profits of associates                         | -                | -                                  | -             |
| <b>Gross profit</b>                                    | <b>-53</b>       | <b>-1 837</b>                      | <b>-1 890</b> |
| Income tax (current and deferred)                      | -                | -35                                | -35           |
| <b>Net profit for the reporting period</b>             | <b>-53</b>       | <b>-1 802</b>                      | <b>-1 855</b> |
| <b>Assets</b>  |                  |                                    |               |
| Costs of development work (carrying amount of assets)  | 9 106            | 554                                | 9 660         |
| Receivables  | 271              | -                                  | 271           |
| Unallocated assets                                     | -                | 1 748                              | 1 748         |
| <b>Total assets</b>                                    |                  |                                    | <b>11 679</b> |
| <b>Liabilities</b>                                     |                  |                                    |               |
| Financial liabilities                                  | -                | 3 300                              | 3 300         |
| Liabilities from contracts with customers              | 204              | -                                  | 204           |
| Unallocated liabilities                                | -                | 1 027                              | 1 027         |
| <b>Total liabilities</b>                               |                  |                                    | <b>4 531</b>  |
| <b>Other information</b>                               |                  |                                    |               |
| Depreciation and amortization                          | 551              | 142                                | 693           |

## Operating segment information from 1 January 2021 to 30 June 2021

| Segment type<br>(amounts in USD thousand)              | Lighting Control | Items not allocated to<br>segments | Total         |
|--|------------------|------------------------------------|---------------|
| <b>Revenues and expenses</b>                           |                  |                                    |               |
| Sales to external customers                            | 266              | -                                  | 266           |
| Inter-segment sales                                    | -                | -                                  | -             |
| Cost of sales  | 541              | -                                  | 541           |
| Income and expenses (operating<br>and other operating) | -4               | -859                               | -863          |
| <b>EBIT</b>  | <b>-279</b>      | <b>-859</b>                        | <b>-1 138</b> |
| Net financial income (costs)                           | -                | -248                               | -248          |
| Share in profits of associates                         | -                | -                                  | -             |
| <b>Gross profit</b>                                    | <b>-279</b>      | <b>-1 107</b>                      | <b>-1 386</b> |
| Income tax (current and deferred)                      | -                | 198                                | 198           |
| <b>Net profit for the reporting period</b>             | <b>-279</b>      | <b>-1 305</b>                      | <b>-1 584</b> |
| <b>Assets</b>  |                  |                                    |               |
| Costs of development work (carrying amount of assets)  | 9 797            | 1 120                              | 10 917        |
| Receivables  | 156              | -                                  | 156           |
| Unallocated assets                                     | -                | 1 958                              | 1 958         |
| <b>Total assets</b>                                    |                  |                                    | <b>13 031</b> |
| <b>Liabilities</b>                                     |                  |                                    |               |
| Financial liabilities                                  | -                | 4 080                              | 4 080         |
| Liabilities from contracts with customers              | 155              | -                                  | 155           |
| Unallocated liabilities                                | -                | 1 355                              | 1 355         |
| <b>Total liabilities</b>                               |                  |                                    | <b>5 590</b>  |
| Other information                                      | -                | -                                  | -             |
| Depreciation and amortization                          | 541              | 150                                | 691           |

**Information about segments broken down by regions, product lines and recognition time.**

| Segment type<br>(amounts in USD thousand) |  | 01.01.2022 - 30.06.2022 |                |            |
|---|--|-------------------------|----------------|------------|
|   |  | Lighting Control        | Other activity | Total      |
| <b>Region</b>                             |  |                         |                |            |
| European Union                            |  | 123                     | -              | 123        |
| Other countries                           |  | 392                     | -              | 392        |
| Poland                                    |  | -                       | -              | -          |
| <b>Total</b>                              |  | <b>515</b>              | <b>-</b>       | <b>515</b> |
| <b>Product/service type</b>               |  |                         |                |            |
| Firmware license                          |  | 186                     | -              | 186        |
| Activation                                |  | 206                     | -              | 206        |
| Development                               |  | 4                       | -              | 4          |
| Maintenance                               |  | 86                      | -              | 86         |
| Other                                     |  | 33                      | -              | 33         |
| <b>Total</b>                              |  | <b>515</b>              | <b>-</b>       | <b>515</b> |
| <b>Delivery date</b>                      |  |                         |                |            |
| At the time                               |  | 406                     | -              | 406        |
| Over time                                 |  | 109                     | -              | 109        |
| <b>Total</b>                              |  | <b>515</b>              | <b>-</b>       | <b>515</b> |

| Segment type<br>(amounts in USD thousand) | 01.01.2021 - 30.06.2021 |                |            |
|---|-------------------------|----------------|------------|
|   | Lighting Control        | Other activity | Total      |
| <b>Region</b>                             |                         |                |            |
| European Union                            | 98                      | -              | 98         |
| Other countries                           | 168                     | -              | 168        |
| Poland                                    | -                       | -              | -          |
| <b>Total</b>                              | <b>266</b>              | <b>-</b>       | <b>266</b> |
| <b>Product/service type</b>               |                         |                |            |
| Firmware license                          | 73                      | -              | 73         |
| Activation                                | 86                      | -              | 86         |
| Development                               | 4                       | -              | 4          |
| Maintenance                               | 79                      | -              | 79         |
| Other                                     | 24                      | -              | 24         |
| <b>Total</b>                              | <b>266</b>              | <b>-</b>       | <b>266</b> |
| <b>Delivery date</b>                      |                         |                |            |
| At the time                               | 175                     | -              | 175        |
| Over time                                 | 91                      | -              | 91         |
| <b>Total</b>                              | <b>266</b>              | <b>-</b>       | <b>266</b> |

## Note 24 Other operating income

| Other operating income<br>(amounts in USD thousand)    | 01.01.2022<br>- 30.06.2022 | 01.01.2021<br>- 30.06.2021 | 01.04.2022<br>- 30.06.2022* | 01.04.2021<br>- 30.06.2021* |
|--|----------------------------|----------------------------|-----------------------------|-----------------------------|
| Profit on the sale of non-financial non-current assets | -                          | -                          | -                           | -                           |
| Revaluation of non-financial assets                    | -                          | 2                          | -9                          | -                           |
| Other operating income                                 | 41                         | 36                         | 25                          | 11                          |
| <b>Total</b>   | <b>41</b>                  | <b>38</b>                  | <b>16</b>                   | <b>11</b>                   |

\* Unaudited data

## Note 25 Other operating expenses

| Other operating income<br>(amounts in USD thousand) | 01.01.2022<br>- 30.06.2022 | 01.01.2021<br>- 30.06.2021 | 01.04.2022<br>- 30.06.2022* | 01.04.2021<br>- 30.06.2021* |
|---|----------------------------|----------------------------|-----------------------------|-----------------------------|
| Revaluation of non-financial assets                 | 17                         | 6                          | 17                          | -                           |
| By segments:  |                            |                            |                             |                             |
| Lighting Control                                    | 17                         | 6                          | -                           | -                           |
| Other   | -                          | -                          | -                           | -                           |
| Other operating expenses                            | 7                          | 14                         | 6                           | 7                           |
| <b>Total</b>  | <b>24</b>                  | <b>20</b>                  | <b>23</b>                   | <b>7</b>                    |

\* Unaudited data

The costs related to the revaluation of assets are described in Note 1.1 and 1.2 as well as in Note 6 and 7.

## Note 26 Breakdown of costs

| Other operating income<br>(amounts in USD thousand)   | 01.01.2022<br>- 30.06.2022 | 01.01.2021<br>- 30.06.2021 | 01.04.2022<br>- 30.06.2022* | 01.04.2021<br>- 30.06.2021* |
|---|----------------------------|----------------------------|-----------------------------|-----------------------------|
| Depreciation and amortization   | 693                        | 691                        | 336                         | 346                         |
| Consumption of materials and energy   | 44                         | 29                         | 34                          | 14                          |
| External services   | 998                        | 1 030                      | 327                         | 349                         |
| Taxes and fees  | 6                          | 4                          | 3                           | 3                           |
| Payroll   | 464                        | 517                        | 222                         | 255                         |
| Social security and other benefits  | 97                         | 92                         | 47                          | 48                          |
| Other costs by nature   | 52                         | 3                          | 31                          | 1                           |
| Value of products and materials sold  | -                          | -                          | -                           | -                           |
| <b>Total costs by type</b>  | <b>2 354</b>               | <b>2 366</b>               | <b>1 000</b>                | <b>1 016</b>                |
| <b>Movement in inventory of products and production cost of products for own use (development work)</b> | <b>815</b>                 | <b>944</b>                 | <b>250</b>                  | <b>291</b>                  |
| Cost of sales   | 551                        | 541                        | 268                         | 272                         |
| Selling and distribution expenses   | 274                        | 159                        | 142                         | 38                          |
| General and administrative expenses   | 714                        | 722                        | 340                         | 415                         |
| <b>Total costs by function</b>  | <b>1 539</b>               | <b>1 422</b>               | <b>750</b>                  | <b>725</b>                  |

\* Unaudited data

Since the Company recognizes costs using the accrual method, some of the costs recognized in the Profit and loss account are costs recognized as a result of estimations pertaining to, for example, expected costs associated with unused vacation time.

## Note 27 Financial income

| Financial income<br>(amounts in USD thousand) | 01.01.2022<br>- 30.06.2022 | 01.01.2021<br>- 30.06.2021 | 01.04.2022<br>- 30.06.2022* | 01.04.2021<br>- 30.06.2021* |
|---|----------------------------|----------------------------|-----------------------------|-----------------------------|
| Interest, including:                          | -                          | -                          | -                           | -                           |
| Interest on bank deposits and accounts        | -                          | -                          | -                           | -                           |
| Other   | -                          | -                          | -                           | -                           |
| Foreign exchange differences                  | -                          | -                          | -                           | 506                         |
| <b>Total financial income</b>                 | <b>-</b>                   | <b>-</b>                   | <b>-</b>                    | <b>506</b>                  |

\* Unaudited data

## Note 28 Financial costs

| Financial income<br>(amounts in USD thousand) | 01.01.2022<br>- 30.06.2022 | 01.01.2021<br>- 30.06.2021 | 01.04.2022<br>- 30.06.2022* | 01.04.2021<br>- 30.06.2021* |
|---|----------------------------|----------------------------|-----------------------------|-----------------------------|
| Interest, including:                          | 94                         | 111                        | 57                          | 51                          |
| To other entities, including:                 | 94                         | 111                        | 57                          | 51                          |
| Interest on financial liabilities             | 55                         | 95                         | 29                          | 48                          |
| Interest on received loans                    | 38                         | 16                         | 27                          | 3                           |
| Interest on lease agreements                  | 1                          | -                          | 1                           | -                           |
| Foreign exchange differences                  | 753                        | 114                        | 403                         | -                           |
| Other   | 36                         | 23                         | 1                           | 1                           |
| <b>Financial costs</b>                        | <b>883</b>                 | <b>248</b>                 | <b>461</b>                  | <b>52</b>                   |

\* Unaudited data

## Note 29 Reconciliation of the main items differentiating the income tax basis from the pre-tax financial result

| Item<br>(amounts in USD thousand)   | 01.01.2022<br>- 30.06.2022 | 01.01.2021<br>- 30.06.2021 | 01.04.2022<br>- 30.06.2022* | 01.04.2021<br>- 30.06.2021* |
|---|----------------------------|----------------------------|-----------------------------|-----------------------------|
| <b>Profit before tax</b>  | <b>-1 890</b>              | <b>-1 386</b>              | <b>-963</b>                 | <b>-143</b>                 |
| <b>Costs not classified as tax-deductible expenses</b>  | <b>1 651</b>               | <b>485</b>                 | <b>964</b>                  | <b>76</b>                   |
| Depreciation and amortization   | 88                         | 41                         | 44                          | 21                          |
| PFRON disability fund tax   | 6                          | 4                          | 3                           | 3                           |
| Unpaid interest   | 39                         | 2                          | 28                          | -19                         |
| Unpaid payroll and social security contributions  | 19                         | 77                         | -                           | 77                          |
| Foreign exchange differences in the balance sheet   | 1 318                      | 175                        | 811                         | -92                         |
| Impairment losses   | 19                         | 6                          | 19                          | 6                           |
| Other costs, including:   | 162                        | 180                        | 1                           | 80                          |
| Valuation of stock options (Note 30)  | 138                        | 138                        | 59                          | 70                          |
| <b>Costs of the previous year recognized as tax-deductible expenses in the current year</b>                       | <b>19</b>                  | <b>29</b>                  | <b>-</b>                    | <b>1</b>                    |
| Social security contributions (ZUS) from November-December of the previous year, paid in January of the next year | 19                         | 17                         | -                           | -                           |
| Other   | -                          | 12                         | -                           | 1                           |
| <b>Revenues that are not tax revenues</b>   | <b>102</b>                 | <b>94</b>                  | <b>57</b>                   | <b>41</b>                   |
| Unpaid interest   | 11                         | 9                          | 6                           | -                           |
| Impairment losses   | 49                         | 50                         | 25                          | 25                          |
| Grant   | 31                         | 32                         | 15                          | 16                          |
| Other   | 11                         | 3                          | 11                          | -                           |
| <b>Previous year revenues subject to taxation in the current year</b>   | <b>44</b>                  | <b>26</b>                  | <b>18</b>                   | <b>17</b>                   |
| Interest paid   | -                          | -                          | -                           | -                           |
| Increase in revenues (balance sheet revenues settled over time)   | 44                         | 26                         | 18                          | 17                          |



|   |             |             |            |             |
|---|-------------|-------------|------------|-------------|
| Income / loss                                   | -316        | -998        | -37        | -92         |
| Deductions from income                          | -           | -           | -          | -           |
| <b>Taxation base</b>                            | <b>-316</b> | <b>-998</b> | <b>-37</b> | <b>-92</b>  |
| Tax – Parent Company                            | 1           | 1           | 1          | -           |
| Impact of movement in asset on deferred tax     | 34          | -199        | 12         | -213        |
| Impact of movement in liability on deferred tax | -2          | -2          | -1         | 2           |
| <b>Total charges to profit before tax</b>       | <b>35</b>   | <b>-198</b> | <b>12</b>  | <b>-215</b> |

\* Unaudited data

The tax rate applicable to the parent company is 27.98% and includes federal tax and state tax.

Reconciliation of the income tax calculated using the tax rate applied by the Parent Company on the result before taxation with the income tax shown in the consolidated statement is as follows:

|  | 01.01.2022<br>- 30.06.2022 | 01.01.2021<br>- 30.06.2021 | 01.04.2022<br>- 30.06.2022* | 01.04.2021<br>- 30.06.2021* |
|--|----------------------------|----------------------------|-----------------------------|-----------------------------|
| Pre-tax result   | -1 890                     | -1 386                     | 657                         | -143                        |
| Tax rate applied by the Company after adjusting for federal benefits - including federal tax and state tax                                 | 27,98%                     | 27,98%                     | 27,98%                      | 27,98%                      |
| Tax rate applied by subsidiaries   | 19%                        | 19%                        | 19%                         | 19%                         |
| Income tax according to the domestic rate of the Parent Company  | -                          | -                          | -                           | -                           |
| Income tax reconciliation on account of:   |                            |                            |                             |                             |
| Change in deferred tax liability on account of the difference between the tax value and the carrying amount of completed development works | -2                         | -2                         | -1                          | 2                           |
| Change in the asset on account of deferred income tax on account of development tax losses   | -34                        | 199                        | -12                         | 213                         |
| Tax paid in the United States  | 1                          | 1                          | 1                           | -                           |
| <b>Income tax</b>  | <b>-35</b>                 | <b>198</b>                 | <b>-12</b>                  | <b>215</b>                  |

\* Unaudited data

## Note 30 Share-based payment agreements

### Description of the agreements:

On 14 October 2016, the Entity signed an agreement (hereinafter referred to as the KPI Agreement) as amended by annex of 18 December 2017, setting forth the terms and conditions for granting stock options to the beneficiaries named in the agreement under two option pools: "Option Pool" and "Additional Option Pool".

The following were to be granted from the "**Option Pool**": 132,000 shares to Key Personnel of the Entity, 743,000 shares to the Board, including: 465,000 shares to CEO Rafał Han, 172,000 shares to CTO Szymon Słupik, 106,000 shares to CFO Adam Gembala, and 96,000 shares to Venture FIZ.

According to the KPI Agreement, the Board of Directors has the powers to set the detailed terms and conditions for granting options in the "Option Pool" to the beneficiaries. By 31 December 2021, options have been granted from the "Option Pool" for all the shares for the Board and Venture FIZ, and all the shares for the Key Personnel.

By 30 June 2022, all the options granted to the Board members and Venture FIZ have been exercised, and in the Key Personnel pool, options for 75,000 shares out of 132,000 shares have been exercised by 30 June 2022.

The following were to be granted from the "**Additional Option Pool**": 279,000 shares to the Key Personnel of the Entity, and 203,000 shares to CEO Rafał Han.

The Board of Directors has the powers to set the detailed terms and conditions for granting options from the "Additional Option Pool" to the Key Personnel, while the total number of shares taken up by employees in exercise of such granted options may not exceed 69,750 shares each year. The Board of Directors has the powers to set the detailed terms and conditions for granting options from the pool to CEO Rafał Han, while the total number of shares taken up by the beneficiary may not exceed 50,750 shares each year.

By 30 June 2022, options were granted from the "Additional Option Pool" for all the shares for Rafał Han and all the shares for the Key Personnel. By 30 June 2022, options for 101,500 shares were exercised from the pool of Rafał Han, and options for 104,150 shares were exercised from the Key Employee pool.

The Company considers the date of signing the KPI Agreement as the option grant date within the meaning of IFRS 2.

On 31 March 2020, the Board of Directors of Silvair, Inc. adopted a resolution on increasing the number of shares under the Option Plan from 1,453,000 shares to 2,000,000 shares. The change is a direct result of the Board's decision to reduce the Group's operating costs - in connection with the coronavirus pandemic and its economic impact - by i.a. reducing employment and changing remuneration conditions for the Group's key employees and associates. By 30 June 2022, employees were granted options for 521,986 shares as part of the increased pool of 547,000 shares, of which 419,557 shares were exercised.

Summary information on share-based payment programs launched in the Group is presented in the table below:

| By 30.06.2022   | Program I                   | Program II                             | Program III                          |
|---|-----------------------------|--|--------------------------------------|
| Formal basis  | KPI Agreement „Option Pool” | KPI Agreement „Additional Option Pool” | Resolution of the Board of Directors |
| Program launch date   | 14.10.2016                  | 14.10.2016                             | 31.03.2020                           |
| Number of shares in the pool  | 971 000                     | 482 000                                | 547 000                              |
| Option exercise price (USD)   | 0,10                        | 0,10                                   | 0,10                                 |
| Price of shares listed on the WSE as at the program launch date (USD) | n.d.                        | n.d.                                   | 0,61                                 |
| Number of shares granted under the concluded option contracts         | 971 000                     | 482 000                                | 521 986                              |
| Number of shares acquired in the exercise of options                  | 914 000                     | 205 650                                | 419 557                              |

#### Option exercise structure in the period:

| (data in units)   | 01.01.2022<br>- 30.06.2022 | 01.01.2021<br>- 31.12.2021 | 01.01.2021<br>- 30.06.2021 |
|---|----------------------------|----------------------------|----------------------------|
| Pool of shares under the Option Plan  | 2 000 000                  | 2 000 000                  | 2 000 000                  |
| Number of shares available under the Option Plan at the beginning of the period         | 37 014                     | 295 443                    | 295 443                    |
| Increase of the pool of shares under the Option Plan                                    | -                          | -                          | -                          |
| Number of shares granted under concluded option agreements                              | 12 000                     | 230 207                    | 209 466                    |
| Number of shares taken up in exercise of the options                                    | 171 339                    | 327 118                    | 44 265                     |
| Number of shares remaining to be taken up in subsequent periods under option agreements | 435 779                    | 595 118                    | 883 058                    |
| Number of shares released upon expiration of options                                    | -                          | 12 028                     | -                          |
| Number of shares to be granted under further option agreements at the end of the period | 25 014                     | 37 014                     | 45 727                     |

As at the publication date, the number of shares taken up in exercise of the options has increased to 1,551,325. Information on share issue is provided in Note 31 - Events after the balance sheet date

The Group has measured the fair value of services received in exchange for equity instruments indirectly, by reference to the fair value of the equity instruments granted. The fair value of options awarded under the KPI Agreement was estimated by an independent expert using modern financial engineering methods. The Hull-White model was used to measure the fair value of the options granted, with the following assumptions:

- Stock price at the beginning of the period = \$3.33.

- Strike price of the option = \$0.10.
- Risk-free interest rate = 2.455%.
- Dividend yield = 0%.
- Parameter  $M = 3$ .
- Parameter  $e\Delta t = 0\%$ .
- Stock price volatility ( $\sigma$ ) = 46.6%.

For the options granted after the public issue of the parent company's shares, the services received in exchange for equity securities were valued using the fair value determined indirectly by reference to the stock price on the date of granting the options.

**Impact of share-based payment transactions on the Group's result in the reporting period – valuation of options:**

| (amounts in USD thousand)           | 01.01.2022<br>- 30.06.2022 | 01.01.2021<br>- 30.06.2021 |
|-------------------------------------|----------------------------|----------------------------|
| Management costs                    | 138                        | 138                        |
| Capital from revaluation of options | 138                        | 138                        |

**Impact of option exercise, change in the structure of the Group's consolidated equity in the reporting period:**

| (amounts in USD thousand)           | 01.01.2022<br>- 30.06.2022 | 01.01.2021<br>- 30.06.2021 |
|-------------------------------------|----------------------------|----------------------------|
| Other capital                       | 169                        | 42                         |
| Capital from revaluation of options | -169                       | -45                        |

The change in capital from revaluation of options in the period from 1 January 2022 to 30 June 2022 results from the exercise of 157,539 stock options and revaluation of the remaining options in the vesting period. The total amount of shares taken up in performance of option contracts in the reporting period was USD 16 thousand. The change in capital from revaluation of options in the period from 1 January 2021 to 30 June 2021 resulted from the exercise of 44,265 stock options and revaluation of the remaining options in the vesting period. The total amount of shares taken up in performance of option contracts in the reporting period was USD 7 thousand.

**Estimates:**

The Group has measured the fair value of services received as consideration for equity instruments indirectly, by reference to the fair value of the equity instruments granted. The fair value of awarded options was estimated by an independent expert using modern financial engineering methods and the assumptions were presented in the note above. In the case of awarding further options from the available pool, the valuation will be carried out on the basis of the current stock price from the date of award. A significant increase of the stock price in the future may have significant impact on the value of the costs recognized on account of the option plan.

## **Note 31 Material events after the balance sheet date**

### **Material events after the balance sheet date:**

#### **Information on the issue of debt securities convertible to shares**

On 17 August 2022, the Issuer informed in Current Report no. 23/2022 that the Company had issued Convertible Securities with a total nominal amount of USD 0.25 million within the limit of liabilities and on the terms approved by the resolution of the Board of Directors on 9 June 2022. As part of this issue, by the date of publication of this report, the Company has issued Convertible Securities in the total amount of USD 1.25 million.

#### **Lighting projects using Silvair technology awarded at the IES 2022 conference**

The annual IES conference organized by the Illuminating Engineering Society is one of the most important industry conferences held in the United States. During this year's edition, which took place on August 18-20 in New Orleans, awards were traditionally handed out to completed lighting projects that stand out from other implementations carried out on a daily basis in the American market. Among the awarded projects there were as many as three installations implemented based on the wireless lighting control technology developed by the Silvair Group: the modernization of the lighting infrastructure in Yamaha Motor Corporation warehouses in Pleasant Prairie, the modernization of lighting in North Bakersfield Toyota sales offices in Bakersfield, and the lighting installation at the Spring House Innovation Park campus in Philadelphia. The jury of the competition emphasized the advanced use of sensors and the innovative nature of the lighting control technology implemented in the above-mentioned locations. Each of these projects was previously described in detail in case study materials published by the Group or its partners (McWong and Linmore LED).

#### **Acquisition of Fluence by the Signify group**

As a result of the process that ended on 2 May 2022, SIGNIFY N.V. acquired – from OSRAM GmbH based in Munich, Germany ("OSRAM") – shares in Fluence Bioengineering, Inc. based in Austin, U.S. ("Fluence"); thus Fluence is now part of the SIGNIFY group. Consequently, on 22 September 2022, Silvair sp.z o.o. signed an Agreement on the Split of a Purchase Agreement ("Agreement") with OSRAM and Fluence. On the basis of the Agreement, the parties confirmed that Fluence and other subsidiaries of the SIGNIFY group assume the rights and obligations of OSRAM resulting from the following agreements (including annexes) previously concluded between Silvair sp.z o.o. and OSRAM: agreement of 8 July 2019 for the supply, licensing and provision of services, on the basis of which the Company undertook to provide Silvair Firmware with a set of tools for implementation on the production line, agreement of 8 July 2019 for the sale of Silvair Commissioning (part of the Silvair platform), which includes the provision of tools for the configuration of smart lighting networks based on Bluetooth Mesh technology in the Lighting Control as a Service (LCaaS) model, and the agreement of 11 February 2021 for the provision of services for obtaining and processing data based on the lighting infrastructure ("Silvair Connected Services").

#### **Information on the issue of Company shares**

On 19 September 2022, Silvair, Inc. ("Company") informed in Current Report no. 25/2022 that the Company had issued 46,618 Common Shares with a nominal value of USD 0.1 each for the benefit of the Company's associates and employees, as part of the Company's Stock Plan ("2016 Stock Plan") described in the Company's Prospectus approved by the Polish Financial Supervision Authority on 25 June 2018.

## Note 32 Information on joint ventures

There were no joint ventures in the current and previous financial year.

## Note 33 Financial risk management objectives and principles

The Group's operations are exposed to the following types of financial risk:

- credit risk
- liquidity risk
- market risk
- currency risk
- interest rate risk
- other price risk.

**Credit risk** is the risk that one party to a financial instrument fails to discharge its obligation to the Group causing financial loss for the Group. Credit risk arises in receivables, cash and cash equivalents, deposits, bonds purchased and security deposits paid. Impact of credit risk on the Group's main operating segments: production of software for remote communication between devices and smart lighting systems, due to its nature, is not exposed to a significant level of this type of risk. Sales in these segments are largely to a stable client base and are made on deferred payment terms. The Group's counterparties are mainly companies with an established market and financial position, which means that the exposure to individual credit risk is not high.

The Group applies internal procedures and mechanisms that mitigate this risk: appropriate client selection, a new client review system and ongoing monitoring of amounts receivable. The Group consistently pursues the recovery of overdue receivables. The Group's credit risk is verified with the use of the model of % share of unpaid receivables in specific time intervals (the model description is included in the section "Description of adopted accounting policies"). The Group invests its cash in reliable financial institutions (selected on the basis of ratings). The Group is exposed to immaterial levels of credit risk.

**Liquidity risk** is the risk that arises when the Group meets difficulties in fulfilling its obligations related to financial liabilities.

Considering the stage of the Group's development, the pace of adoption of the developed technology and the innovative nature of the products based on this technology, we are exposed to a risk that we will not be able to fulfill our obligations when due, in particular due to limited access to funding, failure to earn revenues, delay in earning revenues or earning lower future revenues than assumed, or increased costs resulting from the development of our activity, or other factors. In addition, we are exposed to the risk of key clients failing to meet their contractual obligations towards the Group's companies.

The Group takes a number of actions aimed at securing the funding for its current and future capital requirements, primarily through concentrating efforts on commercialization of its products, in parallel with efforts aimed at achieving the breakeven point as soon as practicable, and raising funding in the transition period from: issue of convertible notes, stock issue addressed to existing shareholders and a group of new investors, and research and development support programs (subsidies).

In 2022, the Group obtained funds from the issue of bonds and the issue of shares. The Group monitors the risk of shortage of funds through periodic liquidity planning, taking into account the payment due/maturity of assets and liabilities and projected cash flows from operating activity.

#### Financial liabilities by maturity date as at 30 June 2022

| (amounts in USD thousand) | On demand | Under 3 months | From 3 to 12 months | From 1 year to 5 years | Over 5 years |
|---------------------------|-----------|----------------|---------------------|------------------------|--------------|
| Bank loans and borrowings | -         | -              | -                   | -                      | -            |
| Bond liabilities*         | -         | -              | 2 297               | 1 003                  | -            |
| Trade liabilities         | 6         | 164            | -                   | -                      | -            |
| Lease liabilities         | -         | 21             | 18                  | -                      | -            |
| <b>Total</b>              | <b>6</b>  | <b>185</b>     | <b>2 315</b>        | <b>1 003</b>           | <b>-</b>     |

#### Financial liabilities by maturity date as at 31 December 2021

| (amounts in USD thousand) | On demand | Under 3 months | From 3 to 12 months | From 1 year to 5 years | Over 5 years |
|---------------------------|-----------|----------------|---------------------|------------------------|--------------|
| Bank loans and borrowings | 7         | -              | -                   | -                      | -            |
| Bond liabilities*         | -         | -              | 2 345               | -                      | -            |
| Trade liabilities         | 54        | 166            | -                   | -                      | -            |
| Lease liabilities         | -         | 21             | 62                  | -                      | -            |
| <b>Total</b>              | <b>61</b> | <b>187</b>     | <b>2 407</b>        | <b>-</b>               | <b>-</b>     |

## Financial liabilities by maturity date as at 30 June 2021

| (amounts in USD thousand) | On demand  | Under 3 months | From 3 to 12 months | From 1 year to 5 years | Over 5 years |
|---------------------------|------------|----------------|---------------------|------------------------|--------------|
| Bank loans and borrowings | 126        | -              | -                   | -                      | -            |
| Bond liabilities*         | -          | -              | 1 892               | 2 188                  | -            |
| Trade liabilities         | 8          | 159            | -                   | -                      | -            |
| Lease liabilities         | -          | 18             | 17                  | -                      | -            |
| <b>Total</b>              | <b>134</b> | <b>177</b>     | <b>1 909</b>        | <b>2 188</b>           | <b>-</b>     |

\* The measurement at amortized cost does not differ materially from the carrying amounts. The difference between the value at the amount due and the value according to the measurement at amortized cost for the bond liabilities amounts to USD 0.8 thousand.

**Market risk** is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

**Currency risk** is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Because of the global character of the business conducted by Silvair, Inc. Group in which most of the revenues are generated in USD and EUR, while most expenses are incurred in PLN, the Group is exposed to risk related to sudden changes in exchange rates, including in particular appreciation of PLN and depreciation of EUR vs. USD. The Group monitors the currency rates and discerns a continuing trend of appreciation of USD vs. PLN. This trend is good for the Group from the perspective of earning revenues in USD and EUR. When significant revenues appear, the Group will take steps to use instruments hedging sudden exchange rate fluctuations. The impact of changes in exchange rates is shown in the tables in the further part of the note.

**Interest rate risk** is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group does not invest any surplus funds in interest-bearing assets based on floating interest rates and accordingly it is not exposed to the risk related to changes in interest rates. The principal risk of changes in interest rates is related to debt instruments. In 2022 and 2021, the Group did not use any external debt instruments with a floating interest rate (loans and bonds), the interest rate on which would depend on changes in interest rates. Accordingly, it was not exposed to changes in cash flows resulting from changes in interest rates.

**Other price risks** are the risks that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market. The Group does not use financial instruments associated with price risk. The Group is not exposed to other price risk.

The Group's financial risk management is coordinated by the Parent Company in close collaboration with the Boards of the subsidiaries. In the risk management process, these are the most important goals:



- secure short- and medium-term cash flows,
- stabilize fluctuations in the Group's financial performance,
- fulfill planned financial forecasts by meeting relevant budget assumptions,
- achieve a rate of return on long-term investments and obtain optimal sources of funding for investment activities.

The Group does not execute transactions on financial markets for speculative purposes.

The main financial instruments used by the Parent Company and subsidiaries include loans, cash, short-term deposits and bonds. The Group also holds other financial instruments, such as trade receivables and payables, which arise directly from its activities. The Group does not classify any instruments categorized as loans and borrowings to financial liabilities designated for measurement at fair value through profit or loss. All loans, borrowings and other debt instruments are carried at amortized cost using the effective interest rate.

The Group assesses the risk associated with concentration of business partners, foreign currencies, markets and debt instruments as low.

## Classification of financial instruments according to IFRS 9

| Financial assets by<br>balance sheet item<br>(amounts in USD<br>thousand) | 30.06.2022<br>fair value | 30.06.2022<br>carrying<br>amount | Classification of financial instruments<br>according to IFRS 9 (carrying amount) |   |                               | Other |
|---|--------------------------|----------------------------------|--|---|-------------------------------|-------|
|   |                          |                                  | Measured at fair<br>value through<br>profit or loss                              | Measured at fair<br>value with<br>changes through<br>other<br>comprehensive<br>income | Measured at<br>amortized cost |       |
| Financial assets  |                          |                                  |  |   |                               |       |
| Interest and shares   | 6                        | 6                                | -  | -   | -                             | 6     |
| Trade receivables   | 271                      | 271                              | -  | -   | 271                           | -     |
| Cash  | 1077                     | 1077                             | -  | -   | 1077                          | -     |

| Financial liabilities by<br>balance sheet item<br>(amounts in USD thousand) | 30.06.2022<br>fair value | 30.06.2022<br>carrying<br>amount | Classification of financial instruments<br>according to IFRS 9 (carrying amount) |                               |  |
|---|--------------------------|----------------------------------|--|-------------------------------|--|
|   |                          |                                  | Measured at fair value<br>through profit or loss                                 | Measured at<br>amortized cost | Measured at fair<br>value through other<br>comprehensive<br>income |
| Financial liabilities   |                          |                                  |  |                               |  |
| Loans   | -                        | -                                | -  | -                             | -  |
| Debt securities   | 3 300                    | 3 300                            | -  | 3 300                         | -  |
| Trade liabilities   | 170                      | 170                              | -  | 170                           | -  |

| Financial assets by<br>balance sheet item<br>(amounts in USD<br>thousand) | 31.12.2021<br>fair value | 31.12.2021<br>carrying<br>amount | Classification of financial instruments<br>according to IFRS 9 (carrying amount) |   |                               | Other |
|---|--------------------------|----------------------------------|--|---|-------------------------------|-------|
|   |                          |                                  | Measured at fair<br>value through<br>profit or loss                              | Measured at fair<br>value with<br>changes through<br>other<br>comprehensive<br>income | Measured at<br>amortized cost |       |
| Financial assets  |                          |                                  |  |   |                               |       |
| Interest and shares   | 6                        | 6                                | -  | -   | -                             | 6     |
| Trade receivables   | 271                      | 271                              | -  | -   | 271                           | -     |
| Cash  | 1 261                    | 1 261                            | -  | -   | 1 261                         | -     |

| Financial liabilities by<br>balance sheet item<br>(amounts in USD thousand) | 31.12.2021<br>fair value | 31.12.2021<br>carrying<br>amount | Classification of financial instruments<br>according to IFRS 9 (carrying amount) |                               |  |
|---|--------------------------|----------------------------------|--|-------------------------------|--|
|   |                          |                                  | Measured at fair value<br>through profit or loss                                 | Measured at<br>amortized cost | Measured at fair<br>value through other<br>comprehensive<br>income |
| Financial liabilities   |                          |                                  |  |                               |  |
| Loans   | 7                        | 7                                | -  | 7                             | -  |
| Debt securities   | 2 245                    | 2 245                            | -  | 2 245                         | -  |
| Trade liabilities   | 220                      | 220                              | -  | 220                           | -  |

| Financial assets by<br>balance sheet item<br>(amounts in USD<br>thousand) | 30.06.2021<br>fair value | 30.06.2021<br>carrying<br>amount | Classification of financial instruments<br>according to IFRS 9 (carrying amount) |   |                               | Other |
|---|--------------------------|----------------------------------|--|---|-------------------------------|-------|
|   |                          |                                  | Measured at fair<br>value through<br>profit or loss                              | Measured at fair<br>value with<br>changes through<br>other<br>comprehensive<br>income | Measured at<br>amortized cost |       |
| Financial assets  |                          |                                  |  |   |                               |       |
| Interest and shares   | 7                        | 7                                | -  | -   | -                             | 7     |
| Trade receivables   | 156                      | 156                              | -  | -   | 156                           | -     |
| Cash  | 1 358                    | 1 358                            | -  | -   | 1 358                         | -     |

| Financial liabilities by balance sheet item<br>(amounts in USD thousand) | 30.06.2021<br>fair value | 30.06.2021<br>carrying<br>amount | Classification of financial instruments according to IFRS 9<br>(carrying amount) |                               |   |
|--|--------------------------|----------------------------------|--|-------------------------------|---|
|  |                          |                                  | Measured at fair value<br>through profit or loss                                 | Measured at<br>amortized cost | Measured at fair value<br>through other<br>comprehensive income |
| Financial liabilities  |                          |                                  |  |                               |   |
| Loans  | 126                      | 126                              | -  | 126                           | -   |
| Debt securities  | 4 080                    | 4 080                            | -  | 4 080                         | -   |
| Trade liabilities  | 167                      | 167                              | -  | 167                           | -   |

## Revenue, cost, profit and loss line items recognized in the statement of comprehensive income, by financial instrument category

For the period from 1 January 2022 to 30 June 2022

| Financial assets<br>(amounts in USD thousand) | Category<br>under<br>IFRS 9 | Interest<br>income /<br>(expense) | Foreign<br>exchange<br>gains / (losses) | Reversal /<br>(recognition) of<br>impairment<br>losses | Gains /<br>(losses) on<br>measurement | Total |
|---|-----------------------------|-----------------------------------|---|--|---------------------------------------|-------|
| Trade receivables                             | C                           | -                                 | -                                       | -17  | -                                     | -17   |
| Cash and cash equivalents                     | C                           | -                                 | 1                                       | -  | -                                     | 1     |
| <b>Total</b>                                  |                             | -                                 | 1                                       | -17  | -                                     | -16   |
| <b>Financial liabilities</b>                  |                             |                                   |   |  |                                       |       |
| Bank loans and borrowings                     | F                           | -                                 | -                                       | -  | -                                     | -     |
| Leases  | F                           | -1                                | -2                                      | -  | -                                     | -3    |
| Bond liabilities                              | F                           | -55                               | -                                       | -  | -                                     | -55   |
| Trade liabilities                             | F                           | -                                 | -752                                    | -  | -                                     | -752  |
| Other liabilities                             | F                           | -38                               | -                                       | -  | -                                     | -38   |
| <b>Total</b>                                  |                             | -94                               | -754                                    | -  | -                                     | -848  |

**For the period from 1 January 2021 to 30 June 2021**

| Financial assets<br>(amounts in USD thousand) | Category<br>under<br>IFRS 9 | Interest<br>income /<br>(expense) | Foreign<br>exchange<br>gains / (losses) | Reversal /<br>(recognition) of<br>impairment<br>losses | Gains /<br>(losses) on<br>measurement | Total       |
|---|-----------------------------|-----------------------------------|---|--|---------------------------------------|-------------|
| Trade receivables                             | C                           | -                                 | -3                                      | -4   | -                                     | -7          |
| Cash and cash equivalents                     | C                           | -                                 | -4                                      | -  | -                                     | -4          |
| <b>Total</b>                                  |                             | <b>-</b>                          | <b>-7</b>                               | <b>-4</b>  | <b>-</b>                              | <b>-11</b>  |
| <b>Financial liabilities</b>                  |                             |                                   |   |  |                                       |             |
| Bank loans and borrowings                     | F                           | -16                               | -114                                    | -  | -                                     | -130        |
| Leases  | F                           | -                                 | -                                       | -  | -                                     | -           |
| Bond liabilities                              | F                           | -95                               | -                                       | -  | -                                     | -95         |
| Trade liabilities                             | F                           | -                                 | 7                                       | -  | -                                     | 7           |
| <b>Total</b>                                  |                             | <b>-111</b>                       | <b>-107</b>                             | <b>-</b>   | <b>-</b>                              | <b>-218</b> |

Abbreviations used:

A – Financial assets measured at fair value through profit or loss

B – Financial assets measured at fair value through other comprehensive income

C – Financial assets measured at amortized cost

D – Financial liabilities measured at fair value through profit or loss

E – Financial liabilities measured at fair value through other comprehensive income (hedge accounting)

F – Financial liabilities measured at amortized cost

## Sensitivity analysis

As at 30 June 2022 and as at 30 June 2021, the Group did not hedge its transactions denominated in foreign currencies.

The following table presents the sensitivity of the gross financial result (due to movement in the fair value of cash assets and liabilities) to reasonable fluctuations in the exchange rate of the US dollar ("USD"), assuming that other factors remain unchanged. According to the Group's estimates, the impact of exchange rate fluctuations on the Group's equity and total comprehensive income would be similar to the impact on the gross financial result, when income tax is taken into account.

### Currency risk 1 January 2022 – 30 June 2022

The tables depict the effects of fluctuations in the USD/PLN exchange rate, i.e. the exchange rate between the only currencies that are relevant to the Group's companies.

| Financial instruments by balance sheet items<br>(amounts in USD thousand) | Carrying amount of financial instruments | Effect on pre-tax financial result<br>(10% increase) | Effect on equity<br>(10% increase) | Effect on pre-tax financial result<br>(10% decrease) | Effect on equity (10% decrease) |
|---|--|--|------------------------------------|--|---------------------------------|
| <b>Financial assets</b>   |  |  |                                    |  |                                 |
| Interest and shares   | 6  | -1   | -                                  | 1  | -                               |
| Trade receivables   | 271                                      | -12  | -                                  | 12   | -                               |
| Cash, including:  | 1 077                                    | -29  | -                                  | 29   | -                               |
| Cash in bank  | 1 076                                    | -29  | -                                  | 29   | -                               |
| <b>Financial liabilities</b>  |  |  |                                    |  |                                 |
| Loans   | -  | -  | -                                  | -  | -                               |
| Trade liabilities   | 170                                      | 9  | -                                  | -9   | -                               |

#### Currency risk 1 January 2021 – 30 June 2021

| Financial instruments by balance sheet items<br>(amounts in USD thousand) | Carrying amount of financial instruments | Effect on pre-tax financial result<br>(10% increase) | Effect on equity<br>(10% increase) | Effect on pre-tax financial result<br>(10% decrease) | Effect on equity (10% decrease) |
|---|--|--|------------------------------------|--|---------------------------------|
| <b>Financial assets</b>   |  |  |                                    |  |                                 |
| Interest and shares   | 7  | -1   | -                                  | 1  | -                               |
| Trade receivables   | 156                                      | -4   | -                                  | 4  | -                               |
| Cash, including:  | 1 358                                    | -25  | -                                  | 25   | -                               |
| Cash in bank  | 1 357                                    | -25  | -                                  | 25   | -                               |
| <b>Financial liabilities</b>  |  |  |                                    |  |                                 |
| Loans   | 126                                      | 13   | -                                  | -13  | -                               |
| Trade liabilities   | 167                                      | 9  | -                                  | -9   | -                               |

## Financial instruments by currency

### As at 30 June 2022

| Financial assets                      | USD   | PLN | EUR | Total |
|---------------------------------------|-------|-----|-----|-------|
| Interest and shares                   | -     | 6   | -   | 6     |
| Trade receivables                     | 161   | -   | 110 | 271   |
| Cash and cash equivalents, including: | 790   | 279 | 8   | 1 077 |
| Cash in bank                          | 790   | 278 | 8   | 1 076 |
| Financial liabilities                 | USD   | PLN | EUR | Total |
| Bank loans and borrowings, including: | -     | -   | -   | -     |
| Long-term                             | -     | -   | -   | -     |
| Short-term                            | -     | -   | -   | -     |
| Finance leases                        | -     | 39  | -   | 39    |
| Bond liabilities                      | 3 300 | -   | -   | 3 300 |
| Trade liabilities                     | 83    | 88  | -   | 171   |

### As at 30 June 2021

| Financial assets                      | USD   | PLN | EUR | Total |
|---------------------------------------|-------|-----|-----|-------|
| Interest and shares                   | -     | 7   | -   | 7     |
| Trade receivables                     | 117   | -   | 39  | 156   |
| Cash and cash equivalents, including: | 1 105 | 225 | 28  | 1 358 |
| Cash in bank                          | 1 105 | 224 | 28  | 1 357 |
| Financial liabilities                 | USD   | PLN | EUR | Total |
| Bank loans and borrowings, including: | -     | 126 | -   | 126   |
| Long-term                             | -     | -   | -   | -     |
| Short-term                            | -     | 126 | -   | 126   |
| Finance leases                        | -     | 35  | -   | 35    |
| Bond liabilities                      | 4 080 | -   | -   | 4 080 |
| Trade liabilities                     | 81    | 86  | -   | 167   |

## Note 33.2 Capital risk management

The Group manages capital to maintain capacity to continue its activity, taking into account the implementation of planned investments, so that it can generate returns for shareholders and bring benefits to other stakeholders, and also to maintain the optimum capital structure to reduce its cost. In line with the market practices, the Group is monitoring capital i.a. on the basis of the debt ratio. The debt ratio is calculated as the ratio of debt to financial capital. Debt is calculated as the sum of financial liabilities (loans, borrowings, leases), while financial capital is the sum of equity and financial liabilities. In order to maintain financial liquidity and credit capacity that would enable the Group to raise external financing at a reasonable cost, the Group assumes that its equity ratio will be maintained at no more than 50%.

| Item<br>(amounts in USD thousand) | 30.06.2022 | 31.12.2021 | 30.06.2021 |
|-----------------------------------|------------|------------|------------|
| Debt                              | -          | 7          | 126        |
| Equity                            | 7 148      | 9 006      | 7 441      |
| Total financial capital           | 7 148      | 9 013      | 7 567      |
| Debt ratio                        | 0%         | 0,08%      | 1,67%      |

## Note 34 Employment in the Group

| Item<br>(persons)   | Average headcount in the period 01.01.2022 – 30.06.2022 |                        |                       |
|---------------------|---|------------------------|-----------------------|
|                     | Total   | White-collar employees | Blue-collar employees |
| Silvair, Inc.       | -   | -                      | -                     |
| Silvair Sp. z o. o. | 29  | 29                     | -                     |
| Sway Sp. z o. o.    | -   | -                      | -                     |
| <b>Total</b>        | <b>29</b>   | <b>29</b>              | <b>-</b>              |

| Item<br>(persons)   | Average headcount in the period 01.01.2021 – 31.12.2021 |                        |                       |
|---------------------|---|------------------------|-----------------------|
|                     | Total   | White-collar employees | Blue-collar employees |
| Silvair, Inc.       | -   | -                      | -                     |
| Silvair Sp. z o. o. | 27  | 27                     | -                     |
| Sway Sp. z o. o.    | -   | -                      | -                     |
| <b>Total</b>        | <b>27</b>   | <b>27</b>              | <b>-</b>              |

| Item                | Average headcount in the period 01.01.2021 – 30.06.2021 |                        |                       |
|---------------------|---|------------------------|-----------------------|
| (persons)           | Total   | White-collar employees | Blue-collar employees |
| Silvair, Inc.       | -   | -                      | -                     |
| Silvair Sp. z o. o. | 27  | 27                     | -                     |
| Sway Sp. z o. o.    | -   | -                      | -                     |
| <b>Total</b>        | <b>27</b>   | <b>27</b>              | <b>-</b>              |

### Note 35 Entity authorized to audit financial statements

The interim condensed consolidated financial statements as at 30 June 2022 and as at 30 June 2021 were reviewed, and the annual financial statements prepared as at 31 December 2021 was audited by Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością Spółka komandytowa with its registered office in Poznań at ul. Abpa Antoniego Baraniaka 88E.

The net amount of the contractor's fee for reviewing the interim condensed consolidated financial statements as at 30 June 2022 is PLN 35,000. The net amount that the contractor received for reviewing the interim condensed consolidated financial statements as at 30 June 2021 was PLN 23,000.

### Note 36 Loans granted by the Group to persons comprising management and supervisory bodies

In the reporting period, the Group did not conduct transactions with Members of the Board of Directors, Officers, Members of the Management, or Supervisory Board Members or their spouses, relatives by blood and by marriage, which would involve the granting of loans to the above persons.

### Note 37 Compensation of key management personnel

Compensation of key management personnel on account of short-term employee benefits:

| Item<br>(amounts in USD thousand) | 01.01.2022<br>– 30.06.2022 | 01.01.2021<br>– 30.06.2021 |
|-----------------------------------|----------------------------|----------------------------|
| Szymon Stupik                     | 40                         | 41                         |
| Adam Gembala                      | 40                         | 40                         |
| Rafał Han                         | 40                         | 41                         |
| <b>Total compensation paid</b>    | <b>120</b>                 | <b>122</b>                 |



## Compensation of key management personnel on account of share-based payment agreements

| Item<br>(amounts in USD thousand) | 01.01.2022<br>– 30.06.2022 | 01.01.2021<br>– 30.06.2021 |
|-----------------------------------|----------------------------|----------------------------|
| Szymon Słupik                     | -                          | -                          |
| Adam Gembala                      | -                          | -                          |
| Rafał Han                         | 62                         | 82                         |
| <b>Gross compensation paid</b>    | <b>62</b>                  | <b>82</b>                  |

## Total compensation of key personnel

| Total compensation of key management personnel<br>(amounts in USD thousand) | 01.01.2022<br>– 30.06.2022 | 01.01.2021<br>– 30.06.2021 |
|---|----------------------------|----------------------------|
| Szymon Słupik   | 40                         | 41                         |
| Adam Gembala  | 40                         | 40                         |
| Rafał Han   | 102                        | 123                        |
| <b>Total compensation</b>   | <b>182</b>                 | <b>204</b>                 |

Note 13 presents costs captured in the consolidated profit and loss account, related to the valuation of options from the Additional Option Pool referred to in Note 30.

## Note 38 Related party transactions

### Transactions with parties related by equity with the Parent Company

Parties related by equity with the Parent Company:

- Silvair Sp. z o.o.
- Sway Sp. z o.o.

The Parent Company holds directly 9% rights to shares in Sway Sp. z o.o. and 100% shares in Silvair Sp. z o.o. which in turn holds 91% shares in Sway Sp. z o.o.

The following transactions were effected in the reporting period between parties related by equity:

#### Loan agreement between Silvair, Inc. (lender) and Silvair Sp. z o.o (borrower)

As at 30 June 2022, in connection with this loan, Silvair Sp. z o.o. posted a liability on account of the loan from Silvair, Inc. in the amount of USD 13,477 thousand, and as at 31 December 2021, it posted a liability in the total amount of USD 13,372 thousand. In 2022, the principal part of the loan was partially repaid in the amount of USD 170 thousand, and in 2021 – in the amount of USD 22 thousand.

The Group assumes that the granted loan will be settled through conversion to capital.

### **Loan agreement between Silvair Sp. z o.o. (lender) and Sway Sp. z o.o. (borrower)**

As at 30 June 2022, in connection with the loan, Sway Sp. z o.o. posted a liability on account of the loan received from Silvair Sp. z o.o. in the amount of USD 428 thousand. As at 31 December 2021, the balance of liabilities amounted to USD 454 thousand. No loan repayments were made in 2022 and 2021. The Group assumes that the granted loan will be settled through conversion to capital.

The loans between the Group's companies and the financial costs and income in connection with such loans were excluded from the consolidated statements.

### **Trade settlements within the Group**

As at 30 June 2022 and as at 31 December 2021, Sway Sp. z o.o. and Silvair Sp. z o.o. posted no mutual trade receivables or liabilities.

As at 30 June 2022 and as at 31 December 2021, Silvair, Inc. and Silvair Sp. z o.o. posted no mutual trade receivables or liabilities.

In 2022 and 2021, apart from loans, there were no other transactions between the Group's companies. If transactions or mutual liabilities and receivables occurred in the reporting period between the companies, they would be excluded from these interim consolidated statements.

### **Entities having personal ties with the Group's companies:**

#### **Transactions between entities with personal ties:**

As stated in Note 3.7 of the Explanatory notes to the interim condensed consolidated financial statements, as at 30 June 2022, the subsidiaries Silvair Sp. z o.o. and Sway Sp. z o.o. were parties to a lease agreement for a property in Kraków at ul. Jasnogórska, where the head offices of both companies are located.

The lessor is Centrum Jasnogórska 44 Spółka z o.o. with its registered office in Kraków, taxpayer identification no. NIP 6770050681, entered in the National Court Register under file no. 0000131205. Centrum Jasnogórska 44 is related to the issuer through the person of Mr. Szymon Słupik, who is its shareholder and vice-president of the board, while at the same time being a member of the Board of Directors (Shareholder) of the Parent Company, Silvair, Inc.

In the first half of 2022 and in 2021, the Group leased space from Centrum Jasnogórska 44 Spółka z o.o. where the total cost amounted to USD 27 thousand in the period from 1 January to 30 June 2022, and USD 120 thousand in the period from 1 January to 31 December 2021. As regards the recognition of the above lease agreement in the statement of financial position, the Group presented it as lease according to IFRS 16.

As at 30 June 2022, as at 31 December 2021, and as at 30 June 2021, the Group had no liabilities due to above mentioned Company under the lease agreement.

Except as described above, the Group's key management personnel and their close family members did not control, jointly control or exert significant influence on and were not members of key personnel of the entities that entered in material transactions with Group Companies in the reporting period.

## **Note 38.1 Transactions with the key management personnel and shareholders**

### **Key management personnel:**

Key management personnel is comprised of the persons who, directly or indirectly, have the right to and are responsible for planning, managing and controlling of the group's activities. In the reporting period, the key management personnel was comprised of:

**Rafał Han** – Chief Executive Officer

**Szymon Słupik** – Chief Technology Officer, President of the Board of Directors

**Adam Gembala** – Chief Financial Officer, Vice-President of the Board of Directors, Secretary and Treasurer

**Paweł Szymański** – Non-executive Director

**Christopher Morawski** – Non-executive Director

Compensation received by the key management personnel in connection with their functions and on account of share-based payments is described in Note 37.

Transactions between the Group's Companies and key management personnel and/or shareholders:

As at 30 June 2022, Silvair, Inc. held a liability on account of convertible bonds to companies related personally to Christopher Morawski, who is a member of the Board of Directors of Silvair, Inc., i.e. a liability to Morawski Family Trust in the amount of USD 1.1 million, and to Trikon LLC in the amount of USD 0.75 million. As at the balance sheet date of 31 December 2021, the liability to Morawski Family Trust amounted to USD 1.75 million, and as at 30 June 2021 it amounted to USD 2.9 million.

As at 30 June 2022, as at 31 December 2021, and as at 30 June 2021, subsidiaries Silvair Sp. z o.o. and Sway Sp. z o.o. posted no liabilities toward shareholders or the Board of Directors other than current liabilities on account of compensation and business travels.

## **Note 39 Minority interest**

As at 30 June 2022, as at 31 December 2021, and as at 30 June 2021, there was no minority interest within the Group.

## **Note 40 Subsidiaries with non-controlling interest**

As at 30 June 2022, as at 31 December 2021, and as at 30 June 2021, there were no subsidiaries in the Group with non-controlling interest.

The interim condensed consolidated financial statements for the period from 1 January to 30 June 2022 (including comparative data) were approved for publication by the Board of Directors on 28 September 2022.

Rafał Han

Chief Executive Officer (CEO)

Szymon Słupik

Chief Technology Officer (CTO),  
President of the Board of Directors

Adam Gembala

Chief Financial Officer (CFO),  
Vice-President of the Board of Directors,  
Secretary and Treasurer

Paweł Szymański

Director

Christopher Morawski

Director