

# **Consolidated quarterly report of the Silvair, Inc. Group**

Kraków, 29 November 2022

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**For the purposes of additional information included in the consolidated condensed (quarterly) report, the Group applies a uniform numbering of “Notes and explanations”, which is consistent (comparable) with the one used in the annual report.**

The lack of continuity of notes numbering in the quarterly report is due to the lack of obligation to present some of the information disclosed in the annual report.

# 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, Delaware Department of State, Delaware Corporate Number 5543093
EIN: (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:	2022-09-30
Period covered by the condensed financial statements:	From 1 January 2022 to 30 September 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	Changes did not occur

## Group's business

The Issuer is an entity 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 Issuer 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).

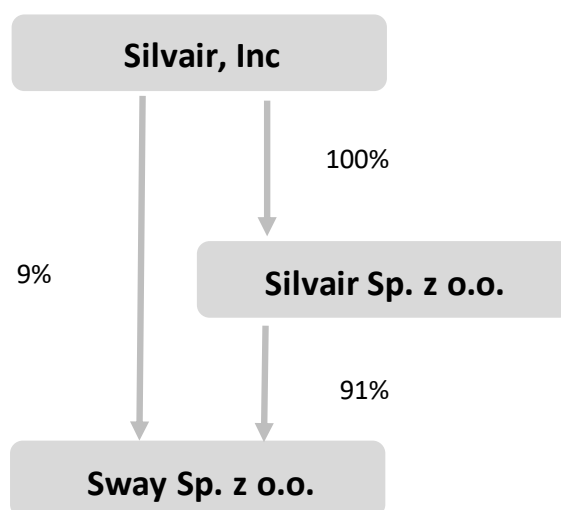
On the other hand, the use of data generated by sensors that are part of the lighting infrastructure gives managers and owners a detailed insight into the processes taking place inside their properties, which allows for using the available resources in a more efficient way and increasing the quality 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.

## The Group

The Group's structure as at 30 September 2022.



## Functional and presentation currency

The interim 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 manner 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 presented 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 condensed consolidated financial statements were prepared as at 30 September 2022 and cover the period of 9 months, i.e. from 1 January 2022 to 30 September 2022. For the data presented in the condensed consolidated statement of financial position, consolidated statement of changes in equity and off-balance sheet items, comparative financial data were presented as at 31 December 2021 and as at 30 September 2021. For the data presented in the interim consolidated profit and loss account, interim consolidated statement of comprehensive income, and in the consolidated cash flow statement, comparative financial data were presented for the period from 1 January 2021 to 30 September 2021.

## Going concern assumption

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 this context, 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 30.09.2022

### 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 governing 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 September 2022, as at 30 September 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 September 2022 and as at 31 December 2021, Silvair, Inc. held directly 100% shares in Silvair Sp. z o.o. and 9% rights to shares in Sway Sp. z o.o., as well as, indirectly through Silvair Sp. z o.o., 91% shares in Sway 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. reviews 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 companies, 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 quarterly 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 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 - 30.09.2022	1,0555	0,9557	1,1472	0,9831
01.01.2021 - 30.09.2021	1,1940	1,1604	1,2294	1,1604
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 annual 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 - 30.09.2022	0,2252	0,1985	0,2550	0,2019
01.01.2021 - 30.09.2021	0,2619	0,2505	0,2736	0,2505
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 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 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 in effect on 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 (amounts in USD thousand)	USD		EUR		PLN	
	01.01.2022 -30.09.2022	01.01.2021 -30.09.2021	01.01.2022 -30.09.2022	01.01.2021 -30.09.2021	01.01.2022 -30.09.2022	01.01.2021 -30.09.2021
Net revenue on the sale of products, goods and materials	928	456	879	382	4 121	1 741
Profit/(loss) from operating activities	-1 262	-1 715	-1 196	-1 436	-5 604	-6 548
Profit (loss) before tax	-3 543	-2 395	-3 357	-2 006	-15 733	-9 145
Profit (loss) of the period	-3 513	-2 609	-3 328	-2 185	-15 599	-9 962
Net cash flows from operating activities	-639	-775	-605	-649	-2 837	-2 959
Net cash flows from investing activities	-1 187	-1 297	-1 125	-1 086	-5 271	-4 951
Net cash flows from financing activities	1 214	-51	1 150	-43	5 391	-195
Total net cash flows	-612	-2 123	-580	-1 778	-2 717	-8 105

## For line items of the statement of financial position

Item (amounts in USD thousand)	USD		EUR		PLN	
	30.09.2022	31.12.2021	30.09.2022	31.12.2021	30.09.2022	31.12.2021
Total assets	10 643	12 641	10 825	11 159	52 714	51 324
Liabilities and provisions for liabilities	4 691	3 635	4 771	3 209	23 234	14 758
Non-current liabilities	1 490	316	1 516	279	7 380	1 283
Current liabilities	3 201	3 319	3 256	2 930	15 854	13 475
Equity attributable to shareholders of the parent company	5 952	9 006	6 054	7 950	29 480	36 565
Share capital	1 579	1 558	1 606	1 375	7 821	6 326
Number of shares	15 787 263	15 583 106	15 787 263	15 583 106	15 787 263	15 583 106
Weighted average number of shares*	15 736 567	13 608 994	15 736 567	13 608 994	15 736 567	13 608 994
Earnings/(loss) per share (in USD, EUR and PLN)	-0,22	-0,23	-0,21	-0,19	-0,99	-0,88
Book value per share (in USD, EUR and PLN)	0,38	0,58	0,38	0,51	1,87	2,35

**Interim (quarterly)  
consolidated  
financial  
statements of the  
Silvair, Inc. Group**

## Consolidated statement of financial position

(Amounts in USD thousand)	Note no.	30 September 2022	31 December 2021	30 September 2021
<b>Non-current assets</b>		<b>9 431</b>	<b>11 019</b>	<b>10 975</b>
Capitalized expenditures on development work	1	8 893	10 430	10 514
Computer software		53	60	62
Property, plant and equipment		12	13	15
Right-of-use assets	3.7	11	83	17
Financial assets		5	6	7
Deferred tax assets	5	457	427	360
<b>Current assets</b>		<b>1 212</b>	<b>1 622</b>	<b>1 044</b>
Inventory	6	4	2	5
Trade receivables and other receivables	7	559	359	343
Cash and cash equivalents		649	1 261	696
<b>Total assets</b>		<b>10 643</b>	<b>12 641</b>	<b>12 019</b>

(Amounts in USD thousand)	Note no.	30 September 2022	31 December 2021	30 September 2021
<b>Equity</b>		<b>5 952</b>	<b>9 006</b>	<b>6 397</b>
<b>Equity attributable to the shareholders of the parent company</b>		<b>5 952</b>	<b>9 006</b>	<b>6 397</b>
Share capital	12	1 579	1 558	1 355
Capital from revaluation of options	13	512	537	600
Share premium account	14	28 126	27 937	24 909
Other capital		639	365	458
Retained earnings	15	-24 904	-21 391	-20 925
<b>Equity attributable to non-controlling entities</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Non-current liabilities</b>		<b>1 490</b>	<b>316</b>	<b>2 556</b>
Deferred tax liabilities	17	14	16	17
Liabilities on bonds convertible to shares	20.1.1	1 267	-	2 219
Prepayments and accruals related to grants	21	209	300	320
<b>Current liabilities</b>		<b>3 201</b>	<b>3 319</b>	<b>3 066</b>
Trade liabilities and other current liabilities		260	353	460
Liabilities from contracts with customers	20.4	215	183	177
Lease liabilities	18.1	18	83	17
Liabilities on bonds convertible to shares	20.1.1	2 324	2 245	1 910
Other short-term provisions	20.3	52	50	90
Prepayments and accruals related to grants	21	332	405	412
<b>Equity and liabilities</b>		<b>10 643</b>	<b>12 641</b>	<b>12 019</b>

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

Interim consolidated profit and loss account (amounts in USD thousand)	Note no.	01.01.2022 – 30.09.2022	01.01.2021 – 30.09.2021	01.07.2022 – 30.09.2022	01.07.2021 – 30.09.2021
Revenue	22	928	456	413	190
Cost of sales		797	804	246	263
Gross sales result		131	-348	167	-73
Selling and distribution expenses		351	292	77	133
General and administrative expenses		1 064	1 116	350	394
Other operating income		54	56	13	18
Other operating expenses		13	15	4	-5
Losses on account of expected credit losses		19	-	4	-
Operating result		-1 262	-1 715	-255	-577
Financial income		-	-	-	-
Financial costs		2 281	680	1 398	432
Result before tax		-3 543	-2 395	-1 653	-1 009
Income tax		-30	214	5	16
Net profit/(loss) for the period		-3 513	-2 609	-1 658	-1 025
Profit/(loss) attributable to:					
shareholders of the parent company		-3 513	-2 609	-1 658	-1 025
non-controlling interest		-	-	-	-

		01.01.2022 – 30.09.2022	01.01.2021 – 30.09.2021	01.07.2022 – 30.09.2022	01.07.2021 – 30.09.2021
Net earnings/(loss) per share (in USD)	16	-0,22	-0,19	-0,11	-0,08
Diluted earnings/(loss) per share (in USD)**		-0,20	-0,15	-0,09	-0,06



Annual consolidated statement of other comprehensive income (amounts in USD thousand)	01.01.2022 - 30.09.2022	01.01.2021 - 30.09.2021	01.07.2022 - 30.09.2022	01.07.2021 - 30.09.2021
Net profit/(loss) for the period	-3 513	-2 609	-1 658	-1 025
Other comprehensive income	274	-75	431	-96
Other comprehensive income to be reclassified to result in the future	274	-75	431	-96
Foreign exchange differences from translation of foreign operations	274	-75	431	-96
Other comprehensive income not to be reclassified to result in the future	-	-	-	-
Total comprehensive income	-3 239	-2 684	-1 227	-1 121
Total comprehensive income attributable to:				
Shareholders of the parent company	-3 239	-2 684	-1 227	-1 121
Non-controlling interest	-	-	-	-

## Interim consolidated statement of changes in equity

Interim consolidated statement of changes in equity (amounts in USD thousand)	Share capital	Capital from revaluation of options	Share premium account	Other capital	Retained earnings	Equity attributable to shareholders of the parent company	Non- controlling 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	21	-193	189	-	-	17	-	17
Issue of new shares as part of the stock plan	-	-	-	-	-	-	-	-
Share issue costs	-	-	-	-	-	-	-	-
Valuation of stock options under IFRS 2	-	168	-	-	-	168	-	168
Issue and conversion of bonds convertible to shares	-	-	-	-	-	-	-	-
Result of the period	-	-	-	-	-3 513	-3 513	-	-3 513
Other comprehensive income for the period	-	-	-	274	-	274	-	274
At the end of the period 30.09.2022	1 579	512	28 126	639	-24 904	5 952	-	5 952

Annual consolidated statement of changes in equity (amounts in USD thousand)	Share capital	Capital from revaluation of options	Share premium account	Other capital	Retained earnings	Equity attributable to shareholders of the parent company	Non- controlling 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	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 in equity (amounts in USD thousand)	Share capital	Capital from revaluation of options	Share premium account	Other capital	Retained earnings	Equity attributable to shareholders of the parent company	Non- controlling 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	12	-	-	-	-	12	-	12
Issue of new shares as part of the stock plan	-	-94	90	-	-	-4	-	-4
Share issue costs	-	-	-	-	-	-	-	-
Valuation of stock options under IFRS 2	-	211	-	-	-	211	-	211
Issue and conversion of bonds convertible to shares	-	-	-	-	-	-	-	-
Result of the period	-	-	-	-	-2 609	-2 609	-	-2 609
Other comprehensive income for the period	-	-	-	-75	-	-75	-	-75
At the end of the period 30.09.2021	1 355	600	24 909	458	-20 925	6 397	-	6 397

## Interim consolidated cash flow statement

(Amounts in USD thousand)	Note no.	01.01.2022 – 30.09.2022	01.01.2021 – 30.09.2021	01.07.2022 – 30.09.2022	01.07.2021 – 30.09.2021
<b>Profit (loss) before tax</b>		<b>-3 543</b>	<b>-2 395</b>	<b>-1 653</b>	<b>-1 009</b>
<b>Adjustments for:</b>					
Depreciation and amortization		999	1 026	306	335
Foreign exchange gains (losses)		2 060	490	1 261	369
Interest		101	156	6	45
Profit (loss) from investing activities		-	-	-	-
Movement in provisions		2	45	3	3
Movement in inventory		-2	-	-1	-
Movement in receivables		-203	-137	-175	-84
Movement in current liabilities, except for loans and borrowings		-55	-76	-41	56
Tax paid		-1	-1	-	-
Movement in prepayments and accruals		-160	-94	-89	-60
Other adjustments resulting from operating activity	<b>11.1</b>	164	211	26	72
<b>Net cash from operating activities</b>		<b>-638</b>	<b>-775</b>	<b>-357</b>	<b>-273</b>
Disposal of intangible assets and property, plant and equipment		-	-	-	-
Purchase of intangible assets and property, plant and equipment		8	4	1	-
Expenditures for development work and acquisition of intangible assets	<b>1.2</b>	1 179	1 293	351	376
<b>Net cash from investing activities</b>		<b>-1 187</b>	<b>-1 297</b>	<b>-352</b>	<b>-376</b>
Net proceeds from issuing shares		21	8	5	5
Proceeds from the issue of debt securities		1 250	-	251	-
Repayment of loans and borrowings		7	4	-	4
Repayment of lease liabilities		46	43	9	14
Interest		5	12	-34	-

Net cash from financing activities	1 213	-51	281	-13
Net cash flows	-612	-2 123	-428	-662
Movement in cash	-612	-2 123	-428	-662
Movement in cash on account of foreign exchange differences	-	-	-	-
Cash at the beginning of the period	1 261	2 819	1 077	1 358
Cash at the end of the period	649	696	649	696

The above interim consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# **Explanatory notes to the interim (quarterly) consolidated financial statements**

## Basis for preparation and accounting policies

### Basis for preparation of the consolidated financial statements

These interim (quarterly) 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 9 months ended on 30 September 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 September 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.

These interim condensed consolidated financial statements have been prepared in accordance with the accounting principles that were presented in the Group's last consolidated financial statements for the year ended 31 December 2021, except for the changes described below resulting from the entry into force of new standards, interpretations and changes in standards.

As at 30 September 2022, these condensed consolidated financial statements have not been subject to audit or review by an entity authorized to audit financial statements.

### 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 three quarters of 2021 before and after change in presentation:

## Statement of financial position

BEFORE CHANGE (amounts in USD thousand)	30 September 2021	AFTER CHANGE (amounts in USD thousand)	30 September 2021
<b>Non-current assets</b>	<b>10 975</b>	<b>Non-current assets</b>	<b>10 975</b>
Costs of development work	10 514	Capitalized expenditures on development work	10 514
Intangible assets	62	Computer software	62
Property, plant and equipment	15	Property, plant and equipment	15
Right-of-use assets	17	Right-of-use assets	17
Financial assets	7	Financial assets	7
Deferred income tax assets	360	Deferred income tax assets	360
<b>Current assets</b>	<b>1 044</b>	<b>Current assets</b>	<b>1 044</b>
Inventory	5	Inventory	5
Trade receivables	243	Trade receivables and other receivables	343
Other receivables	69		
Prepayments and accruals	31		
Cash and cash equivalents	696	Cash and cash equivalents	696
<b>Total assets</b>	<b>12 019</b>	<b>Total assets</b>	<b>12 019</b>

BEFORE CHANGE (amounts in USD thousand)	30 September 2021	AFTER CHANGE (amounts in USD thousand)	30 September 2021
Equity	6 397	Equity	6 397
Equity attributable to shareholders of the parent company	6 397	Equity attributable to shareholders of the parent company	6 397
Share capital	1 355	Share capital	1 355
Capital from revaluation of options	600	Capital from revaluation of options	600
Other capital	24 909	Share premium account	24 909
Minority interest transactions	-365	Other capital	458
Capital from foreign exchange differences from translation of foreign operations	823	Retained earnings	-20 925
Retained earnings	-18 316		
Financial result of the current year	-2 609		
Equity attributable to non-controlling entities	-	Equity attributable to non-controlling entities	-
Non-current liabilities	2 556	Non-current liabilities	2 556
Deferred tax liabilities	17	Deferred tax liabilities	17
Liabilities on bonds convertible to shares	2 219	Liabilities on bonds convertible to shares	2 219
Prepayments and accruals	320	Prepayments and accruals	320
Current liabilities	3 066	Current liabilities	3 066
Trade liabilities	209	Trade liabilities and other current liabilities	460
Liabilities from contracts with customers	177	Liabilities from contracts with customers	177
Lease liabilities	17	Lease liabilities	17
Liabilities on bonds convertible to shares	1 910	Liabilities on bonds convertible to shares	1 910
Other current liabilities	251		
Other short-term provisions	90	Other short-term provisions	90
Prepayments and accruals	412	Prepayments and accruals	412
Equity and liabilities	12 019	Equity and liabilities	12 019

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

BEFORE CHANGE (amounts in USD thousand)	01.01.2021 –30.09.2021	AFTER CHANGE (amounts in USD thousand)	01.01.2021 –30.09.2021
Revenue	456	Revenue	456
Cost of sales	804	Cost of sales	804
Gross sales result	-348	Gross sales result	-348
Selling and distribution expenses	292	Selling and distribution expenses	292
General and administrative expenses	1 116	General and administrative expenses	1 116
Net sales result	-1 756		
Recognition/reversal of impairment losses on costs of development work	-		
Other operating income, including:	56	Other operating income	56
Grants settled over time	48		
Other operating expenses	15	Other operating expenses	15
Losses on account of expected credit losses	-		
Operating result	-1 715	Operating result	-1 715
Financial income, including:	-	Financial income	-
Foreign exchange differences	-		
Financial costs, including:	680	Financial costs	680
Foreign exchange differences	488		
Interest	156		
Result before tax	-2 395	Result before tax	-2 395
Income tax	214	Income tax	214
current part	1		
deferred part	213		
Net profit/(loss) for the period	-2 609	Net profit/(loss) for the period	-2 609
Profit/(loss) attributable to:		Profit/(loss) attributable to:	
shareholders of the parent company	-2 609	shareholders of the parent company	-2 609
non-controlling interest	-	non-controlling interest	-

BEFORE CHANGE (amounts in USD thousand)	01.01.2021 -30.09.2021	AFTER CHANGE (amounts in USD thousand)	01.01.2021 -30.09.2021
Net earnings/(loss) per share (in USD)	-0,19	Net earnings/(loss) per share (in USD)	-0,19
Diluted earnings/(loss) per share (in USD)	-0,15	Diluted earnings/(loss) per share (in USD)	-0,15

## Annual consolidated statement of other comprehensive income

BEFORE CHANGE (amounts in USD thousand)	01.01.2021 -30.09.2021	AFTER CHANGE (amounts in USD thousand)	01.01.2021 -30.09.2021
Net profit/(loss) for the period	-2 609	Net profit/(loss) for the period	-2 609
Other comprehensive income	-75	Other comprehensive income	-75
Other comprehensive income to be reclassified to result in the future	-75	Other comprehensive income to be reclassified to result in the future	-75
Foreign exchange differences from translation of foreign operations	-75	Foreign exchange differences from translation of foreign operations	-75
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>-2 684</b>	<b>Total comprehensive income</b>	<b>-2 684</b>
Total comprehensive income attributable to:		Total comprehensive income attributable to:	
Shareholders of the parent company	-2 684	Shareholders of the parent company	-2 684
Non-controlling interest	-	Non-controlling interest	-

## Interim consolidated statement of changes in equity

BEFORE CHANGE (amounts in USD thousand)	Share capital	Capital from reval. of options	Other capital	Minority interest transactions	Capital from foreign exch. diff. from transl. of foreign operations	Retained earnings	Financial result	Total equity	Equity attributable to non-controlling	Total 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 30.09.2021										
Exercise of stock options for Company shares	12	-	-	-	-	-	-	12	-	12
Issue of new shares as part of the stock plan	-	-94	90	-	-	-	-	-4	-	-4
Costs of issuing shares	-	-	-	-	-	-	-	-	-	-
Valuation of stock options under IFRS 2	-	211	-	-	-	-	-	211	-	211
Issue and conversion of bonds convertible to shares	-	-	-	-	-	-	-	-	-	-
<b>Total transactions with owners</b>	<b>12</b>	<b>117</b>	<b>90</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>219</b>	<b>-</b>	<b>219</b>
Result of the period	-	-	-	-	-	-	-2 609	-2 609	-	-2 609
Other comprehensive income for the period	-	-	-	-	-75	-	-	-75	-	-75
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-75</b>	<b>-</b>	<b>-2 609</b>	<b>-2 684</b>	<b>-</b>	<b>-2 684</b>
At the end of the period 30.09.2021	1 355	600	24 909	-365	823	-18 316	-2 609	6 397	-	6 397

Interim consolidated statement of changes in equity (amounts in USD thousand)	Share capital	Capital from revaluation of options	Share premium account	Other capital	Retained earnings	Equity attributable to shareholders of the parent company	Non- controlling 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	12	-	-	-	-	12	-	12
Issue of new shares as part of the stock plan	-	-94	90	-	-	-4	-	-4
Costs of issuing shares	-	-	-	-	-	-	-	-
Valuation of stock options under IFRS 2	-	211	-	-	-	211	-	211
Issue and conversion of bonds convertible to shares	-	-	-	-	-	-	-	-
Result of the period	-	-	-	-	-2 609	-2 609	-	-2 609
Other comprehensive income for the period	-	-	-	-75	-	-75	-	-75
At the end of the period 30.09.2021	1 355	600	24 909	458	-20 925	6 397	-	6 397



## Cash flow statement

BEFORE CHANGE (amounts in USD thousand)	01.01.2021 – 30.09.2021	AFTER CHANGE (amounts in USD thousand)	01.01.2021 – 30.09.2021
Profit (loss) before tax	-2 395	Profit (loss) before tax	-2 395
Adjustments for:	1 620	Adjustments for:	
Depreciation and amortization	1 026	Depreciation and amortization	1 026
Foreign exchange gains (losses)	490	Foreign exchange gains (losses)	490
Interest and profit sharing (dividends)	156	Interest and profit sharing (dividends)	156
Profit (loss) from investing activities	-	Profit (loss) from investing activities	-
Movement in provisions	45	Movement in provisions	45
Movement in inventory	-		
Movement in receivables	-137	Movement in receivables	-137
Movement in current liabilities, except for loans and borrowings	-76	Movement in current liabilities, except for loans and borrowings	-76
Tax paid	-1	Tax paid	-1
Movement in prepayments and accruals	-94	Movement in prepayments and accruals	-94
Other adjustments resulting from operating activity	211	Other adjustments resulting from operating activity	211
<b>Net cash from operating activities</b>	<b>-775</b>	<b>Net cash from operating activities</b>	<b>-775</b>
Proceeds	-		
Disposal of intangible assets and property, plant and equipment	-	Disposal of intangible assets and property, plant and equipment	-
Expenditures	1 297		
Purchase of intangible assets and property, plant and equipment	4	Purchase of property, plant and equipment	4
Expenditures incurred for development work	1 293	Expenditures on development work and purchase of intangible assets	1293
<b>Net cash from investing activities</b>	<b>-1 297</b>	<b>Net cash from investing activities</b>	<b>-1 297</b>
Proceeds	8		
Net proceeds from issuing shares and additional capital contributions	8	Net proceeds from issuing shares and additional capital contributions	8
Loans and borrowings drawn	-		

Proceeds from the issue of debt securities	-	Proceeds from the issue of debt securities	-
Interest	-		
Expenditures	59		
Repayment of loans and borrowings	4	Repayment of loans and borrowings	4
Repayment of lease liabilities	43	Repayment of lease liabilities	43
Interest	12	Interest paid	12
Net cash from financing activities	-51	Net cash from financing activities	-51
Net cash flows	-2 123	Net cash flows	-2 123
Movement in cash	-2 123	Movement in cash	-2 123
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	696	Cash at the end of the period	696

## Description of adopted accounting policies

These interim condensed consolidated financial statements have been prepared on the historical cost basis, except for equity instruments to be measured at fair value through other comprehensive income, which are carried at fair value.

### 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 rate 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 September 2022	31 December 2021	30 September 2021
PLN/USD	0,2019	0,2463	0,2505

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

	01.01.2022 - 30.09.2022	01.01.2021 - 31.12.2021	01.01.2021 - 30.09.2021
PLN/USD	0,2252	0,2580	0,2619

## Uncertainty of estimates

In preparation of the interim 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 Parent 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 bring the expected market success.
- The pursuit of the Group's strategy depends on the success of its research 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 its 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 as well as the economic and political situation related to the outbreak of war in Ukraine. 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. This judgment relates to:

- impairment of expenditures for development work (see Note 1.2 and Note 1.3)
- impairment losses (see Note 1.2, Note 5 and Note 7.2)
- revenues from contracts with customers (see Note 22.1)
- provisions (see Note 20.3)
- 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 third quarter of 2022, there were no business combinations or loss of control in the Group. There were no such events in 2021 either.

# **Information and notes on material changes in the amounts of estimates and selected reporting items of the interim consolidated financial statements**

## Note 1.1 Costs of development work

Costs of development work (amounts in USD thousand)	30.09.2022	31.12.2021	30.09.2021
Completed development work	7 036	9 603	8 509
Development work not yet completed	1 857	827	2 005
<b>Total</b>	<b>8 893</b>	<b>10 430</b>	<b>10 514</b>

## Note 1.2 Movement in costs of development work

Capitalized expenditures on development work* (amounts in USD thousand)	01.01.2022 - 30.09.2022	01.01.2021 - 31.12.2021	01.01.2021 - 30.09.2021
Gross value at the beginning of the period	15 726	14 800	14 800
Additions, including:	1 179	1 665	1 293
Expenditures incurred	1 179	1 665	1 293
Foreign exchange differences from measurement in presentation currency	-	-	-
Reductions, including:	1 783	-	581
Liquidation and sale	-	-	-
Foreign exchange differences from measurement in presentation currency	1 783	739	581
Gross value at the end of the period	15 122	15 726	15 512
Accumulated depreciation at the beginning of the period	4 805	3 436	3 436
Additions	1 002	1 369	1 042
Reductions	-	-	-
Accumulated depreciation at the end of the period	5 807	4 805	4 478
Impairment losses at the beginning of the period	491	592	592
Additions	-	-	-
Reductions	69	101	72
Impairment losses at the end of the period	422	491	520
Net value at the beginning of the period	10 430	10 772	10 772
Net value at the end of the period	8 893	10 430	10 514

(\*) 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.

## 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. In the opinion of the Board, as at the balance sheet date, there were no premises indicating an additional impairment of expenditures on development work compared to 31 December 2021.

## Note 1.3 Results of impairment tests of the costs of development work

Cash generating unit (amounts in USD thousand)	Value of development work as at 30.09.2022	Recoverable amount
Bluetooth Mesh Protocol and Silvair Mesh Stack	4 282	27 358
Silvair Platform and Multi ALS	4 148	96 479
Wi-Home	463	3 266
<b>Total</b>	<b>8 893</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.

Assumptions adopted for the needs of impairment tests:

- The test is prepared on the basis of an internal financial forecast of the Silvair Group for 2022-2030 (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 volume 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.
- 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 was also taken into account.

As at 30 September 2022, the need to recognize new impairment losses for the costs of development work was not identified.

### Note 3.7 Right-of-use assets

Right-of-use assets (amounts in USD thousand)	30.09.2022	31.12.2021	30.09.2021
Real estate right-of-use assets	11	83	17
Other assets	-	-	-
<b>Total</b>	<b>11</b>	<b>83</b>	<b>17</b>

As at 30 September 2022 and 30 September 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 September 2022, the Agreement was signed until 31 December 2022.

In connection with the change in agreements, the Group reassessed the qualification of the contracts in accordance with IFRS 16 and concluded that the amended contracts still meet the criteria for recognizing the right to use assets.



Information on the Agreements themselves is included in Note 38 Transactions with related entities.

Item (amounts in USD thousand)	01.01.2022 – 30.09.2022	01.01.2021 – 31.12.2021	01.01.2021 – 30.09.2021
Gross value at the beginning of the period	377	296	296
Additions, including:	-	83	-
Acquisition	-	83	-
Internal relocation	-	-	-
Reductions, including:	15	2	1
Value update (change of contract terms)	-	-	-
Foreign exchange differences from measurement in presentation currency	15	2	1
Gross value at the end of the period	362	377	295
Accumulated depreciation at the beginning of the period	294	225	225
Additions	57	69	53
Reductions	-	-	-
Accumulated depreciation at the end of the period	351	294	278
Net value at the beginning of the period	83	71	71
Net value at the end of the period	11	83	17

As all the right-of-use assets relate to one category (rental of premises), the changes are presented without category breakdown.

## Note 5 Deferred tax assets

Deferred tax assets (amounts in USD thousand)	30.09.2022	31.12.2021	30.09.2021
<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>53</b>	<b>205</b>	<b>129</b>
through profit or loss	53	205	129
through equity	-	-	-
<b>Reductions</b>	<b>23</b>	<b>354</b>	<b>345</b>
through profit or loss	23	341	345
through equity	-	13	-
<b>Deferred tax assets at the end of the period, including:</b>	<b>457</b>	<b>427</b>	<b>360</b>
through profit or loss	457	427	347
through equity	-	-	13

Deferred tax assets arising from temporary differences resulting from: (amounts in USD thousand)	30.09.2022	31.12.2021	30.09.2021
Accumulated tax losses to be used	7 864	8 130	9 279
Impairment losses on deferred tax assets up to the amount of tax losses available for use in the future (calculation based on the financial budget)	-5 462	-5 885	-7 384
<b>Total</b>	<b>2 402</b>	<b>2 245</b>	<b>1 895</b>
<b>Deferred tax assets (19%)</b>	<b>457</b>	<b>427</b>	<b>360</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 in the period when particular asset is realized or the provision is released, based on tax rates (and tax legislation) enacted or substantively enacted as 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 performed analysis of anticipated tax revenues has shown a limited possibility of settling the tax loss for years 2018-2021 and for 2022. Therefore, the Group has made a decision to recognize an additional impairment loss for deferred tax assets.

The recognized deferred tax assets cover the partial loss for the 9 months of 2022 and partial losses from years 2019-2021. The adopted assumptions regarding the probability of realization of revenues by the Group in subsequent years justify the keeping of the asset on 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. The prevailing 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 (amounts in USD thousand)	30.09.2022	31.12.2021	30.09.2021
Goods for resale	39	46	47
Impairment loss on goods	-35	-44	-42
<b>Total</b>	<b>4</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. In the first three quarters of 2022, there were no prerequisites to recognize an additional impairment loss, thus no impairment losses were made on the inventory. The change in the amount of the impairment loss results from the decrease in the value of PLN against USD.

## Note 7 Trade receivables and other receivables

Trade receivables and other receivables (amounts in USD thousand)	30.09.2022	31.12.2021	30.09.2021
From related entities	-	-	-
From other entities	588	380	381
Impairment losses	-29	-21	-38
<b>Total</b>	<b>559</b>	<b>359</b>	<b>343</b>

Trade receivables and other receivables (amounts in USD thousand)	30.09.2022	31.12.2021	30.09.2021
Trade receivables	446	271	243
Other receivables	113	88	100
<b>Total</b>	<b>559</b>	<b>359</b>	<b>343</b>

### Note 7.1 Trade receivables

Trade receivables (amounts in USD thousand)	30.09.2022	31.12.2021	30.09.2021
From related entities	-	-	-
From other entities	475	292	281
Impairment losses	-29	-21	-38
<b>Total</b>	<b>446</b>	<b>271</b>	<b>243</b>

### Note 7.2 Impairment losses on trade receivables

As at 30 September 2022, impairment losses on trade receivables amounted to USD 29 thousand. As at 31 December 2021, impairment losses on trade receivables amounted to USD 21 thousand. The change of the value of impairment loss results from the increase in receivables which are the basis for estimating the impairment loss according to the model adopted by the Group.

#### Estimates:

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". 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.

## 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 in the amount of USD 164 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 30.09.2022

Type	Number of shares	Par value (USD '000s)	Share subscription price (USD '000s)	Share premium account (USD '000s)
Common Stock	14 827 263	1 483	27 807	26 324
Preferred Stock	960 000	96	125	29
<b>Total</b>	<b>15 787 263</b>	<b>1 579</b>	<b>27 932</b>	<b>26 353</b>

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

Share capital ownership structure	Number of shares	% of shares	Number of votes <sup>(1)</sup>	% of votes
Rafał Han	1 930 465	12,23	3 562 465	17,30
Szymon Stupik	1 902 340	12,05	3 547 500	17,23
Adam Gembala	1 018 760	6,45	2 145 520	10,42
Chris Morawski	1 845 321	11,69	1 845 321	8,96
Krzysztof Januszkiewicz	1 880 867	11,91	1 880 867	9,14
Other shareholders holding less than 5% of shares	7 209 510	45,67	7 605 590	36,95
<b>Total</b>	<b>15 787 263</b>	<b>100,00</b>	<b>20 587 263</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.

## Share capital of the Parent Company as at 31.12.2021

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 30.09.2021

Type	Number of shares	Par value (USD '000s)	Share subscription price (USD '000s)	Share premium account (USD '000s)
Common Stock	12 593 532	1 259	24 328	23 069
Preferred Stock	960 000	96	125	29
<b>Total</b>	<b>13 553 532</b>	<b>1 355</b>	<b>24 453</b>	<b>23 098</b>

Share capital ownership structure	Number of shares	% of shares	Number of votes <sup>(1)</sup>	% of votes
Rafał Han	1 908 412	14,08	3 540 412	19,29
Szymon Stupik	1 893 540	13,97	3 538 700	19,28
Adam Gembala	1 018 760	7,52	2 145 520	11,69
Other shareholders holding less than 5% of shares	8 732 820	64,43	9 128 900	49,74
<b>Total</b>	<b>13 553 532</b>	<b>100,00</b>	<b>18 353 532</b>	<b>100,00</b>

In 2022 and in 2021, no redemption or repayment of non-equity and equity securities took place. As at 30 September 2022, out of 15,787,263 issued shares, 15,761,963 shares have been paid in full. As at 31 December 2021, out of 15,583,106 issued shares, 15,569,306 shares have been paid in full. As at 30 September 2021, out of 13,553,532 issued shares, 13,532,832 shares have been paid in full, and the number of unpaid shares was 20,700.

### Note 13 Capital from revaluation of options

Capital from revaluation of options (amounts in USD thousand)	30.09.2022	31.12.2021	30.09.2021
Valuation of stock options under IFRS 2	512	537	600
<b>Total</b>	<b>512</b>	<b>537</b>	<b>600</b>

See Note 30 for additional information on valuation of options.

### Note 14.1 Share premium account

Share premium account (amounts in USD thousand)	30.09.2022	31.12.2021	30.09.2021
Supplementary capital	28 126	27 937	24 909
<b>Total</b>	<b>28 126</b>	<b>27 937</b>	<b>24 909</b>

### Note 14.2 Movement in the item Share premium account

Movement in other capital (amounts in USD thousand)	01.01.2022 - 30.09.2022	01.01.2021 - 31.12.2021	01.01.2021 - 30.09.2021
At the beginning of the period	27 937	24 819	24 819
Exercise of stock options for Company shares	191	239	92
Expenditures incurred in connection with the stock issue	-	-50	-
Issue of new shares (IPO)	-	1 117	-
Unpaid capital which has been called up	-2	-	-2
Issue of bonds convertible to shares	-	1 812	-
<b>At the end of the period</b>	<b>28 126</b>	<b>27 937</b>	<b>24 909</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 entities.

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 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 September 2022, 31 December 2021 and as at 30 September 2021, there was no Capital attributable to Non-Controlling Entities.

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

Retained earnings (amounts in USD thousand)	01.01.2022 - 30.09.2022	01.01.2021 - 31.12.2021	01.01.2021 - 30.09.2021
Minority interest transactions	-365	-365	-365
Capital from foreign exchange differences on translation of foreign entities	1 004	730	823
<b>Total</b>	<b>639</b>	<b>365</b>	<b>458</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 (amounts in USD thousand)	30.09.2022	31.12.2021	30.09.2021
Accumulated losses from previous years	-21 391	-18 316	-18 316
Financial result of the current period	-3 513	-3 075	-2 609
<b>Total</b>	<b>-24 904</b>	<b>-21 391</b>	<b>-20 925</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 by 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:	30.09.2022	31.12.2021	30.09.2021
Weighted average number of parent company's shares in the period	15 736 567	13 608 994	13 484 216
Diluting options, including:	2 218 173	3 403 963	3 471 549
on account of the option plan	567 278	866 300	879 443
on accounts of bonds	1 650 895	2 537 663	2 592 106
Weighted average number of parent company's shares in the period after diluting options	17 954 740	17 012 957	16 955 765
<b>Continued operations</b>			
Earnings/(loss) per share (USD) weighted average number of shares	-0,22	-0,23	-0,19
Diluted earnings/(loss) per share (USD)	-0,20	-0,18	-0,15
<b>Discontinued operations</b>			
Earnings/(loss) per share (USD) weighted average number of shares	-	-	-
Diluted earnings/(loss) per share (USD)	-	-	-
<b>Continued and discontinued operations</b>			
Earnings/(loss) per share (USD) weighted average number of shares	-0,22	-0,23	-0,19
Diluted earnings/(loss) per share (USD)	-0,20	-0,18	-0,15

## Note 17 Deferred tax liabilities

Deferred tax liabilities (amounts in USD thousand)	30.09.2022	31.12.2021	30.09.2021
<b>Deferred tax liabilities at the beginning of the period, including:</b>	<b>16</b>	<b>20</b>	<b>20</b>
through profit or loss	16	20	20
through equity	-	-	-
<b>Additions, including:</b>	<b>-</b>	<b>-</b>	<b>-</b>
through profit or loss	-	-	-
through equity	-	-	-
<b>Reductions, including:</b>	<b>2</b>	<b>4</b>	<b>3</b>
through profit or loss	2	4	3
through equity	-	-	-
<b>Deferred tax liabilities at the end of the period, including:</b>	<b>14</b>	<b>16</b>	<b>17</b>
through profit or loss	14	16	17
through equity	-	-	-
<b>Deferred tax liabilities arising from temporary differences resulting from:</b> (amounts in USD thousand)	<b>30.09.2022</b>	<b>31.12.2021</b>	<b>30.09.2021</b>
Difference between the tax value and carrying amount of completed development work	74	84	89
<b>Total</b>	<b>74</b>	<b>84</b>	<b>89</b>
<b>Deferred tax liabilities (19%)</b>	<b>14</b>	<b>16</b>	<b>17</b>

## Note 18.1 Lease liabilities

Lease liabilities (amounts in USD thousand)	30.09.2022	31.12.2021	30.09.2021
Long-term	-	-	-
Short-term	18	83	17
<b>Total</b>	<b>18</b>	<b>83</b>	<b>17</b>

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 20.1.1 Liabilities on bonds convertible to shares

Liabilities on bonds convertible to shares (amounts in USD thousand)	01.01.2022 - 30.09.2022	01.01.2021 - 31.12.2021	01.01.2021 - 30.09.2021
At the beginning of the period	2 245	3 985	3 985
Additions	1 346	189	144
Reductions	-	1 929	-
<b>Total</b>	<b>3 591</b>	<b>2 245</b>	<b>4 129</b>

Bonds convertible to shares (amounts in USD thousand)	30.09.2022	31.12.2021	30.09.2021
Par value of issued bonds	3 350	2 100	3 850
Interest costs	241	145	279
Interest paid	-	-	-
<b>Bond liabilities</b>	<b>3 591</b>	<b>2 245</b>	<b>4 129</b>

Other liabilities (non-current) (amounts in USD thousand)	30.09.2022	31.12.2021	30.09.2021
Bonds convertible to shares	1 250	-	2 100
Interest on bonds convertible to shares	17	-	119
<b>Total</b>	<b>1 267</b>	<b>-</b>	<b>2 219</b>

Other liabilities (current) (amounts in USD thousand)	30.09.2022	31.12.2021	30.09.2021
Bonds convertible to shares	2 100	2 100	1 750
Interest on bonds convertible to shares	224	145	160
<b>Total</b>	<b>2 324</b>	<b>2 245</b>	<b>1 910</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 September 2022, as at 31 December 2021, and as at 30 September 2021, the Group had no other contingent liabilities. As at 30 September 2022, as at 31 December 2021, and as at 30 September 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.

## 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, the Group did not recognize provisions for new liabilities.

Other short-term provisions (amounts in USD thousand)	30.09.2022	31.12.2021	30.09.2021
Provisions for unused vacation time	52	50	90
Provisions for disputes	-	-	-
<b>Total</b>	<b>52</b>	<b>50</b>	<b>90</b>

Provisions for unused vacation time (amounts in USD thousand)	30.09.2022	31.12.2021	30.09.2021
As at the beginning of the period	50	45	45
Additions	5	43	45
Reductions	3	38	-
<b>At the end of the period</b>	<b>52</b>	<b>50</b>	<b>90</b>

## Estimates:

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. The percentage rate of social security charged to the employer was adopted at the level of 22.11% for years 2020-2022, taking into account the contributions to PPK (Employee Capital Plan).

## Note 20.4 Liabilities from contracts with customers

Liabilities from contracts with customers (amounts in USD thousand)	01.01.2022	Additions	Reductions	30.09.2022
Maintenance services for Silvair Platform	177	201	169	209
Maintenance services for Silvair Mesh Stack	6	7	7	6
<b>Total</b>	<b>183</b>	<b>208</b>	<b>176</b>	<b>215</b>

Liabilities from contracts with customers (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 (amounts in USD thousand)	01.01.2021	Additions	Reductions	30.09.2021
Maintenance services for Silvair Platform	126	194	147	173
Maintenance services for Silvair Mesh Stack	5	4	5	4
<b>Total</b>	<b>131</b>	<b>198</b>	<b>152</b>	<b>177</b>

As at 30 September 2022, 31 December 2021 and as at 30 September 2021, the Group identified liabilities associated with maintenance agreements.

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.

## Note 21 Prepayments and accruals

Prepayments and accruals (amounts in USD thousand)	01.01.2022	Additions	Reductions	30.09.2022
Financing under the Smart Growth Operational Program <sup>(1)</sup>	345	-	62 <sup>(1)</sup>	283
NCBiR subsidy for fixed assets	360	-	102	258
<b>Total</b>	<b>705</b>	<b>-</b>	<b>164</b>	<b>541</b>

Prepayments and accruals (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 (amounts in USD thousand)	01.01.2021	Additions	Reductions	30.09.2021
Financing under the Smart Growth Operational Program	372	-	21 <sup>(1)</sup>	351
NCBiR subsidy for fixed assets	454	-	73	381
<b>Total</b>	<b>826</b>	<b>-</b>	<b>94</b>	<b>732</b>

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

## Note 22.1 Sales revenues

Sales revenues (amounts in USD thousand)	01.01.2022 - 30.09.2022	01.01.2021 - 30.09.2021	01.07.2022 - 30.09.2022	01.07.2021 - 30.09.2021
Revenues from sales of products	750	293	358	134
Revenues from sales of goods and services	178	163	55	56
<b>Total</b>	<b>928</b>	<b>456</b>	<b>413</b>	<b>190</b>

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 upload, 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 Agreement (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, Silvair MaTE hardware is delivered that enables installation of the software. The hardware is 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:

(Amounts in USD thousand)				01.01.2022 - 30.09.2022
Product/service type	CSA agreements	SLS agreements	Other revenues from contracts	Total
Firmware license	-	328	-	328
Activation	422	-	-	422
Development	4	-	-	4
Maintenance	119	-	-	119
Other	24	31	-	55
<b>Total</b>	<b>569</b>	<b>359</b>	<b>-</b>	<b>928</b>
<b>Delivery date</b>				
At the time	435	333	-	768
Over time	134	26	-	160
<b>Total</b>	<b>569</b>	<b>359</b>	<b>-</b>	<b>928</b>



(Amounts in USD thousand)				01.01.2021 - 30.09.2021
Product/service type	CSA agreements	SLS agreements	Other revenues from contracts	Total
Firmware license	-	135	-	135
Activation	157	-	-	157
Development	4	-	-	4
Maintenance	122	-	-	122
Other	14	24	-	38
<b>Total</b>	<b>297</b>	<b>159</b>	<b>-</b>	<b>456</b>
<b>Delivery date</b>				
At the time	171	138	-	309
Over time	126	21	-	147
<b>Total</b>	<b>297</b>	<b>159</b>	<b>-</b>	<b>456</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 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 uniqueness 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
- 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 in next years.

The item Revenues from other activities includes revenues from former Wi-Home and Proxi segments which are discontinued.

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. These items are presented in other activities. The Board does not analyze cash flows by segment either.

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 – 30 September 2022

Segment type (amounts in USD thousand)	Lighting Control	Items not allocated to segments	Total
<b>Revenues and expenses</b>			
Sales to external customers	928	-	928
Inter-segment sales	-	-	-
Cost of sales	797	-	797
Income and expenses (operating and other operating)	-21	-1 372	-1 393
<b>EBIT</b>	<b>110</b>	<b>-1 372</b>	<b>-1 262</b>
Net financial income (costs)	-	-2 281	-2 281
Share in profits of associates	-	-	-
<b>Gross profit</b>	<b>110</b>	<b>-3 653</b>	<b>-3 543</b>
Income tax (current and deferred)	-	-30	-30
<b>Net profit for the reporting period</b>	<b>110</b>	<b>-3 623</b>	<b>-3 513</b>
<b>Assets</b>			
Costs of development work (carrying amount of assets)	8 430	463	8 893
Receivables	446	-	446
Unallocated assets	-	1 304	1 304
<b>Total assets</b>			<b>10 643</b>
<b>Liabilities</b>			
Financial liabilities	-	3 591	3 591
Liabilities from contracts with customers	215	-	215
Unallocated liabilities	-	885	885
<b>Total liabilities</b>			<b>4 691</b>
Other information	-	-	-
Depreciation and amortization	797	202	999

## Information on individual operating segments in the period from 1 January 2021 – 30 September 2021

Segment type (amounts in USD thousand)	Lighting Control	Items not allocated to segments	Total
<b>Revenues and expenses</b>			
Sales to external customers	456	-	456
Inter-segment sales	-	-	-
Cost of sales	804	-	804
Income and expenses (operating and other operating)	-	-1 367	-1 367
<b>EBIT</b>	<b>-348</b>	<b>-1 367</b>	<b>-1 715</b>
Net financial income (costs)	-	-680	-680
Share in profits of associates	-	-	-
<b>Gross profit</b>	<b>-348</b>	<b>-2 047</b>	<b>-2 395</b>
Income tax (current and deferred)	-	214	214
<b>Net profit for the reporting period</b>	<b>-348</b>	<b>-2 261</b>	<b>-2 609</b>
<b>Assets</b>			
Costs of development work (carrying amount of assets)	8 397	2 117	10 514
Receivables	243	-	243
Unallocated assets	-	1 262	1 262
<b>Total assets</b>			<b>12 019</b>
<b>Liabilities</b>			
Financial liabilities	-	4 129	4 129
Liabilities from contracts with customers	177	-	177
Unallocated liabilities	-	1 316	1 316
<b>Total liabilities</b>			<b>5 622</b>
Other information	-	-	-
Depreciation and amortization	804	222	1 026

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

(Amounts in USD thousand)		01.01.2022 - 30.09.2022	
Segment type	Lighting Control	Items not allocated to segments	Total
<b>Region</b>			
European Union	234	-	234
Other countries	694	-	694
Poland	-	-	-
<b>Total</b>	<b>928</b>	<b>-</b>	<b>928</b>
<b>Product/service type</b>			
Firmware license	328	-	328
Activation	422	-	422
Development	4	-	4
Maintenance	119	-	119
Other	55	-	55
<b>Total</b>	<b>928</b>	<b>-</b>	<b>928</b>
<b>Delivery date</b>			
At the time	768	-	768
Over time	160	-	160
<b>Total</b>	<b>928</b>	<b>-</b>	<b>928</b>

(Amounts in USD thousand)			01.01.2021 - 30.09.2021
Segment type	Lighting Control	Items not allocated to segments	Total
<b>Region</b>			
European Union	171	-	171
Other countries	285	-	285
Poland	-	-	-
<b>Total</b>	<b>456</b>	<b>-</b>	<b>456</b>
<b>Product/service type</b>			
Firmware license	135	-	135
Activation	157	-	157
Development	4	-	4
Maintenance	122	-	122
Other	38	-	38
<b>Total</b>	<b>456</b>	<b>-</b>	<b>456</b>
<b>Delivery date</b>			
At the time	309	-	309
Over time	147	-	147
<b>Total</b>	<b>456</b>	<b>-</b>	<b>456</b>

## 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 30 September 2022, 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 September 2022, all the options granted to the Board members and Venture FIZ have been exercised, and in the Key Personnel pool, options for 82,500 shares out of 132,000 shares have been exercised by 30 September 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 September 2022, options were granted from the “Additional Option Pool” for all the shares for Rafał Han and all 279,000 shares for the Key Personnel. By 30 September 2022, options for 101,500 shares were exercised from the pool for Rafał Han, and options for 111,050 shares were exercised from the Key Employee pool.

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. As part of an increase in the Option Plan dated 31 March 2020, by 30 September 2022 options were granted for 545,047 shares, of which options for 424,175 shares have been exercised.

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

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

	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/a	n/a	0,61
Number of shares granted under the concluded option contracts	971 000	482 000	545 047
Number of shares acquired in the exercise of options	921 500	212 550	424 175

#### Option exercise structure in the period:

	01.01.2022 - 30.09.2022	01.01.2021 - 30.09.2021
Pool of shares under the Option Plan	2 000 000	2 000 000
Number of shares available under the Option Plan at the beginning of the period	37 014	295 443
Increase of the pool of shares under the Option Plan	-	-
Number of shares granted under concluded option agreements	46 500	209 466
Number of shares taken up in exercise of the options	190 357	106 905
Number of shares remaining to be taken up in subsequent periods under option agreements	439 822	806 618
Number of shares released upon expiration of options	11 439	-
Number of shares to be granted under further option agreements at the end of the period	1 953	45 727

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 - 30.09.2022	01.01.2021 - 30.09.2021
Management costs	168	211
Capital from revaluation of options	168	211

**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 - 30.09.2022	01.01.2021 - 30.09.2021
Other capital	189	90
Capital from revaluation of options	-193	-94

The change in capital from revaluation of options in the period from 1 January 2022 to 30 September 2022 results from the exercise of 190,357 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 16.4 thousand.

The change in capital from revaluation of options in the period from 1 January 2021 to 30 September 2021 resulted from the exercise of 106,905 stock options and revaluation of new options in the vesting period. The total amount of shares taken up in performance of option contracts in the reporting period was USD 12 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

There were no material events after the balance sheet date.

## 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 uniqueness, 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. However, since business partners pay the due amounts regularly, the exposure to individual credit risk is not high.

The Group applies internal procedures and mechanisms that mitigate this risk: appropriate client selection, 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 2021, the Group obtained funds from the issue of bonds and the issue of shares. The Company 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 September 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	-	-	-	-	-
Bond liabilities	-	2 324	-	1 267	-
Trade liabilities	-	157	-	-	-
Lease liabilities	-	18	-	-	-
<b>Total</b>	<b>-</b>	<b>2 499</b>	<b>-</b>	<b>1 267</b>	<b>-</b>

#### Financial liabilities by maturity date as at 30 September 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	120	-	-	-	-
Bond liabilities	-	1 941	-	2 219	-
Trade liabilities	-	209	-	-	-
Lease liabilities	-	17	-	-	-
<b>Total</b>	<b>120</b>	<b>2 167</b>	<b>-</b>	<b>2 219</b>	<b>-</b>

**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. The Group monitors the currency rates and observes constant and periodic trends. The current trend of appreciation of EUR vs. PLN is good for the Group from the perspective of

earning revenues in 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 below.

**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 floating 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 balance sheet item (amounts in USD thousand)	30.09.2022 fair value	30.09.2022 carrying amount	Classification of financial instruments according to IFRS 9 (carrying amount)			Other
			Measured at fair value through profit or loss	Measured at fair value with changes through other comprehensive income	Measured at amortized cost	
Financial assets						
Interest and shares	5	5	-	-	-	5
Trade receivables	446	446	-	-	446	-
Cash	649	649	-	-	649	-

Financial liabilities by balance sheet item (amounts in USD thousand)	30.09.2022 fair value	30.09.2022 carrying amount	Classification of financial instruments according to IFRS 9 (carrying amount)		
			Measured at fair value through profit or loss	Measured at amortized cost	Measured at fair value through other comprehensive income
Financial liabilities					
Loans	-	-	-	-	-
Debt securities	3 591	3 591	-	3 591	-
Trade liabilities	157	157	-	157	-

Financial assets by balance sheet item (amounts in USD thousand)	30.09.2021 fair value	30.09.2021 carrying amount	Classification of financial instruments according to IFRS 9 (carrying amount)			Other
			Measured at fair value through profit or loss	Measured at fair value with changes through other comprehensive income	Measured at amortized cost	
Financial assets						
Interest and shares	7	7	-	-	-	7
Trade receivables	243	243	-	-	243	-
Cash	696	696	-	-	696	-

Financial liabilities by balance sheet item (amounts in USD thousand)	30.09.2021 fair value	30.09.2021 carrying amount	Classification of financial instruments according to IFRS 9 (carrying amount)		
			Measured at fair value through profit or loss	Measured at amortized cost	Measured at fair value through other comprehensive income
Financial liabilities					
Loans	120	120	-	120	-
Debt securities	4 129	4 129	-	4 129	-
Trade liabilities	209	209	-	209	-

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 September 2022**

Financial assets (amounts in USD thousand)	Category under IFRS 9	Interest income / (expense)	Foreign exchange gains / (losses)	Reversal / (recognition) of impairment losses	Gains / (losses) on measurement	Total
Trade receivables	C	-	-	-21	-	-21
Cash and cash equivalents	C	-	5	-	-	5
<b>Total</b>		-	5	-21	-	-16
<b>Financial liabilities</b>						
Bank loans	F	-	-1 608	-	-	-1 608
Leases	F	-4	-6	-	-	-10
Bond liabilities	F	-95	-	-	-	-95
Trade liabilities	F	-	-536	-	-	-536
Other liabilities	F	-1	-	-	-	-1
<b>Total</b>		-100	-2 150	-	-	-2 250

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

Financial assets (amounts in USD thousand)	Category under IFRS 9	Interest income / (expense)	Foreign exchange gains / (losses)	Reversal / (recognition) of impairment losses	Gains / (losses) on measurement	Total
Trade receivables	C	-	-3	-	-	-3
Cash and cash equivalents	C	-	3	-	-	3
<b>Total</b>		-	-	-	-	-
<b>Financial liabilities</b>						
Bank loans	F	-12	-493	-	-	-505
Leases	F	-	5	-	-	5
Bond liabilities	F	-144	-	-	-	-144
Trade liabilities	F	-	1	-	-	1
<b>Total</b>		-156	-487	-	-	-643

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 September 2022 and as at 30 September 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 September 2022

Financial instruments by balance sheet items (amounts in USD thousand)	Carrying amount of financial instruments	Effect on pre-tax financial result (10% increase)	Effect on equity (10% increase)	Effect on pre-tax financial result (10% decrease)	Effect on equity (10% decrease)
<b>Financial assets</b>					
Interest and shares	5	-1	-	1	-
Trade receivables	446	-14	-	14	-
Cash, including:	649	-52	-	52	-
Cash in bank	648	-52	-	52	-
<b>Financial liabilities</b>					
Loans	-	-	-	-	-
Debt securities	3 591	-	-	-	-
Trade liabilities	157	9	-	-9	-



## Currency risk, 1 January 2021 – 30 September 2021

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

Financial instruments by balance sheet items (amounts in USD thousand)	Carrying amount of financial instruments	Effect on pre-tax financial result (10% increase)	Effect on equity (10% increase)	Effect on pre-tax financial result (10% decrease)	Effect on equity (10% decrease)
<b>Financial assets</b>					
Interest and shares	7	-1	-	1	-
Trade receivables	243	-8	-	8	-
Cash, including:	696	-6	-	6	-
Cash in bank	695	-6	-	6	-
<b>Financial liabilities</b>					
Loans	120	12	-	-12	-
Debt securities	4 129	-	-	-	-
Trade liabilities	209	9	-	-9	-

## Financial instruments by currency

As at 30 September 2022

Financial assets (amounts in thousands)	USD	PLN	EUR	Total
Interest and shares	-	5	-	5
Trade receivables	317	-	129	446
Cash and cash equivalents, including:	126	461	62	649
Cash in bank	126	460	62	648
Financial liabilities (amounts in thousands)	USD	PLN	EUR	Total
Bank loans, including:	-	-	-	-
Long-term	-	-	-	-
Short-term	-	-	-	-
Finance leases	-	18	-	18
Bond liabilities	3 591	-	-	3 591
Trade liabilities	72	84	1	157

## As at 30 September 2021

Financial assets (amounts in thousands)	USD	PLN	EUR	Total
Interest and shares	-	7	-	7
Trade receivables	178	-	65	243
Cash and cash equivalents, including:	637	32	27	696
Cash in bank	637	31	27	695
Financial liabilities (amounts in thousands)	USD	PLN	EUR	Total
Bank loans, including:	-	120	-	120
Long-term	-	-	-	-
Short-term	-	120	-	120
Finance leases	-	17	-	17
Bond liabilities	4 129	-	-	4 129
Trade liabilities	120	89	-	209

## 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 September 2022, in connection with this loan, Silvair Sp. z o.o. posted a liability under a loan from Silvair, Inc. in the amount of USD 13,310 thousand, and as at 30 September 2021, it posted a liability in the total amount of USD 12,558 thousand. As at 30 September 2022, the Company has made loan repayment in the amount of USD 170 thousand, a loan repayment of USD 22 thousand was made in 2021, and no loan repayments were made in 2020. 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 September 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 393 thousand. As at 30 September 2021, the balance of

liabilities amounted to USD 336 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 September 2022 and as at 30 September 2021, Sway Sp. z o.o. and Silvair Sp. z o.o. posted no mutual trade receivables or liabilities.

As at 30 September 2022 and as at 30 September 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 condensed 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 consolidated financial statements, as at 30 September 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 and at the same time a member of the Board of Directors (Shareholder) of the Parent Company, Silvair, Inc.

In the third quarter of 2022 and in the third quarter of 2021, the Group leased space from Centrum Jasnogórska 44 Spółka z o.o. where the total cost (rental and costs of utilities) in the period from 1 January to 30 September 2022 reached USD 90 thousand, and from 1 January to 30 September 2021 – USD 92 thousand. As regards the recognition of the above lease agreement in the statement of financial position, the Group presented them as leases according to IFRS 16.

As at 30 September 2022 and as at the balance sheet date of 30 September 2021, the Group had no liabilities toward the 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 the Group's Companies in the reporting period.

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

In the reporting period, no transactions were concluded with the key management personnel or with shareholders.

# **Supplementary notes to the quarterly report of the Silvair, Inc. Group**

## **Extraordinary events in terms of their type, value or frequency having material effect on the financial statements**

No unusual events affecting the financial statements occurred in the reporting period.

## **Seasonality or cyclicity of the Group's operations**

The activities of the Silvair, Inc. Group are not subject to seasonality or cyclicity.

## **Provisions and charges, including impairment losses**

In the period from 1 January to 30 September 2022, there were no indications for recognizing new impairment losses for assets or for reversing the existing ones. In the first three quarters of 2022, there were also no indications for recognizing provisions for new liabilities. Information on the level of prior charges and provisions is provided in the section entitled "Information and notes on material changes in the amounts of estimates and selected reporting items".

## **Litigation**

No new litigation was launched in the period from 1 January to 30 September 2022.

As at the date of this report, the Group is not a party to any major litigation proceedings, either as a plaintiff or a defendant, in which the value of the dispute would exceed 5% of the Group's equity.

## **Material liabilities resulting from the purchase of property, plant and equipment**

As at 30 September 2022 and as at 30 September 2021, none of the Group companies had any liabilities on account of purchases of property, plant and equipment.

## **Extraordinary events in terms of their type, value or frequency having material effect on the fair value of financial assets and financial liabilities of the entity, regardless of whether these assets and liabilities are recognized at fair value or adjusted acquisition price (amortized cost)**

In the reporting period and in the corresponding period of the previous year, no changes occurred in the economic situation and business conditions that would materially affect the fair value of financial assets and financial liabilities presented in the Group's consolidated financial statements. No other information was received that could materially affect the assessment of the assets, financial position and financial result.

## **Instances of default on loans and borrowings or breaches of material provisions of loan and borrowing agreements in respect of which no corrective measures were taken until the end of the reporting period**

As at 30 September 2022, the Group had no outstanding loans or borrowings.

## **Statement of ownership of the issuer's shares or rights to such shares by the persons managing and supervising the issuer as at the delivery date of the quarterly report, with identification of changes in ownership in the period after the publication of the previous periodic report, for each person separately**

The par value of one share is USD 0.1.

Share capital ownership structure	As at 01.01.2022	Acquisition	Disposal	As at 29.11.2022
Rafał Han	1 914 455	16 010	-	1 930 465
Szymon Stupik	1 902 340	-	-	1 902 340
Adam Gembala	1 018 760	-	-	1 018 760
Christopher Morawski	1 781 888	98 557	-	1 880 445

## Information on changes in classification or valuation of financial instruments

Note 33 of this report presents the classification of financial instruments according to IFRS 9. No changes in measurement methods for financial instruments, especially those measured at fair value, were made in the first three quarters of 2022. In the reporting period, no changes were also made to the classification of financial assets.

## The Board's position on the possibility of achieving the previously published forecasts and performance of the Group at least in the next quarter of the financial year

The Silvair Group did publish any projections for 2022, including projections for the 9 months of 2022.

## Summary of the Issuer's achievements and failures

### 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).

### **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.

### **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 dividend paid or declared, in total and per share, broken down into ordinary and preferred stock**

In the reporting period, the Issuer did not pay or declare payment of dividend.

### **Information on the issuance, redemption and repayment of non-equity and equity securities**

No such transactions were concluded in the reporting period.

### **Information on issuer or its subsidiary entering into one or several related party transactions on non-market terms**

No such transactions were concluded. Information on related party transactions is presented in Note 38.

### **Factors that the issuer believes will affect its financial performance at the least within the next quarter**

In the opinion of the Issuer's Board, the Group's financial performance in the coming periods will be affected by the following external and internal factors:

- Global increase in prices of energy resources and energy prices

- Availability of lighting components (incl. mainly semiconductors) after supply chain disruptions caused by the Covid-19 pandemic
- Macroeconomic and geopolitical situation in Poland and in the world in the face of the war in Ukraine
- Pace of adoption of the Bluetooth Mesh standard by the market and effectiveness in acquiring new contracts
- Systematic development work supporting the commercialization of new products and the increase of competitive advantage.



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