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

Kraków, 28 September 2023

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General information

Parent company

Name:	**Silvair, Inc.**
Changes to identification data that occurred after the end of the previous reporting period:	**None**
Headquarters:	**San Francisco, USA**
Registered office:	**717 Market Street, Suite 100, San Francisco, CA 94103, USA**
Primary place of business:	**United States of America**
Core business:	**IT business**
Legal form:	**American law company (Inc.)**
Country of registration:	**USA**
Registration authority:	**Secretary of State, 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:	**2023-06-30**
Period covered by financial statements:	**From 1 January 2023 to 30 June 2023**
Presentation currency:	**US Dollar (USD)**
Level of rounding used in financial statements:	**All amounts, unless indicated otherwise, are expressed in thousands of USD ("USD '000s")**
LEI code	**549300Q23N6B0O12P505**
Explanation of changes in the reporting entity's name or other identification data since the end of the previous reporting period	**Did not occur**

Group's business

The Issuer is the parent company of the Group that operates 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 a particular focus on smart lighting systems.

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

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

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

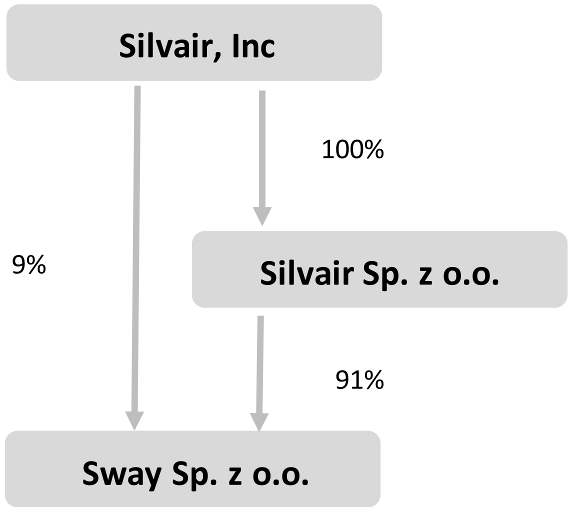
The Group also develops tools that allow the analysis and use of data generated by lighting infrastructure - including both operational data related to the current functioning of the installation (Connected Lighting), as well as data generated by sensors that are part of the lighting infrastructure (Building 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 (e.g. to optimize space utilization or enable more efficient management of HVAC infrastructure), enable radio location of resources on a floor plan (to optimize warehouse logistics or enable faster identification and finding of key resources, e.g. medical apparatus in hospitals), or to navigate people through indoor spaces.

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

Silvair, Inc. Group

The Group's structure as at 30 June 2023.



Functional and presentation currency

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

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

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

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

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

Presentation periods

The interim condensed consolidated financial statements were prepared as at 30 June 2023 and cover the period of 6 months, i.e. from 1 January 2023 to 30 June 2023.

For the data presented in the interim condensed consolidated statement of financial position and off-balance sheet items, comparative financial data were presented as at 30 June 2022 and as at 31 December 2022.

For the data presented in the interim condensed consolidated: profit and loss account with the consolidated statement of comprehensive income, statement of changes in equity and cash flow statement, comparative financial data were presented for the period from 1 January 2022 to 30 June 2022.

Going concern assumption

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

In the first half of 2023, the global geopolitical and economic situation continued to remain highly unstable. This, however, did not prevent the Group from consistently pursuing its major business goals and further improving sales results. There was an increase in all key indicators reflecting the level of adoption of the offered solutions on the lighting market. The number of devices installed by the Group's partners using Silvair Commissioning tools in the first half of 2023 amounted to over 58 thousand, compared to 86 thousand installations recorded throughout the entire 2022. The number of various types of devices based on the Silvair technology, which were manufactured by partners during this period, amounted to over 175 thousand, almost as many as the total number of components produced throughout the entire 2022 (over 193 thousand).

In June 2023, a significant milestone was achieved when the total number of components produced by the Group's partners since the beginning of the commercialization of the Silvair technology exceeded half a million devices. At the same time, in the first days after the end of the period covered by this report, the total number of devices installed in commercial buildings using Silvair Commissioning tools since the beginning of commercialization exceeded the level of 200,000. The level of 100,000 installed devices was reached in September 2022, so it took the Group only 10 months to double this result.

As the number of components produced by the Group's partners increases and the number of devices activated with Silvair Commissioning tools continues to increase, the number of lighting projects employing Silvair technology also keeps growing. The consequence is a further increase in the Group's revenues and an increasingly closer prospect of achieving full business profitability (break-even point). If current development trends are maintained, reaching this point seems to be a matter of months. Achieving profitability will be the culmination of many years of work on the Bluetooth Mesh standard and the solutions offered today on the market under the Silvair brand. At the same time, it will open a new chapter in the company's development. Eliminating the risks associated with the lack of full profitability will significantly improve the stability of the entire business and increase the Group's credibility in the eyes of both new investors and those who have already trusted the vision of the future drawn by the Group - a future in which traditional cable lighting control systems will be replaced by control systems based on wireless communication.

The Group believes that further business development will be driven by global trends that fit well into the adopted business model. Counteracting rapid climate change, high prices of energy carriers, phasing out outdated lighting technologies from the markets through restrictive regulations, and an increasingly clear desire to improve the energy efficiency of built infrastructure - these are just some of the global trends that significantly increase the attractiveness of Silvair solutions on the lighting market.

Competition in the wireless lighting control segment remains fierce, and the range of offered solutions is wide - just like the range of used technologies. However, there are clear voices confirming what the Group has consistently communicated from the very beginning of the commercialization of its solutions - that the Bluetooth Mesh standard is the best wireless technology for commercial lighting applications. In the field of solutions compliant with the Bluetooth Mesh standard, the Silvair Group continues to be the undisputed leader - both in the segment of suppliers of firmware for installation in lighting components and in the segment of tools for configuring and commissioning wireless lighting control systems. It can therefore be assumed that further strengthening of the position of the Bluetooth Mesh standard on the market will translate into further dynamic development of the Group's business.

At the same time, the Bluetooth Mesh standard continues to develop. Currently, the Bluetooth SIG is working on the Bluetooth Mesh specification version 1.1, and Silvair also actively participates in these works. In December 2022, draft versions of the documents were made public, and the adoption of the new version of the standard is expected in the second half of 2023. Version 1.1 will be much more extensive than the original specification of the Bluetooth Mesh standard and will include a number of improvements and additions that respond to the technological and market needs that emerged during the first few years of the standard's existence on the market.

The group is constantly working on developing its products and adapting them to the expectations of the lighting industry. An important milestone in this regard was granting the access to the beta version of the Silvair Commissioning app for mobile devices running Android to selected partners in the first half of 2023. Works on this application have been carried out for over two years. So far, the mobile part of Silvair Commissioning tools was available only for iOS devices (Apple devices), which constituted a significant barrier to entry into the system - especially on the European and Asian markets. The Group expects that the wide availability of Silvair Commissioning tools on Android devices - planned for the second half of 2023 - will increase the attractiveness of Silvair products in the above-mentioned markets, constituting another factor contributing to the dynamic development of the business.

Despite the increase in consolidated revenues in the first half of 2023, the current sales revenues do not yet allow for the full financing of the Group’s operating and development activities over the next 12 months. This state of affairs may raise doubts regarding the continuation of the Group’s operation. On 7 February 2023, the Board of Directors of Silvair, Inc. adopted a resolution on approval of incurring liabilities up to the total nominal value of USD 5.0 million in the form of an issue of debt securities convertible into new issue ordinary shares of the Company. As part of this issue, until the date of publication of this report, the Company has issued Convertible Securities for the total amount of USD 1.15 million.

Composition of the corporate bodies of the Parent Company as at 30 June 2023.

Board of Directors:

Szymon Słupik — President

Adam Gembala — Vice-President, Secretary and Treasurer

Rafał Han — Director

Paweł Szymański — Director

Christopher Morawski — Director

Officers:

Rafał Han — Chief Executive Officer (CEO)

Szymon Słupik — Chief Technology Officer (CTO)

Adam Gembala — Chief Financial Officer (CFO)

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

Consolidation

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

As at 30 June 2023, as at 30 June 2022, and as at 31 December 2022, consolidation encompasses Silvair, Inc. and two subsidiaries: Silvair Sp. z o.o. and Sway Sp. z o.o.

As at 30 June 2023, as at 30 June 2022, and as at 31 December 2022, Silvair, Inc. held directly 100% shares in Silvair Sp. z o.o., as well as 9% shares directly and 91% shares indirectly – through Silvair Sp. z o.o. – in Swap Sp. z o.o.

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

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

Selected financial data

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

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

Reporting period	Average exchange rate in the period	Minimum exchange rate in the period	Maximum exchange rate in the period	Exchange rate as at the last day of the period
01.01.2023 – 30.06.2023	1,0800	1,0536	1,1059	1,0837
01.01.2022 – 30.06.2022	1,0862	1,0408	1,1472	1,0442
01.01.2022 – 31.12.2022	1,0493	0,9557	1,1472	1,0655

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

Reporting period	Average exchange rate in the period	Minimum exchange rate in the period	Maximum exchange rate in the period	Exchange rate as at the last day of the period
01.01.2023 – 30.06.2023	0,2341	0,2228	0,2480	0,2435
01.01.2022 – 30.06.2022	0,2340	0,2187	0,2550	0,2231
01.01.2022 – 31.12.2022	0,2238	0,1985	0,2550	0,2272

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

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

Selected financial data translated as at the balance sheet date:

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

Item	USD		EUR		PLN	
	01.01.2023 – 30.06.2023	01.01.2022 – 30.06.2022	01.01.2023 – 30.06.2023	01.01.2022 – 30.06.2022	01.01.2023 – 30.06.2023	01.01.2022 – 30.06.2022
Net revenue on the sale of products, goods and materials	1 070	515	991	474	4 571	2 201
Operating profit (loss)	-443	-1 007	-410	-927	-1 892	-4 303
Profit (loss) before tax	-558	-1 890	-517	-1 740	-2 384	-8 077
Profit (loss) of the period	-510	-1 855	-472	-1 708	-2 179	-7 927
Net cash flows from operating activities	236	-282	219	-260	1 008	-1 205
Net cash flows from investing activities	-1 062	-835	-983	-769	-4 537	-3 568
Net cash flows from financing activities	1 112	933	1 030	859	4 750	3 987
Total net cash flows	286	-184	266	-170	1 221	-786

For items of the statement of financial position

Item	USD		EUR		PLN	
	30.06.2023	31.12.2022	30.06.2023	31.12.2022	30.06.2023	31.12.2022
Total assets	13 130	11 452	12 116	10 749	53 922	50 405
Liabilities and provisions for liabilities	4 021	4 942	3 710	4 638	16 513	21 752
Non-current liabilities	1 423	1 515	1 313	1 422	5 844	6 668
Current liabilities	2 598	3 427	2 397	3 216	10 669	15 084
Equity attributable to the shareholders of the parent company	9 109	6 510	8 406	6 110	37 409	28 653
Share capital	1 738	1 583	1 604	1 486	7 138	6 967
Number of shares	17 384 932	15 831 719	17 384 932	15 831 719	17 384 932	15 831 719
Weighted average number of shares	16 657 824	15 752 745	16 657 824	15 752 745	16 657 824	15 752 745
Earnings (loss) per share (in USD, EUR and PLN)	-0,03	-0,14	-0,03	-0,13	-0,13	-0,61
Book value per share (in USD, EUR and PLN)	0,52	0,41	0,48	0,39	2,15	1,81

Representation by the Board of Directors

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

The scope of the interim condensed consolidated financial statements, which are part of the semi-annual report, complies with the Finance Minister's Regulation of 29 March 2018 on the current and periodic information transmitted by securities issuers and the conditions for recognizing the information required by the regulations of a non-member state as equivalent (consolidated text: Journal of Laws of 2018, Item 757) ("Regulation"), and covers the half-year reporting period from 1 January 2023 to 30 June 2023 and the comparative period from 1 January 2022 to 30 June 2022 for the interim consolidated profit and loss account with the consolidated statement of comprehensive income, the interim consolidated cash flow statement, and the interim consolidated statement of changes in equity, respectively, however the last-mentioned statement additionally presents data for the comparative period from 1 January to 31 December 2022. The data of the interim consolidated statement of financial position are presented as at 30 June 2023, together with comparative data as at 31 December 2022 and as at 30 June 2022.

Silvair, Inc. Group informs that the representations by the Board of Directors regarding preparation and publication of these condensed consolidated financial statements for the period from 1 January to 30 June 2023 are presented in the Report of the Board of Directors of Silvair, Inc. on the activity of the Silvair, Inc. Group for the first half of 2023.

Interim condensed consolidated financial statements of Silvair, Inc. Group

Interim consolidated statement of financial position

(amounts in USD thousand)	Note no.	30 June 2023	31 December 2022	30 June 2022
Non-current assets		**11 687**	**10 535**	**10 233**
Capitalized expenditures on development work	**1**	10 728	9 648	9 660
Computer software	**2**	49	52	55
Property, plant and equipment	**3**	18	11	14
Right-of-use assets	**3.7**	105	84	36
Financial assets	**4**	7	6	6
Deferred tax assets	**5**	780	734	462
Current assets		**1 443**	**917**	**1 446**
Inventory	**6**	2	2	3
Trade receivables and other receivables	**7÷10**	754	514	366
Cash and cash equivalents	**11**	687	401	1 077
Total assets		**13 130**	**11 452**	**11 679**

(amounts in USD thousand)	Note no.	30 June 2023	31 December 2022	30 June 2022
Equity		**9 109**	**6 510**	**7 148**
Equity attributable to the shareholders of the parent company		**9 109**	**6 510**	**7 148**
Share capital	**12**	1 738	1 583	1 574
Capital from revaluation of options	**13**	194	490	506
Share premium account	**14.2**	30 760	28 176	28 106
Other capital	**14.3**	486	-180	208
Retained earnings	**15**	-24 069	-23 559	-23 246
Equity attributable to non-controlling entities		-	-	-
Non-current liabilities		**1 423**	**1 515**	**1 262**
Deferred tax liabilities	**17**	10	12	14
Lease liabilities	**18.1**	45	-	-
Liabilities on bonds convertible to shares	**20.1.1**	1 160	1 282	1 003
Prepayments and accruals related to grants	**21**	208	221	245
Current liabilities		**2 598**	**3 427**	**3 269**
Trade liabilities and other current liabilities	**19**	338	310	313
Liabilities from contracts with customers	**20.4**	380	270	204
Lease liabilities	**18.1**	61	84	39
Liabilities on bonds convertible to shares	**20.1.1**	1 313	2 350	2 297
Other short-term provisions	**20.3**	106	40	49
Prepayments and accruals	**21**	400	373	367
Equity and liabilities		**13 130**	**11 452**	**11 679**

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

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

Interim consolidated profit and loss account (amounts in USD thousand)	**Note no.**	**01.01.2023 – 30.06.2023**	**01.01.2022 – 30.06.2022**	**01.04.2023 – 30.06.2023***	**01.04.2022 – 30.06.2022***
Revenue	**22**	**1 070**	**515**	**577**	**255**
Cost of sales		**635**	**551**	**324**	**268**
Gross sales result		**435**	**-36**	**253**	**-13**
Selling and distribution expenses		317	274	181	142
General and administrative expenses		527	714	258	340
Other operating income	**24**	35	41	-2	16
Other operating expenses	**25**	69	9	65	8
Losses on account of expected credit losses	**25**	-	15	-40	15
Operating result		**-443**	**-1 007**	**-213**	**-502**
Financial income	**27**	-	-	-	-
Financial costs	**28**	115	883	50	461
Result before tax		**-558**	**-1 890**	**-263**	**-963**
Income tax	**29**	-48	-35	-34	-12
Net profit/(loss) for the period		**-510**	**-1 855**	**-229**	**-951**
Profit/(loss) attributable to:					
shareholders of the parent company		-510	-1 855	-229	-951
non-controlling interest		-	-	-	-

		01.01.2023 – 30.06.2023	**01.01.2022 – 30.06.2022**	**01.04.2023 – 30.06.2023***	**01.04.2022 – 30.06.2022***
Net earnings/(loss) per share (in USD)	**16**	-0,03	-0,12	-0,01	-0,06
Diluted earnings/(loss) per share (in USD)**		-0,03	-0,10	-0,01	-0,05

** Unaudited data*

Annual consolidated statement of other comprehensive income (amounts in USD thousand)	**01.01.2023 – 30.06.2023**	**01.01.2022 – 30.06.2022**	**01.04.2023 – 30.06.2023***	**01.04.2022 – 30.06.2022***
Net profit/(loss) for the period	**-510**	**-1 855**	**-229**	**-951**
Other comprehensive income	**666**	**-157**	**428**	**-249**
Other comprehensive income to be reclassified to result in the future	666	-157	428	-249
Foreign exchange differences from translation of foreign operations	666	-157	428	-249
Other comprehensive income not to be reclassified to result in the future	-	-	-	-
Total comprehensive income	**156**	**-2 012**	**199**	**-1 200**
Total comprehensive income attributable to:				
Shareholders of the parent company	156	-2 012	199	-1 200
Non-controlling interest	-	-	-	-

** Unaudited data*

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	Equity attributable to non-controlling interest	Total equity
At the beginning of the period 01.01.2023	**1 583**	**490**	**28 176**	**-180**	**-23 559**	**6 510**	**-**	**6 510**
Exercise of stock options for Company shares	11	-353	353	-	-	11	-	11
Issue of new shares as part of the stock plan	-	-	-	-	-	-	-	-
Share issue costs	-	-	-	-	-	-	-	-
Valuation of stock options under IFRS 2	-	57	-	-	-	57	-	57
Issue and conversion of bonds convertible to shares	144	-	2 231	-	-	2 375	-	2 375
Result of the period	-	-	-	-	-510	-510	-	-510
Other comprehensive income for the period	-	-	-	666	-	666	-	666
At the end of the period 30.06.2023	**1 738**	**194**	**30 760**	**486**	**-23 559**	**9 109**	**-**	**9 109**

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	Equity attributable to 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	25	-242	239	-	-	22	-	22
Issue of new shares as part of the stock plan	-	-	-	-	-	-	-	-
Share issue costs	-	-	-	-	-	-	-	-
Valuation of stock options under IFRS 2	-	195	-	-	-	195	-	195
Issue and conversion of bonds convertible to shares	-	-	-	-	-	-	-	-
Result of the period	-	-	-	-	-2 168	-2 168	-	-2 168
Other comprehensive income for the period	-	-	-	-545	-	-545	-	-545
At the end of the period 31.12.2022	**1 583**	**490**	**28 176**	**-180**	**-23 559**	**6 510**	**-**	**6 510**

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**	**Equity attributable to 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	16	-169	169	-	-	16	-	16
Issue of new shares as part of the stock plan	-	-	-	-	-	-	-	-
Share issue costs	-	-	-	-	-	-	-	-
Valuation of stock options under IFRS 2	-	138	-	-	-	138	-	138
Issue and conversion of bonds convertible to shares	-	-	-	-	-	-	-	-
Result of the period	-	-	-	-	-1 855	-1 855	-	-1 855
Other comprehensive income for the period	-	-	-	-157	-	-157	-	-157
At the end of the period 30.06.2022	**1 574**	**506**	**28 106**	**208**	**-23 246**	**7 148**	**-**	**7 148**

Interim consolidated cash flow statement

(amounts in USD thousand)	Note no.	01.01.2023 – 30.06.2023	01.01.2022 – 30.06.2022
Profit (loss) before tax		**-558**	**-1 890**
Adjustments for:			
Depreciation and amortization	**26**	689	693
Foreign exchange gains (losses)		-3	799
Interest		74	94
Profit (loss) from investing activities		-	-
Movement in provisions		66	-1
Movement in inventory		-	-1
Movement in receivables		-263	-28
Movement in current liabilities, except for loans and borrowings		135	-14
Tax paid		-	-1
Movement in prepayments and accruals		39	-71
Other adjustments resulting from operating activity	**11.1**	57	138
Net cash from operating activities		**236**	**-282**
Disposal of intangible assets and property, plant and equipment		-	-
Purchase of property, plant and equipment	**3.2**	9	7
Expenditures incurred for development work and purchase of intangible assets	**1.2**	1 053	828
Net cash from investing activities		**-1 062**	**-835**
Net proceeds from issuing shares		11	16
Loans and borrowings drawn		-	-
Proceeds from the issue of debt securities		1 150	1 000
Repayment of loans and borrowings		-	7
Repayment of lease liabilities		40	37

Interest paid	9	39
Net cash from financing activities	**1 112**	**933**
Net cash flows	**286**	**-184**
Movement in cash	**286**	**-184**
Movement in cash on account of foreign exchange differences	-	-
Cash at the beginning of the period	**401**	**1 261**
Cash at the end of the period	**687**	**1 077**

Explanatory notes to the interim condensed consolidated financial statements

Basis for preparation and accounting policies

Basis for preparation of the interim consolidated financial statements

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

These interim condensed consolidated financial statements of the Group cover the period of 6 months ended on 30 June 2023 and have been prepared in accordance with IAS 34 "Interim Financial Reporting".

For a more complete understanding of the Group's financial and property situation, the interim consolidated statement of financial position prepared as at 30 June 2022 and the consolidated statement of changes in equity for 2022 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 2022 which were made public on 20 April 2023.

Changes in standards or interpretations introduced in 2023

<u>Published Standards and Interpretations that have been issued and are effective for annual periods beginning on 1 January 2023:</u>

- IFRS 17 "Insurance Contracts" and amendments to IFRS 17 - IFRS 17 Insurance Contracts will replace the current IFRS 4 which allows for a variety of practices in the scope of settling insurance contracts. The new standard will fundamentally change the accounting of all entities that deal with insurance contracts and investment contracts; however, the scope of the standard is not limited to insurance companies, and contracts concluded by entities other than insurance companies may also contain an element that meets the definition of an insurance contract (as defined in IFRS 17). The new standard applies to annual periods beginning on or after 1 January 2023.
- Amendments to IAS 1 "Presentation of Financial Statements" and the IFRS Board's guidelines on disclosures regarding accounting policies in practice - the amendment to IAS 1 introduces the requirement to disclose significant information on accounting policies defined in the standard. The amendment clarifies that information on accounting policies is material if, in its absence, users of the financial statements would not be able to understand other material information contained in the financial statements. In addition, the Board's guidance on the practical application of the concept of materiality has also been amended to provide guidance on the application of the concept of materiality to accounting policy disclosures. The change is effective from 1 January 2023.
- Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - the amendment to IAS 8 clarifies how entities should distinguish changes in accounting principles from changes in accounting estimates. The change is effective from 1 January 2023.
- Amendments to IAS 12 "Income Taxes" - the amended IAS 12 regulates the issue of how to settle deferred tax on transactions such as leases and decommissioning liabilities by requiring the recognition of deferred tax in the above situation by introducing an additional provision that the exemption from

the initial recognition does not apply if the entity simultaneously recognizes an asset and an equivalent liability and each of them creates temporary differences. The change applies to financial statements for periods beginning on or after 1 January 2023.

- Amendment to IFRS 17 "Insurance Contracts" - the amendment concerns transitional requirements in connection with applying IFRS 17 "Insurance contracts" and IFRS 9 "Financial instruments" for the first time. The purpose of the change is to ensure that financial information is useful to investors in the period of the first application of the new standard by introducing certain simplifications with regard to the presentation of comparative data. The change concerns only the application of the new IFRS 17 standard and does not affect any other requirements contained in IFRS 17.

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.

<u>New standards and interpretations that have been published but are not yet effective:</u>

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:

- Amendment to IFRS 16 "Leases" - the new requirement is of particular importance when leaseback includes variable lease fees that do not depend on an index or rate, as these payments are excluded from "lease payments" under IFRS 16. Revised standard contains a new example which illustrates the application of the new requirement in this regard. The change is effective from 1 January 2024.
- Amendments to IAS 1 "Presentation of Financial Statements" - the amended IAS 1 standard stipulates that liabilities are classified as current or non-current depending on the rights existing at the end of the reporting period. Neither the entity's expectations nor events after the reporting date (for example, covenant waivers or breaches) affect the classification. The published changes apply to financial statements for periods beginning on or after 1 January 2024.
- IFRS 14 "Regulatory accruals" - in order to improve comparability with entities that already apply IFRS and do not show amounts resulting from price-regulated activities, in accordance with the accounting principles used so far, in accordance with the published IFRS 14 amounts resulting from price-regulated activities should be presented as a separate item both in the statement of financial position and in the profit and loss account and the statement of other comprehensive income. By decision of the European Union, IFRS 14 will not be approved.
- Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associates or joint ventures - the amendments solve the current inconsistency between IFRS 10 and IAS 28. The accounting treatment depends on whether non-cash assets sold or contributed to the associated entity or joint venture constitute a "business". Where non-monetary assets constitute a "business", the investor shows a full profit or loss on the transaction. If the assets do not meet the definition of a business, the investor recognizes a gain or loss only to the extent of the part constituting the shares of other investors. The changes were published on 11 September 2014. As at the date of preparation of these condensed consolidated financial statements, the approval of this change is deferred by the European Union.

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 2024, 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.

Description of adopted accounting policies

These interim condensed consolidated financial statements have been prepared in accordance with the same accounting policies as the annual consolidated financial statements of the Silvair, Inc. Group for the year 2022.

Translation of items in foreign currencies

Transactions captured in the ledgers of the Parent Company Silvair, Inc. denominated in currencies other than USD are translated into US dollars at the rate effective on the transaction date. As at the balance sheet date, monetary assets and liabilities expressed in currencies other than USD are translated into US dollars using the average exchange rate for such a currency in effect at the end of the reporting period.

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

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

	30 June 2023	31 December 2022	30 June 2022
PLN/USD	0,2435	0,2272	0,2231

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

	01.01.2023 - 30.06.2023	01.01.2022 - 31.12.2022	01.01.2022 - 30.06.2022
PLN/USD	0,2341	0,2238	0,2340

Uncertainty of estimates

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

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

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

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

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

In the reporting period, no changes were made in the methods used to make estimations, compared to 2022.

Seasonality of business

The Group's business is not seasonal.

Business combinations and loss of control

In the first 6 months of 2023 there were no business combinations or loss of control in the Group. There were no such events in 2022 either.

In 2023, a merger of companies Silvair Sp. z o.o. and Sway Sp. z o.o. is planned. Information about the planned merger is included in Note 31 Material events after the balance sheet date.

Additional notes and explanations to the condensed interim consolidated financial statements

Note 1.1 Costs of development work

Costs of development work (amounts in USD thousand)	30.06.2023	31.12.2022	30.06.2022
Completed development work	8 714	8 752	8 083
Development work not yet completed	2 014	896	1 577
Total	**10 728**	**9 648**	**9 660**

In the period from 1 January to 30 June 2023, the Group's capitalized costs of development work amounted to USD 1,012 thousand, of which: USD 572 thousand – Silvair Platform, USD 359 thousand - Silvair Mesh Stack, USD 81 thousand - Bluetooth Mesh Protocol.

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

Bluetooth Mesh protocol:

The aim of the project is to prepare and develop a wireless communication protocol in the mesh topology based on the Bluetooth technology The project is executed in cooperation with other partners in the task force appointed by the Bluetooth Special Interest Group, aiming to prepare the specification and develop the Bluetooth Mesh standard. The project has been developed since 2014 and is of open nature, i.e. individual protocol development work stages are closed (i.e. accepted for use) together with publication of subsequent versions of the Bluetooth Mesh standard. The first stage of the development work under the project was closed in 2017 with publication of the new standard. Subsequent stages of work are completed with the publication of subsequent versions of the Bluetooth Mesh protocol specification. The expenditures incurred in the reporting period from 1 January to 30 June 2023 for development of the next project stage increased the value of development work not yet completed.

Silvair Mesh Stack:

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

Silvair Platform:

The aim of the project is to develop a technology and service platform, comprising digital tools for launch, configuration and management of smart lighting networks, and an infrastructure that allows the Company to provide innovative services. The project has been developed since 2015, in parallel with the work on the Bluetooth Mesh protocol and the Silvair Mesh Stack, and is of open nature, i.e. individual development work stages are closed (i.e. accepted for use) along with delivery of subsequent commercial versions of digital tools and expansion of the scope of services provided by the Issuer. The first stage of development work was completed at the end of 2018 along with the Issuer releasing the commercial version of digital tools (the so-called Commissioning Tool). Subsequent stages of work are completed when the Issuer releases subsequent commercial versions of the software (Silvair Platform). The expenditures incurred in the reporting period for development of the next project stage increased the value of development work not yet completed.

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

Amortization of costs of development work (amounts in USD thousand)	**30.06.2023**	**30.06.2022**
Completed development work	690	694
Development work not yet completed	-	-
Total	**690**	**694**

Amortization of completed development works is charged to the cost of sales.

Estimates:

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

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

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

The Issuer has also assessed the following:

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

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

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

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

Note 1.2 Movement in costs of development work

Costs of development work (*) (amounts in USD thousand)	01.01.2023 - 30.06.2023	01.01.2022 - 31.12.2022	01.01.2022 - 30.06.2022
Gross value at the beginning of the period	**14 880**	**15 726**	**15 726**
Additions, including:	1 720	1 760	828
Expenditures incurred	1 053	1 760	828
Foreign exchange differences from measurement in presentation currency	667	-	-
Reductions, including:	-	2 606	953
Liquidation and sale	-	1 690	-
Foreign exchange differences from measurement in presentation currency	-	916	953
Gross value at the end of the period	**16 600**	**14 880**	**15 601**
Accumulated depreciation at the beginning of the period	**4 913**	**4 805**	**4 805**
Additions	690	1 327	694
Reductions	-	1 219	-
Accumulated depreciation at the end of the period	**5 603**	**4 913**	**5 499**
Impairment losses at the beginning of the period	**319**	**491**	**491**
Additions	-	-	-
Reductions	50	172	49
Impairment losses at the end of the period	**269**	**319**	**442**
Net value at the beginning of the period	**9 648**	**10 430**	**10 430**
Net value at the end of the period	**10 728**	**9 648**	**9 660**

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

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

Cash generating unit (amounts in USD thousand)	The value of development work as at 30.06.2023	Recoverable amount
Bluetooth Mesh Protocol and Silvair Mesh Stack	5 337	21 573
Silvair Platform and Multi ALS	5 391	67 787
Wi-Home	-	-
Total	**10 728**	**89 360**

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

The impairment tests were updated with the following assumptions:

- The test is prepared on the basis of an internal financial forecast of the Silvair Group for 2023-2032 (Forecast) based on the discounted cash flow method.
- Due to the innovative nature of the commercialized technology, a 10-year projection period has been adopted.
- The execution of development work has multiple stages, i.e. individual development work stages are closed upon release of the next software versions and/or launch of the next service or package of digital services.
- The development work expenditures in individual projection years comprises: initial carrying amount, direct expenditures (personnel and non-personnel) on continuation of individual work stages, indirect expenditures and other expenditures of the Group which are aimed to contribute to earning revenues from the tested assets.
- The initial carrying amount comprises all expenditures incurred both for development works completed and not yet completed included in the cash generating unit.
- To determine the discount rate, the weighted average cost of capital was used. The WACC value calculated for the needs of the Test was 17.91%.

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

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

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

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

As a result of the tests performed, a need to recognize additional impairment losses on costs of development work, as compared to the state as at 31 December 2022, has not been identified.

Note 2.1 Other intangible assets (computer software)

Other intangible assets (amounts in USD thousand)	30.06.2023	31.12.2022	30.06.2022
Other intangible assets (computer software)	49	52	55
Total	**49**	**52**	**55**

Estimates:

As at each balance sheet date, the Group analyzes whether or not objective grounds exist that might imply an impairment of computer software value. Amortization is recognized, in principle, using the straight-line method for the estimated useful life of the given asset. The amortization rates are determined on the basis of the anticipated useful life of computer software. At least once a year, the Group revises the assumed periods of useful life, based on its current estimates.

Note 2.2 Movement in other intangible assets – computer software

Computer software (amounts in USD thousand)	01.01.2023 - 30.06.2023	01.01.2022 - 31.12.2022	01.01.2022 - 30.06.2022
Gross value at the beginning of the period	**641**	**641**	**641**
Additions		-	-
Reductions	2	-	-
Gross value at the end of the period	**643**	**641**	**641**
Accumulated depreciation at the beginning of the period	**589**	**581**	**581**
Additions	5	8	5
Reductions		-	-
Accumulated depreciation at the end of the period	**594**	**589**	**586**
Net value at the beginning of the period	**52**	**60**	**60**
Net value at the end of the period	**49**	**52**	**55**

The Group has no computer software used under lease agreements.

The Group has no computer software with restricted use rights.

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

As at 30 June 2023 and 31 December 2022, there were no contractual obligations related to the purchase of computer software.

Note 2.3 Ownership structure of other intangible assets

Intangible assets (amounts in USD thousand)	30.06.2023	31.12.2022	30.06.2022
Owned	49	52	55
Third party	-	-	-
Total	**49**	**52**	**55**

Note 3.1 Property, plant and equipment

Property, plant and equipment (amounts in USD thousand)	30.06.2023	31.12.2022	30.06.2022
Fixed assets, including:	18	11	14
Land	-	-	-
Buildings and structures	3	3	3
Plant and machinery	15	8	11
Means of transport	-	-	-
Other fixed assets	-	-	-
Fixed assets under construction	-	-	-
Total	**18**	**11**	**14**

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

The Group has no land in perpetual usufruct.

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

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

As at 30 June 2023 and 31 December 2022, there were no contractual obligations related to the purchase of property, plant and equipment.

As at 30 June 2023 and 31 December 2022, there were no liabilities to the state budget or local government units related to the acquisition of ownership titles to buildings or structures.

Estimates:

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

Amortization is recognized, in principle, using the straight-line method for the estimated useful life of the given asset.The amortization rates are determined on the basis of the anticipated useful life of property, plant and equipment components.

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

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

Item (amounts in USD thousand)	Own land	Buildings and structures	Plant and machinery	Means of transport	Other fixed assets	Fixed assets under construction	Total
Gross value as at 01.01.2023	**-**	**23**	**231**	**-**	**33**	**-**	**287**
Additions, including:	-	-	10	-	-	-	10
Acquisition	-	-	9	-	-	-	9
Foreign exchange differences from measurement in presentation currency	-	-	1	-	-	-	1
Reductions, including:	-	-	-	-	-	-	-
Liquidation and sale	-	-	-	-	-	-	-
Foreign exchange differences from measurement in presentation currency	-	-	-	-	-	-	-
Gross value as at 30.06.2023	**-**	**23**	**241**	**-**	**33**	**-**	**297**
Accumulated depreciation as at 01.01.2023	**-**	**20**	**223**	**-**	**33**	**-**	**276**
Additions	-	-	3	-	-	-	3
Reductions	-	-	-	-	-	-	-
Accumulated depreciation as at 30.06.2023	**-**	**20**	**226**	**-**	**33**	**-**	**279**
Net value as at 01.01.2023	**-**	**3**	**8**	**-**	**-**	**-**	**11**
Net value as at 30.06.2023	**-**	**3**	**15**	**-**	**-**	**-**	**18**

Item (amounts in USD thousand)	Own land	Buildings and structures	Plant and machinery	Means of transport	Other fixed assets	Fixed assets under construction	Total
Gross value as at 01.01.2022	**-**	**23**	**231**	**-**	**33**	**-**	**287**
Additions, including:	-	-	9	-	-	-	9
Acquisition	-	-	9	-	-	-	9
Foreign exchange differences from measurement in presentation currency	-	-	-	-	-	-	-
Reductions, including:	-	-	29	-	-	-	29
Liquidation and sale	-	-	26	-	-	-	26
Foreign exchange differences from measurement in presentation currency	-	-	3	-	-	-	3
Gross value as at 31.12.2022	**-**	**23**	**211**	**-**	**33**	**-**	**267**
Accumulated depreciation as at 01.01.2022	**-**	**18**	**223**	**-**	**33**	**-**	**274**
Additions	-	2	6	-	-	-	8
Reductions	-	-	26	-	-	-	26
Accumulated depreciation as at 31.12.2022	**-**	**20**	**203**	**-**	**33**	**-**	**256**
Net value as at 01.01.2022	**-**	**5**	**8**	**-**	**-**	**-**	**13**
Net value as at 31.12.2022	**-**	**3**	**8**	**-**	**-**	**-**	**11**

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

Note 3.3 Ownership structure of property, plant and equipment

Property, plant and equipment (amounts in USD thousand)	30.06.2023	31.12.2022	30.06.2022
Owned	18	11	14
Third party	-	-	-
Total	**18**	**11**	**14**

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

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

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

In the period from 1 January to 30 June 2023 and in the comparable period of 2022, the Group did not incur costs for the production of fixed assets for its own use.

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

Item (amounts in USD thousand)	01.01.2023 – 30.06.2023	01.01.2022 – 31.12.2022	01.01.2022 – 30.06.2022
Expenditures incurred on property, plant and equipment	9	9	7
Expenditures incurred on intangible assets	1 053	1 760	828
Total	**1 062**	**1 769**	**835**

The Group expects that expenditures (expenses) on intangible assets in 2023 will be maintained on the level of expenditures incurred in 2022.

In the period from 1 January to 30 June 2023 and in the comparable period of 2022, the Group did not incur any environmental protection expenditures.

The Group does not intend to make any environmental protection expenditures in 2023.

Note 3.7 Right-of-use assets

Right-of-use assets (amounts in USD thousand)	30.06.2023	31.12.2022	30.06.2022
Real estate right-of-use assets	105	84	36
Other assets	-	-	-
Total	**105**	**84**	**36**

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

As at 30 June 2023 and 31 December 2022, the subsidiaries, i.e. Silvair Sp. z o.o. and Sway Sp. z o.o, were parties to a lease agreement for a property in Kraków at ul. Jasnogórska. As at 30 June 2023, the agreement was signed until 31 December 2024.

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

Item (amounts in USD thousand)	**01.01.2023 – 30.06.2023**	**01.01.2022 – 31.12.2022**	**01.01.2022 – 30.06.2022**
Gross value at the beginning of the period	**453**	**377**	**377**
Additions, including:	61	84	-
Acquisition	71	84	-
Internal relocation	-	-	-
Reductions, including:	-	8	8
Revaluation (change of contract terms)	-	-	-
Foreign exchange differences from measurement in presentation currency	-	8	8
Gross value at the end of the period	**514**	**453**	**369**
Accumulated depreciation at the beginning of the period	**369**	**294**	**294**
Additions	40	75	39
Reductions	-	-	-
Foreign exchange differences from measurement in presentation currency	-	-	-
Accumulated depreciation at the end of the period	**409**	**369**	**333**
Net value at the beginning of the period	**84**	**83**	**83**
Net value at the end of the period	**105**	**84**	**36**

Note 4 Financial assets (long-term)

Financial assets (long-term) (amounts in USD thousand)	**30.06.2023**	**31.12.2022**	**30.06.2022**
In related entities	-	-	-
In other entities	7	6	6
Total	**7**	**6**	**6**

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

Note 5 Deferred tax assets

Deferred tax assets (amounts in USD thousand)	**30.06.2023**	**31.12.2022**	**30.06.2022**
Deferred tax assets at the beginning of the period, including:	**734**	**427**	**427**
through profit or loss	734	427	427
through equity	-	-	-
Additions	**46**	**360**	**52**
through profit or loss	46	360	52
through equity	-	-	-
Reductions	**-**	**53**	**17**
through profit or loss	-	53	17
through equity	-	-	-
Deferred tax assets at the end of the period, including:	**780**	**734**	**462**
through profit or loss	780	734	462
through equity	-	-	-

Deferred tax assets arising from temporary differences resulting from: (amounts in USD thousand)	**30.06.2023**	**31.12.2022**	**30.06.2022**
Accumulated tax losses to be used	8 978	8 064	7 843
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)	-4 877	-4 206	-5 418
Total	**4 101**	**3 858**	**2 425**
Deferred tax assets (19%)	**780**	**734**	**462**

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

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

Estimates:

The Group evaluates, as at each balance sheet date, the possibility of realization of the deferred tax asset. This assessment requires a professional judgment and estimates regarding, among others, future tax results. The conducted analysis of the expected tax revenues showed a limited possibility of settling a part of the tax loss from the current year and the adjustment of previously adopted levels of loss settlement for 2018-2022 and for year 2023. Therefore, the Group has made a decision to recognize an additional impairment loss for the deferred tax assets.

The recognized deferred tax assets partially cover the loss for 6 months of 2023 and partially cover the losses from years 2019-2022. The adopted assumptions regarding the likelihood of the Group's realization of revenues in the following years justify maintaining the asset at the presented level.

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

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

Note 6 Inventory

Inventory (amounts in USD thousand)	**30.06.2023**	**31.12.2022**	**30.06.2022**
Goods for resale	24	22	43
Impairment loss on merchandise	-22	-20	-40
Total	**2**	**2**	**3**

Inventory releases are recognized using the detailed identification method. As at each balance sheet date, the Company analyzes whether the carrying amount of inventory is higher than or equal to the realizable sales price. Impairment losses on the inventory are recognized in operating expenses. As at 30 June 2023, the level of the impariment loss remained at the level from 31 December 2022, adjusted only by the USD/PLN exchange rate differences.

Note 7 Trade receivables and other receivables

Trade receivables and other receivables (amounts in USD thousand)	**30.06.2023**	**31.12.2022**	**30.06.2022**
From related entities	-	-	-
From other entities	763	527	391
Impairment losses	-9	-13	-25
Total	**754**	**514**	**366**

Note 7.1 Trade receivables

Trade receivables (amounts in USD thousand)	**30.06.2023**	**31.12.2022**	**30.06.2022**
From related entities	-	-	-
From other entities	644	404	296
Impairment losses	-9	-13	-25
Total	**635**	**391**	**271**

Note 7.2 Impairment losses on trade receivables

As at 30 June 2023, impairment losses on trade receivables amounted to USD 9 thousand. As at 31 December 2022, impairment losses on trade receivables amounted to USD 13 thousand. The change of the impairment loss results from measurement of the receivable subject to the impairment loss and the write-off for expected losses. To estimate the impairment losses on trade receivables, the Group uses historical past due dates and the link between the arrears and the actual repayments over the last 2 years, taking into account the available information regarding the future.

The applied model is presented in the section ”Description of adopted accounting policies” in the consolidated financial statements of the Group for 2022. Since the Group’s sales revenues appeared in material amounts in 2019, the adopted method of estimating impairment losses will be verified by the Group on the basis of data available in the following years. As at 30 June 2023, the analysis did not show the need to update the model used.

Note 8 Aging of trade receivables

Trade receivables (amounts in USD thousand)	30.06.2023	31.12.2022	30.06.2022
Not overdue	458	329	168
Overdue, including:	177	62	103
up to one month	66	21	35
over 1 month to 3 months	28	1	78
over 3 months to 6 months	91	23	3
over 6 months to 1 year	1	26	5
over 1 year	-	4	7
impairment losses on receivables	-9	-13	-25
Trade receivables, including:	**635**	**391**	**271**
Overdue receivables (gross)	186	75	128

Note 9 Other receivables

Other receivables (amounts in USD thousand)	30.06.2023	31.12.2022	30.06.2022
On taxes and other public benefits	93	74	73
Other receivables	-	-	1
Prepayments and accruals	26	49	21
Impairment losses	-	-	-
Total	**119**	**123**	**95**

In accruals, the Group presents expenditures which pertain to future periods incurred up to the balance sheet date. Prepayments and accrued income as at 30 June 2023 and as at the end of 2022 comprised mainly the costs of prepaid participation in fairs and conferences associated with presentation of the Group's activity, and license fees to be incurred in the profit and loss account successively in future periods.

Note 10 Impairment losses on other receivables

As at 30 June 2023, as at 31 December 2022, and as at 30 June 2022, the Group did not recognize any impairment losses on other short-term receivables.

Note 11 Cash and cash equivalents

Cash and cash equivalents (amounts in USD thousand)	30.06.2023	31.12.2022	30.06.2022
Cash on hand	1	1	1
Cash in bank	686	400	1 076
Total	**687**	**401**	**1 077**

Note 11.1 Explanation to selected items of the cash flow statement

The line item “Other adjustments resulting from operating activity” shows the value charged to the general and administrative expenses corresponding to the value of accrued option capital, taking into account the executed portion in the amount of USD 57 thousand. The difference between the item "Net proceeds from the issue of shares and additional capital contributions" and the Statement of Changes in Equity relates to the accrued (non-cash) value of the option capital.

Note 12 Share capital

Share capital of the Parent Company as at 30 June 2023

Type	Number of shares	Par value (USD ’000s)	Share subscription price (USD ’000s)	Share premium account (USD ’000s)
Common Stock	16 424 932	1 642	30 600	28 958
Preferred Stock	960 000	96	125	29
Total	**17 384 932**	**1 738**	**30 725**	**28 987**

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 (1)	% of votes
Rafał Han	2 031 965	11,69	3 663 965	16,52
Szymon Słupik	1 902 340	10,94	3 547 500	15,99
Adam Gembala	1 018 760	5,86	2 145 520	9,67
Chris Morawski	2 617 546	15,06	2 617 546	11,80
Krzysztof Januszkiewicz	2 687 644	15,46	2 687 644	12,11
Other shareholders holding less than 5% of shares	7 126 677	40,99	7 522 757	33,91
Total	**17 384 932**	**100,00**	**22 184 932**	**100,00**

([1]) *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.*

In 2023 and in 2022, no redemption or repayment of non-equity and equity securities took place. As at 30 June 2023, out of 17,384,932 issued shares, 17,378,032 shares have been paid in full, while the number of unpaid shares was 6,900. As at 31 December 2022, out of 15,831,719 issued shares, 15,811,019 shares have been paid in full. As at 30 June 2022, out of 15,740,645 issued shares, 15,733,745 shares have been paid in full, and the number of unpaid shares was 6,900.

Share capital of the Parent Company as at 31 December 2022

Type	Number of shares	Par value (USD ’000s)	Share subscription price (USD ’000s)	Share premium account (USD ’000s)
Common Stock	14 871 719	1 487	27 861	26 374
Preferred Stock	960 000	96	125	29
Total	**15 831 719**	**1 583**	**27 986**	**26 403**

Share capital ownership structure	Number of shares	% of shares	Number of votes	% of votes
Rafał Han	1 930 465	12,19	3 562 465	17,27
Szymon Słupik	1 902 340	12,02	3 547 500	17,19
Chris Morawski	1 880 945	11,88	1 880 945	9,12
Krzysztof Januszkiewicz	1 880 867	11,88	1 880 867	9,12
Adam Gembala	1 018 760	6,43	2 145 520	10,40
Other shareholders holding less than 5% of shares	7 218 342	45,60	7 614 422	36,90
Total	**15 831 719**	**100,00**	**20 631 719**	**100,00**

Share capital of the Parent Company as at 30 June 2022

Type	Number of shares	Par value (USD ’000s)	Share subscription price (USD ’000s)	Share premium account (USD ’000s)
Common Stock	14 780 645	1 478	27 782	26 304
Preferred Stock	960 000	96	125	29
Total	**15 740 645**	**1 574**	**27 907**	**26 333**

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

Note 13 Capital from revaluation of options

Capital from revaluation of options (amounts in USD thousand)	30.06.2023	31.12.2022	30.06.2022
Valuation of stock options under IFRS 2	194	490	506
Total	**194**	**490**	**506**

See Note 30 for additional information on valuation of options.

Note 14.1 Share premium account

Share premium account (amounts in USD thousand)	30.06.2023	31.12.2022	30.06.2022
Supplementary capital	30 760	28 176	28 106
Total	**30 760**	**28 176**	**28 106**

Note 14.2 Movement in the item Share premium account

Movement in other capital (amounts in USD thousand)	01.01.2023 - 30.06.2023	01.01.2022 – 31.12.2022	01.01.2022 - 30.06.2022
At the beginning of the period	**28 176**	**27 937**	**27 937**
Exercise of stock options for Company shares	353	241	169
Expenditures incurred in connection with the stock issue	-	-	-
Issue of new shares (IPO)	-	-	-
Unpaid capital which has been called up	-	-2	-
Issue of bonds convertible to shares	2 231	-	-
At the end of the period	**30 760**	**28 176**	**28 106**

Note 14.3 Other capital

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

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

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

As at 30 June 2023, the value of the item Minority interest transactions amounted to USD -365 thousand and was same as on 31 December 2022.

Other capital (amounts in USD thousand)	30.06.2023	31.12.2022	30.06.2022
Minority interest transactions	-365	-365	-365
Capital from foreign exchange differences on translation of foreign operations	851	185	573
Total	**486**	**-180**	**208**

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)	**30.06.2023**	**31.12.2022**	**30.06.2022**
Accumulated losses from previous years	-23 559	-21 391	-21 391
Financial result of the current period	-510	-2 168	-1 855
Total	**-24 069**	**-23 559**	**-23 246**

Note 16 Earnings (loss) per share

Earnings/(loss) per share are calculated by dividing the net profit/(loss) for the reporting period attributable to the shareholders of the parent company by the weighted average number of shares outstanding during the financial year. Diluted earnings/(loss) per share are calculated by dividing the net profit/(loss), adjusted for the impact of interest on potential common shares, for the reporting period, attributable to the shareholders of the parent company, by the weighted average number of common shares outstanding during the reporting period, adjusted for the effect of diluting options. Diluting options also include the allocation of Parent Company shares in the period from 1 January 2023 to the publication date.

Earnings/(loss) per share in the period covered by the financial statements: (amounts in USD thousand)	**30.06.2023**	**31.12.2022**	**30.06.2022**
Weighted average number of parent company's shares in the period	16 657 824	15 752 745	15 731 114
Diluting options, including:	2 339 115	2 373 072	1 994 803
On account of the option plan	318 919	478 729	502 588
On account of bonds	2 020 197	1 894 343	1 492 215
Weighted average number of parent company's shares in the period after diluting options	18 996 939	18 125 871	17 725 917
Continued operations			
Earnings/(loss) per share (USD)	-0,03	-0,14	-0,12
Diluted earnings/(loss) per share (USD)	-0,03	-0,12	-0,10
Discontinued operations			
Earnings/(loss) per share (USD)	-	-	-
Diluted earnings/(loss) per share (USD)	-	-	-
Continued and discontinued operations			
Earnings/(loss) per share (USD)	-0,03	-0,14	-0,12
Diluted earnings/(loss) per share (USD)	-0,03	-0,12	-0,10

Note 17 Deferred tax liabilities

Deferred tax liabilities (amounts in USD thousand)	30.06.2023	31.12.2022	30.06.2022
Deferred tax liabilities at the beginning of the period	**12**	**16**	**16**
through profit or loss	12	16	16
through equity	-	-	-
Additions	-	-	-
through profit or loss	-	-	-
through equity	-	-	-
Reductions	**2**	**4**	**2**
through profit or loss	2	4	2
through equity	-	-	-
Deferred tax liabilities at the end of the period	**10**	**12**	**14**
through profit or loss	10	12	14
through equity	-	-	-

Deferred tax liabilities arising from temporary differences resulting from: (amounts in USD thousand)	30.06.2023	31.12.2022	30.06.2022
Difference between the tax value and carrying amount of completed development work	53	63	74
Total	53	63	74
Deferred tax liabilities (19%)	**10**	**12**	**14**

Note 18.1 Lease liabilities

Lease liabilities (amounts in USD thousand)	30.06.2023	31.12.2022	30.06.2022
Long-term	45	-	-
Short-term	61	84	39
Total	**106**	**84**	**39**

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 9 thousand.

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

Note 19.1 Trade liabilities

Other liabilities (amounts in USD thousand)	**30.06.2023**	**31.12.2022**	**30.06.2022**
To related entities	-	-	-
To other entities	213	193	170
Total	**213**	**193**	**170**

Note 19.2 Aging of trade liabilities

Trade liabilities (amounts in USD thousand)	**30.06.2023**	**31.12.2022**	**30.06.2022**
up to one month	202	156	164
over 1 month to 3 months	-	-	-
over 3 months to 6 months	-	-	-
over 6 months to 1 year	-	-	-
over 1 year	-	-	-
Overdue	11	37	6
up to one month	-	33	-
over 1 month to 3 months	7	-	6
over 3 months to 6 months	-	-	-
over 6 months to 1 year	1	1	-
over 1 year	3	3	-
Total	**213**	**193**	**170**

Note 20.1 Other liabilities (current)

Other current liabilities (amounts in USD thousand)	30.06.2023	31.12.2022	30.06.2022
To related entities	-	-	-
To other entities, including:	125	117	143
on loans	-	-	-
on taxes and other public benefits	71	62	73
on payroll	49	47	51
other	5	8	19
Total	**125**	**117**	**143**

Note 20.1.1 Liabilities on bonds convertible to shares

Liabilities on bonds convertible to shares (non-current) (amounts in USD thousand)	30.06.2023	31.12.2022	30.06.2022
Bonds convertible to shares	1 150	1 250	1 000
Interest on bonds convertible to shares	10	32	3
Total	**1 160**	**1 282**	**1 003**

Liabilities on bonds convertible to shares (current) (amounts in USD thousand)	30.06.2023	31.12.2022	30.06.2022
Bonds convertible to shares	1 250	2 100	2 100
Interest on bonds convertible to shares	63	250	197
Total	**1 313**	**2 350**	**2 297**

Liabilities on bonds convertible to shares (amounts in USD thousand)	30.06.2023	31.12.2022	30.06.2022
Par value of issued bonds	2 400	3 350	3 100
Interest costs	73	282	200
Interest paid	-	-	-
Total	**2 473**	**3 632**	**3 300**

Liabilities on bonds convertible to shares (amounts in USD thousand)	**01.01.2023 – 30.06.2023**	**01.01.2022 – 31.12.2022**	**01.01.2022 – 30.06.2022**
At the beginning of the period	3 632	2 245	2 245
Additions	1 216	1 387	1 055
Reductions	2 375	-	-
Total	**2 473**	**3 632**	**3 300**

On 9 June 2022, the Board of Directors adopted a resolution approving incurring liabilities up to a total par value of USD 3.0 million in the form of an issue of debt securities with a fixed interest rate convertible to ordinary shares of the new issue of the Company (Convertible Promissory Notes; "Convertible Securities"). As part of this issue, the Company has issued Convertible Securities with a total value of USD 1.25 million.

On 7 February 2023, the Board of Directors adopted a resolution approving the incurring of liabilities up to the total nominal value of USD 5.0 million in the form of a new issue of Convertible Securities.

Adoption of a new issue of Convertible Securities results with the completion of the previous issue, despite the incomplete use of the previously adopted limit.

As part of the new issue of Convertible Securities, until the date of publication of this report, the Company has issued Convertible Securities for the total amount of USD 1.15 million.

On 27 March 2023, the Issuer informed in Current Report No. 7/2023 that there was a conversion of cash receivables from debt securities convertible into common stock of the new issue of the Company (convertible promissory notes) with a total nominal value of USD 2,100,000.00, with maturity falling in 2022 ("Convertible Securities"), under which the Company issued to the holders of Convertible Securities a total of 1,439,334 ordinary bearer shares of the Company within the authorized capital of the Company ("Shares"). The conversion of the Convertible Securities into Shares took place on the terms specified in the terms and conditions of the issue of Convertible Securities as set out in the resolutions of the Company's Board of Directors of 8 August 2019 and 10 August 2020. In addition, the Company also issued 168,574 ordinary bearer shares as part of the Company's authorized capital in connection with the exercise of rights by participants of the managerial option program introduced at the Company ("Management Shares").

After the conversion of the Convertible Securities and the issue of the Management Shares, the share capital of the Company amounts to USD 1,738,305.30 and consists of 17,383,053 shares of the Company with a nominal value of USD 0.10 each, including (i) 16,423,053 Common Shares of the Company, representing in total 94.48% of the Company's share capital and entitling to a total of 16,423,053 votes at the Company's general meeting, representing in total 74.03% of the total number of votes in the Company, and (ii) 960,000 shares of the Company’s Founders Preferred Stock (each such share entitles to six votes at general meeting of the Company), representing in total 5.52% of the share capital of the Company and entitling to a total of 5,760,000 votes at the general meeting of the Company, representing in total 25.97% of the total number of votes in the Company.

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

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

As at 30 June 2023, as at 31 December 2022, and as at 30 June 2022, the Group had no other contingent liabilities. As at 30 June 2023, as at 31 December 2022, and as at 30 June 2022, the Group's companies were not acting as guarantors or sureties and also had not drawn thier own or received third party promissory notes as collateral or payment for a transaction. Contingent liabilities related to loans are described in Note 20.1 Other liabilities (current).

Note 20.3 Other short-term provisions

Other short-term provisions (amounts in USD thousand)	**01.01.2023 – 30.06.2023**	**01.01.2022 – 31.12.2022**	**01.01.2022 – 30.06.2022**
Provisions for unused vacation time	59	40	49
Provisions for disputes	47	-	-
Total	**106**	**40**	**49**

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.

Provisions for unused vacation time (amounts in USD thousand)	**30.06.2023**	**31.12.2022**	**30.06.2022**
At the beginning of the period	**40**	**50**	**50**
Additions	18	12	5
Reductions	1	22	6
At the end of the period	**59**	**40**	**49**

The Group estimates the amount of the provisions on the basis of adopted assumptions and methodology, assessing the probability of spending the funds comprising economic benefits, and classifies amounts with a high probability of spending, as at the balance sheet, as liabilities. The estimates pertaining to the value of provisions for unused vacation time were based on the data on the number of vacation time days unused by employees, the value of the average compensation individually for each employee divided by the average number of business days per month (22 days), and the charges on compensations charged to the employer.

As at 30 June 2023, as at 30 June 2022 and as at 31 December 2022, the percentage rate of social security charged to the employer was adopted at the level of 22.11%, taking into account the contributions to PPK (Employee Capital Plan).

In the reporting period, the Group created a provision in connection with the results of the NCBiR (National Centre for Research and Development) inspection regarding co-financing of the project POIR.01.03.01-00-0067/17 implemented by Sway Sp. z o. o. as part of ASI Bridge Alfa Bitspiration Booster Sp. z o. o. S.K.A. According to the auditors, part of the project expenses in the amount of PLN 191,861.40 (USD 47,000) were incurred by Sway contrary to the provisions of the Support Agreement (NCBiR letter of August 8, 2023). The company does not agree with the position of NCBiR and therefore appealed against the decision to return the funds.

In 2022, apart from provisions for unused vacation time, the Group did not make any other provisions for liabilities.

Note 20.4 Liabilities from contracts with customers

Liabilities from contracts with customers (amounts in USD thousand)	01.01.2023	Additions	Reductions	30.06.2023
Maintenance services for Silvair Platform	264	245	133	376
Maintenance services for Silvair Mesh Stack	6	5	7	4
Total	**270**	**250**	**140**	**380**

Liabilities from contracts with customers (amounts in USD thousand)	01.01.2022	Additions	Reductions	31.12.2022
Maintenance services for Silvair Platform	177	310	223	264
Maintenance services for Silvair Mesh Stack	6	11	11	6
Total	**183**	**321**	**234**	**270**

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

As at 30 June 2023, as at 31 December 2022, and as at 30 June 2022, the Group identified liabilities associated with maintenance agreements according to the description in section Operating Revenues in the Explanatory note to the financial statements and Note 23. The payment terms specified in the agreements do not exceed 60 days. Elements such as obligations to accept returns or to refund the fees and other similar obligations, as well as warranties and related obligations, do not apply to liabilities from contracts with customers. The Group settles the identified performance obligations using the straight-line method, spread evenly over time, as the activities are performed evenly throughout the entire period of performance.

Liabilities from contracts with customers by maturity:

Maturity periods (amounts in USD thousand)	30.06.2023	31.12.2022	30.06.2022
up to one month	23	16	15
over 1 month to 3 months	40	29	25
over 3 months to 6 months	55	38	33
over 6 months to 1 year	63	42	30
over 1 year to 3 years	42	51	68
over 3 to 5 years	157	94	33
Total	**380**	**270**	**204**

Note 21 Prepayments and accruals

Prepayments and accruals (amounts in USD thousand)	01.01.2023	Additions	Reductions	30.06.2023
Financing under the Smart Growth Operational Program	318	23	-	341
NCBiR subsidy for fixed assets	276	-	9	267
Total	**594**	**-**	**14**	**608**

Prepayments and accruals (amounts in USD thousand)	01.01.2022	Additions	Reductions	31.12.2022
Financing under the Smart Growth Operational Program	345	-	27 (1)	318
NCBiR subsidy for fixed assets	360	-	84	276
Total	**705**	**-**	**111**	**594**

(1) *The change results from the exchange rate translation*

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

Prepayments and accruals (amounts in USD thousand)	30.06.2023	31.12.2022	30.06.2022
Non-current part	208	221	245
Current part	400	373	367
Total	**608**	**594**	**612**

Note 22.1 Sales revenues

Sales revenues (amounts in USD thousand)	01.01.2023 - 30.06.2023	01.01.2022 - 30.06.2022	01.04.2023 - 30.06.2023*	01.04.2022 - 30.06.2022*
Revenues from sales of products	879	392	490	201
Revenues from sales of goods and services	191	123	87	54
Total	**1 070**	**515**	**577**	**255**

** Unaudited data*

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

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

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

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

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

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

Breakdown of revenues from contracts with customers:

Contract type				01.01.2023 – 30.06.2023
Product/service type (amounts in USD thousand)	**CSA agreements**	**SLS agreements**	**Other revenues from contracts**	**Total**
Firmware license	-	357	-	357
Activation	522	-	-	522
Development	4	-	-	4
Maintenance	100	-	-	100
Other	31	56	-	87
Total	**657**	**413**	**-**	**1 070**
Delivery date				
At the time	541	394	-	935
Over time	116	19	-	135
Total	**657**	**413**	**-**	**1 070**

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

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

Estimates:

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

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

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

Note 22.2 Sales revenues – geographic structure

Sales revenues (amounts in USD thousand)	01.01.2023 - 30.06.2023	01.01.2022 - 30.06.2022	01.04.2023 - 30.06.2023*	01.04.2022 - 30.06.2022*
Revenues from sales of products	**879**	**358**	**490**	**167**
Domestically	-	-	-	-
Within the European Union	300	89	215	20
In third countries	579	269	275	147
Revenues from sales of services and goods	**191**	**157**	**87**	**88**
Domestically	-	-	-	-
Within the European Union	38	34	20	18
In third countries	153	123	67	70
Total	**1 070**	**515**	**577**	**255**

** Unaudited data*

Information on sales revenues – main buyers:

In 2023, the Group generated sales exceeding 10% of consolidated revenues in cooperation with two buyers:

- buyer A: 17.67 % of the Group's total consolidated sales revenues,
- buyer B: 17.17 % of the Group's total consolidated sales revenues,

The buyers listed above are not affiliates or subsidiaries of Silvair, Inc. As predicted by the Group, declines in the shares of individual customers visible in 2023 result from actions aimed at diversifying sales and becoming independent from a single recipient.

Information on sales revenues – geographic structure

Country	Sales to external customers	01.01.2023 – 30.06.2023	01.01.2022 – 30.06.2022	01.04.2023 – 30.06.2023*	01.04.2022 – 30.06.2022*
European Union including Poland	USD	338	123	235	38
	%	32%	24%	41%	15%
Other countries	USD	732	392	342	217
	%	68%	76%	59%	85%
Total revenues	USD	1 070	515	577	255
	%	100%	100%	100%	100%

Note 23 Operating segments

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

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

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

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

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

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

Information on individual operating segments in the period from 1 January 2023 to 30 June 2023

Segment type (amounts in USD thousand)	Lighting Control	Items not allocated to segments	Total
Revenues and expenses			
Sales to external customers	1 070	-	1 070
Inter-segment sales	-	-	-
Cost of sales	635	-	635
Income and expenses (operating and other operating)	4	-882	-878
EBIT	**439**	**-882**	**-443**
Net financial income (costs)	-	-115	-115
Share in profits of associates	-	-	-
Gross profit	**439**	**-997**	**-558**
Income tax (current and deferred)	-	-48	-48
Net profit for the reporting period	**439**	**-949**	**-510**
Assets			
Costs of development work (carrying amount of assets)	10 728	-	10 728
Receivables	635	-	635
Unallocated assets	-	1 767	1 767
Total assets			**13 130**
Liabilities			
Financial liabilities	-	2 473	2 473
Liabilities from contracts with customers	380	-	380
Unallocated liabilities	-	1 168	1 168
Total liabilities			**4 021**
Other information			
Depreciation and amortization	635	54	689

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

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

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

Segment type (amounts in USD thousand)			**01.01.2023 - 30.06.2023**
	Lighting Control	**Other activity**	**Total**
Region			
European Union	338	-	338
Other countries	732	-	732
Poland	-	-	-
Total	**1 070**	**-**	**1 070**
Product/service type			
Firmware license	357	-	357
Activation	522	-	522
Development	4	-	4
Maintenance	100	-	100
Other	87	-	87
Total	**1 070**	**-**	**1 070**
Delivery date			
At the time	935	-	935
Over time	135	-	135
Total	**1 070**	**-**	**1 070**

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

Note 24 Other operating income

Other operating income (amounts in USD thousand)	01.01.2023 - 30.06.2023	01.01.2022 - 30.06.2022	01.04.2023 - 30.06.2023*	01.04.2022 - 30.06.2022*
Profit on the sale of non-financial non-current assets	-	-	-	-
Revaluation of non-financial assets	4	-	4	-9
Other operating income	31	41	-6	25
Total	**35**	**41**	**-2**	**16**

** Unaudited data*

Note 25 Other operating expenses

Other operating expenses (amounts in USD thousand)	01.01.2023 - 30.06.2023	01.01.2022 - 30.06.2022	01.04.2023 - 30.06.2023*	01.04.2022 - 30.06.2022*
Revaluation of non-financial assets	-	17	-	17
By segments:				
Lighting Control	-	17	-	-
Other	-	-	-	-
Other operating expenses	69	7	65	6
Total	**69**	**24**	**65**	**23**

** Unaudited data*

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

Note 26 Breakdown of costs

Other operating income (amounts in USD thousand)	01.01.2023 - 30.06.2023	01.01.2022 - 30.06.2022	01.04.2023 - 30.06.2023*	01.04.2022 - 30.06.2022*
Depreciation and amortization	689	693	337	336
Consumption of materials and energy	68	44	40	34
External services	1 142	998	391	327
Taxes and fees	-	6	-	3
Payroll	436	464	210	222
Social security and other benefits	95	97	49	47
Other costs by nature	88	52	45	31
Value of products and materials sold	-	-	-	-
Total costs by type	**2 518**	**2 354**	**1 062**	**1 000**
Movement in inventory of products and production cost of products for own use (development work)	**1 039**	**815**	**299**	**250**
Cost of sales	635	551	324	268
Selling and distribution expenses	317	274	181	142
General and administrative expenses	527	714	258	340
Total costs by function	**1 479**	**1 539**	**763**	**750**

** Unaudited data*

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

Note 27 Financial income

Financial income (amounts in USD thousand)	**01.01.2023 - 30.06.2023**	**01.01.2022 - 30.06.2022**	**01.04.2023 - 30.06.2023***	**01.04.2022 - 30.06.2022***
Interest, including:	-	-	-	-
Interest on bank deposits and accounts	-	-	-	-
Other	-	-	-	-
Foreign exchange differences	-	-	-	-
Total financial income	**-**	**-**	**-**	**-**

** Unaudited data*

Note 28 Financial costs

Financial income (amounts in USD thousand)	**01.01.2023 -30.06.2023**	**01.01.2022 - 30.06.2022**	**01.04.2023 - 30.06.2023***	**01.04.2022 - 30.06.2022***
Interest, including:	74	94	31	57
To other entities, including:	74	94	31	57
Interest on financial liabilities	65	55	24	29
Interest on received loans	-	38	-	27
Interest on lease agreements	9	1	7	1
Foreign exchange differences	41	753	19	403
Other	-	36	-	1
Financial costs	**115**	**883**	**50**	**461**

** Unaudited data*

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

Item (amounts in USD thousand)	01.01.2023 - 30.06.2023	01.01.2022 - 30.06.2022	01.04.2023 - 30.06.2023*	01.04.2022 - 30.06.2022*
Profit before tax	**-558**	**-1 890**	**-263**	**-963**
Costs not classified as tax-deductible expenses	**273**	**1 651**	**98**	**964**
Depreciation and amortization	79	88	40	44
PFRON disability fund tax	-	6	-	3
Unpaid interest	-	39	1	28
Unpaid payroll and social security contributions	18	19	1	-
Foreign exchange differences in the balance sheet	32	1 318	8	811
Impairment losses	-	19	-	19
Other costs, including:	144	162	17	1
Valuation of stock options (Note 30)	57	138	28	59
Costs of the previous year recognized as tax-deductible expenses in the current year	**23**	**19**	**-329**	**-**
Social security contributions (ZUS) from November-December of the previous year, paid in January of the next year	23	19	1	-
Other	-	-	-	-
Revenues that are not tax revenues	**9**	**102**	**14**	**57**
Unpaid interest	-	11	6	6
Impairment losses	4	49	4	25
Grant	-	31	-	15
Other	5	11	1	11
Previous year revenues subject to taxation in the current year	**87**	**44**	**43**	**18**
Interest paid	-	-	-	-
Increase in revenues (balance sheet revenues settled over time)	87	44	43	18

Income / loss	**-230**	**-316**	**193**	**-37**
Deductions from income	-	-	-	
Taxation base	**-230**	**-316**	**193**	**-37**
Tax – Parent Company	-	1	-	1
Impact of movement in asset on deferred tax	46	34	33	12
Impact of movement in liability on deferred tax	-2	-2	-1	-1
Total charges to profit before tax	**48**	**35**	**34**	**12**

** Unaudited data*

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

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

	01.01.2023 - 30.06.2023	**01.01.2022 - 30.06.2022**	**01.04.2023 - 30.06.2023***	**01.04.2022 - 30.06.2022***
Pre-tax result	-558	-1 890	-263	657
Tax rate applied by the Company after adjusting for federal benefits - including federal tax and state tax	27,98%	27,98%	27,98%	27,98%
Tax rate applied by subsidiaries	19%	19%	19%	19%
Income tax according to the domestic rate of the Parent Company	-	-	-	-
Income tax reconciliation on account of:				
Change in deferred tax liability on account of the difference between the tax value and the carrying amount of completed development works	-2	-2	-1	-1
Change in the asset on account of deferred income tax on account of development tax losses	-46	-34	-33	-12
Tax paid in the United States	-	1	-	1
Income tax	**-48**	**-35**	**-34**	**-12**

** Dane nieaudytowane*

Note 30 Share-based payment agreements

Description of the agreements:

On 7 October 2016, the Board of Directors adopted a resolution on the introduction of the "2016 Stock Plan" specifying the rules for granting and exercising rights to acquire shares by employees and associates of the Company (Option Plan).

On 14 October 2016, the Entity signed a 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 (i.e. members of the management board, key employees and associates of the Entity) under two option pools. As part of the "Option Pool" a total of 971,000 shares were to be awarded, and as part of the "Additional Option Pool" - a total of 482,000 shares were to be awarded.

The Group considers the date of signing the KPI Agreement as the option granting date within the meaning of IFRS 2.

On 31 March 2020, the Board of Directors of Silvair, Inc. adopted a resolution on increasing the number of shares under the Option Plan from 1,453,000 shares to 2,000,000 shares, covering all of the Entity's employees with the new program.

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

By 30.06.2023	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	532 287
Number of shares acquired in the exercise of options	926 000	358 210	453 050

Option exercise structure in the period:

(data in units)	01.01.2023 - 30.06.2023	01.01.2022 - 31.12.2022	01.01.2022 - 30.06.2022
Pool of shares under the Option Plan	2 000 000	2 000 000	2 000 000
Number of shares available under the Option Plan at the beginning of the period	**1 953**	**37 014**	**37 014**
Increase of the pool of shares under the Option Plan	-	-	-
Number of shares granted under concluded option agreements	-	46 500	12 000
Number of shares taken up in exercise of options	127 679	241 713	171 339
Number of shares remaining to be taken up in subsequent periods under concluded option agreements	248 027	388 466	435 779
Number of shares released upon expiration of options	12 760	11 439	-
Number of shares available under the Option Plan at the end of the period	**14 713**	**1 953**	**25 014**

As at the publication date, the number of shares taken up in exercise of the options amounted to 1,737,260.

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 eΔt = 0%.
- Stock price volatility (σ) = 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)	01.01.2023 - 30.06.2023	01.01.2022 - 30.06.2022
Management costs	57	138
Capital from revaluation of options	57	138

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

(amounts in USD thousand)	01.01.2023 - 30.06.2023	01.01.2022 - 30.06.2022
Other capital	353	169
Capital from revaluation of options	-353	-169

The change in capital from revaluation of options in the period from 1 January 2023 to 30 June 2023 results from the exercise of 127,679 stock options and revaluation of the remaining options in the vesting period. The total value of shares taken up in performance of option contracts in the reporting period was USD 11.4 thousand.

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

Due to the completion of research and development projects at SWAY Sp. z o. o. and guided by the need to optimize the operating costs of the Silvair Group, on 19 September 2023 the management boards of Silvair sp. z o.o. and SWAY sp. z o.o. made a decision to merge both companies. The merger will take place by taking over SWAY sp. z o.o. by Silvair sp. z o.o. under the procedure specified in Art. 492 § 1 point 1 of the Commercial Companies Code, through transferring all SWAY assets for shares in Silvair sp. z o.o., which Silvair sp. z o.o. will grant to SWAY shareholders. As a result of the merger, SWAY will cease to exist without its liquidation and will be deleted from the register of entrepreneurs of the National Court Register. The merger of the companies will take place in a simplified manner.

Note 32 Information on joint ventures

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

Note 33 Financial risk management objectives and principles

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

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

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

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

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

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

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

In 2023, the Group obtained funds from the issue of bonds and the issue of shares. The Group monitors the risk of shortage of funds through periodic liquidity planning, taking into account the payment due/maturity of assets and liabilities and projected cash flows from operating activity.

Financial liabilities by maturity date as at 30 June 2023

(amounts in USD thousand)	On demand	Under 3 months	From 3 to 12 months	From 1 year to 5 years	Over 5 years
Bank loans and borrowings	-	-	-	-	-
Bond liabilities*	-	-	1 313	1 160	-
Trade liabilities	11	202	-	-	-
Lease liabilities	-	22	39	-	-
Total	**11**	**224**	**1 352**	**1 160**	**-**

* *The measurement at amortized cost does not differ materially from the carrying amounts. The difference between the value at the amount due and the value according to the measurement at amortized cost for the bond liabilities amounts to USD 1.8 thousand.*

Financial liabilities by maturity date as at 31 December 2022

(amounts in USD thousand)	On demand	Under 3 months	From 3 to 12 months	From 1 year to 5 years	Over 5 years
Bank loans and borrowings	-	-	-	-	-
Bond liabilities*	2 350	-	-	1 282	-
Trade liabilities	37	156	-	-	-
Lease liabilities	-	20	64	-	-
Total	**2 387**	**176**	**64**	**1 282**	**-**

Financial liabilities by maturity date as at 30 June 2022

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

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

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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group does not invest any surplus funds in interest-bearing assets based on floating interest rates and accordingly it is not exposed to the risk related to changes in interest rates. The principal risk of changes in interest rates is related to debt instruments. In 2023 and 2022, the Group did not use any external debt instruments with a floating interest rate (loans and bonds), the interest rate on which would depend on changes in interest rates. Accordingly, it was not exposed to changes in cash flows resulting from changes in interest rates.

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

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

- secure short- and medium-term cash flows,
- stabilize fluctuations in the Group's financial performance,
- fulfill planned financial forecasts by meeting relevant budget assumptions,

- achieve a rate of return on long-term investments and obtain optimal sources of funding for investment activities.

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

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

Classification of financial instruments according to IFRS 9

Financial assets by balance sheet item (amounts in USD thousand)	30.06.2023 fair value	30.06.2023 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	635	635	-	-	635	-
Cash	687	687	-	-	687	-

Financial liabilities by balance sheet item (amounts in USD thousand)	30.06.2023 fair value	30.06.2023 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	2 473	2 473	-	2 473	-
Trade liabilities	213	213	-	213	-

Financial assets by balance sheet item (amounts in USD thousand)	31.12.2022 fair value	31.12.2022 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	6	6	-	-	-	6
Trade receivables	391	391	-	-	391	-
Cash	401	401	-	-	401	-

Financial liabilities by balance sheet item (amounts in USD thousand)	31.12.2022 fair value	31.12.2022 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	3 632	3 632	-	3 632	-
Trade liabilities	193	193	-	193	-

Financial assets by balance sheet item (amounts in USD thousand)	30.06.2022 fair value	30.06.2022 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	6	6	-	-	-	6
Trade receivables	271	271	-	-	271	-
Cash	1 077	1 077	-	-	1 077	-

Financial liabilities by balance sheet item (amounts in USD thousand)	30.06.2022 fair value	30.06.2022 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	3 300	3 300	-	3 300	-
Trade liabilities	170	170	-	170	-

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

For the period from 1 January 2023 to 30 June 2023

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	-	-	4	-	4
Cash and cash equivalents	C	-	-7	-	-	-7
Total		**-**	**-7**	**4**	**-**	**-3**
Financial liabilities						
Bank loans and borrowings	F	-	-	-	-	-
Leases	F	-9	-21	-	-	-30
Bond liabilities	F	-65	-	-	-	-65
Trade liabilities	F	-	-13	-	-	-13
Other liabilities	F	-	-	-	-	-
Total	**F**	**-74**	**-34**	**-**	**-**	**-108**

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

For the period from 1 January 2022 to 30 June 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	-	-	-17	-	-17
Cash and cash equivalents	C	-	1	-	-	1
Total		**-**	**1**	**-17**	**-**	**-16**
Financial liabilities						
Bank loans and borrowings	F	-	-	-	-	-
Leases	F	-1	-2	-	-	-3
Bond liabilities	F	-55	-	-	-	-55
Trade liabilities	F	-	-752	-	-	-752
Other liabilities	F	-38	-	-	-	-38
Total	**F**	**-94**	**-754**	**-**	**-**	**-848**

Sensitivity analysis

As at 30 June 2023 and as at 30 June 2022, 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 2023 – 30 June 2023

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

Financial instruments by balance sheet items (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)
Financial assets					
Interest and shares	7	-1	-	1	-
Trade receivables	635	-26	-	26	-
Cash, including:	687	-17	-	17	-
Cash in bank	686	-17	-	17	-
Financial liabilities					
Loans	-	-	-	-	-
Trade liabilities	213	10	-	-10	-

Currency risk 1 January 2022 – 30 June 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)
Financial assets					
Interest and shares	6	-1	-	1	-
Trade receivables	271	-12	-	12	-
Cash, including:	1 077	-29	-	29	-
Cash in bank	1 076	-29	-	29	-
Financial liabilities					
Loans	-	-	-	-	-
Trade liabilities	170	9	-	-9	-

Financial instruments by currency

As at 30 June 2023

Financial assets	USD	PLN	EUR	Total
Interest and shares	-	7	-	7
Trade receivables	374	-	261	635
Cash and cash equivalents, including:	520	24	143	687
Cash in bank	520	23	143	686
Financial liabilities	**USD**	**PLN**	**EUR**	**Total**
Bank loans and borrowings, including:	-	-	-	-
Long-term	-	-	-	-
Short-term	-	-	-	-
Finance leases	-	61	-	61
Bond liabilities	2 473	-	-	2 473
Trade liabilities	116	97	-	213

As at 30 June 2022

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

Note 33.2 Capital risk management

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

Item **(amounts in USD thousand)**	**30.06.2023**	**31.12.2022**	**30.06.2022**
Debt	-	-	-
Equity	9 109	6 510	7 148
Total financial capital	9 109	6 510	7 148
Debt ratio	0,00%	0,00%	0,00%

Note 34 Employment in the Group

Item	**Average headcount in the period 01.01.2023 – 30.06.2023**		
(persons)	**Total**	**White-collar employees**	**Blue-collar employees**
Silvair, Inc.	-	-	-
Silvair Sp. z o. o.	22	22	-
Sway Sp. z o. o.	-	-	-
Total	**22**	**22**	**-**

Item	**Average headcount in the period 01.01.2022 – 31.12.2022**		
(persons)	**Total**	**White-collar employees**	**Blue-collar employees**
Silvair, Inc.	-	-	-
Silvair Sp. z o. o.	27	27	-
Sway Sp. z o. o.	-	-	-
Total	**27**	**27**	**-**

Item	Average headcount in the period 01.01.2022 – 30.06.2022		
(persons)	Total	White-collar employees	Blue-collar employees
Silvair, Inc.	-	-	-
Silvair Sp. z o. o.	29	29	-
Sway Sp. z o. o.	-	-	-
Total	**29**	**29**	**-**

Note 35 Entity authorized to audit financial statements

The interim condensed consolidated financial statements as at 30 June 2023 and as at 30 June 2022 were reviewed, and the annual financial statements prepared as at 31 December 2022 was audited by Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością Spółka komandytowa with its registered office in Poznań at ul. Abpa Antoniego Baraniaka 88E.

The net amount of the contractor’s fee for reviewing the interim condensed consolidated financial statements as at 30 June 2023 is PLN 38,500. The net amount that the contractor received for reviewing the interim condensed consolidated financial statements as at 30 June 2022 was PLN 35,000.

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

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

Note 37 Compensation of key management personnel

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

Item (amounts in USD thousand)	01.01.2023 – 30.06.2023	01.01.2022 – 30.06.2022
Szymon Słupik	41	40
Adam Gembala	41	40
Rafał Han	41	40
Total compensation paid	**123**	**120**

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

Item (amounts in USD thousand)	01.01.2023 – 30.06.2023	01.01.2022 – 30.06.2022
Szymon Słupik	-	-
Adam Gembala	-	-
Rafał Han	-	62
Gross compensation paid	**-**	**62**

Total compensation of key personnel

Total compensation of key management personnel (amounts in USD thousand)	01.01.2023 – 30.06.2023	01.01.2022 – 30.06.2022
Szymon Słupik	41	40
Adam Gembala	41	40
Rafał Han	41	102
Total compensation	**123**	**182**

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

Note 38 Related party transactions

Transactions with parties related by equity with the Parent Company

Parties related by equity with the Parent Company:

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

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

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

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

In connection with the new loan agreement concluded on 10 March 2023, as at 30 June 2023 Silvair Sp. z o.o. posted a liability on account of the loan from Silvair, Inc. in the amount of USD 580 thousand. As at 31 December 2022, Silvair, Inc. posted no receivable due to a loan granted to Silvair Sp. z o. o. On 8 December 2022, there was a conversion of the loan granted by Silvair, Inc. to share capital and supplementary capital of Silvair Sp. z o. o. As at the conversion date, the total value of the granted loan with interest amounted to

USD 14,404 thousand. Under the set-off agreement, Silvair, Inc. took up 130,000 new shares of Silvair Sp. z o. o. with a nominal value of PLN 50.

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

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

On 5 January 2023, a loan agreement was signed between Silvair, Inc. (the borrower) and the subsidiary Silvair Sp. z o. o. (the lender) for a total value of USD 150 thousand. The loan repayment date was set for 31 March 2027. By the date of preparation of this report, the subsidiary granted a loan to the parent company in the amount of USD 85 thousand. On 13 March 2023, Silvair, Inc. repaid the capital liability arising from the loan received. The interest accrued on the loan is USD 0.5 thousand. At the moment, Silvair, Inc. does not expect the occurrence of circumstances for incurring further loan tranches.

Loan agreement between Silvair Sp. z o.o. (lender) i Sway Sp. z o.o. (borrower).

As at 30 June 2023, 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 500 thousand. As at 31 December 2022, the balance of liabilities amounted to USD 450 thousand. No loan repayments were made in 2023 and 2022. The Group assumes that the granted loan will be settled through conversion to capital.

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

Trade settlements within the Group

As at 30 June 2023 and as at 31 December 2022, Sway Sp. z o.o. and Silvair Sp. z o.o. posted no mutual trade receivables or liabilities.

As at 30 June 2023 and as at 31 December 2022, Silvair, Inc. and Silvair Sp. z o.o. posted no mutual trade receivables or liabilities.

In 2023 and 2022, apart from loans, there were no other transactions between the Group's companies. If transactions or mutual liabilities and receivables occurred in the reporting period between the companies, they would be excluded from these interim consolidated statements.

Entities having personal ties with the Group's companies:

Transactions between entities with personal ties:

As stated in Note 3.7 of the Explanatory notes to the interim condensed consolidated financial statements, as at 30 June 2023, the subsidiaries Silvair Sp. z o.o. and Sway Sp. z o.o. were parties to a lease agreement for a property in Kraków at ul. Jasnogórska, where the head offices of both companies are located.

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

In the first half of 2023 and in 2022, the Group leased space from Centrum Jasnogórska 44 Spółka z o.o. where the total cost amounted to USD 45 thousand in the period from 1 January to 30 June 2023, and USD

149 thousand in the period from 1 January to 31 December 2022. As regards the recognition of the above lease agreement in the statement of financial position, the Group presented it as lease according to IFRS 16.

As at 30 June 2023, as at 31 December 2022, and as at 30 June 2022, the Group had no liabilities under the lease agreement towards the above-mentioned Company.

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

Note 38.1 Transactions with the key management personnel and shareholders

Key management personnel:

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

Rafał Han – Chief Executive Officer

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

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

Paweł Szymański – Non-executive Director

Christopher Morawski – Non-executive Director

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

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

As at 30 June 2023, Silvair, Inc. held a liability on account of convertible bonds to companies related personally to Christopher Morawski, who is a member of the Board of Directors of Silvair, Inc., i.e. a liability to Trikon LLC in the amount of USD 0.79 million. As at the balance sheet date of 31 December 2022, the liability to Morawski Family Trust amounted to USD 1.75 million, and as at 30 June 2022 it amounted to USD 1.1 million.

As at 30 June 2023, as at 31 December 2022, and as at 30 June 2022, subsidiaries Silvair Sp. z o.o. and Sway Sp. z o.o. posted no liabilities toward shareholders or the Board of Directors other than current liabilities on account of compensation and business travels.

Note 39 Minority interest

As at 30 June 2023, as at 31 December 2022, and as at 30 June 2022, there was no minority interest within the Group.

Note 40 Subsidiaries with non-controlling interest

As at 30 June 2023, as at 31 December 2022, and as at 30 June 2022, there were no subsidiaries in the Group with non-controlling interest.

The interim condensed consolidated financial statements for the period from 1 January to 30 June 2023 (including comparative data) were approved for publication by the Board of Directors on 28 September 2023.

Rafał Han	Szymon Słupik	Adam Gembala
Chief Executive Officer (CEO)	Chief Technology Officer (CTO), President of the Board of Directors	Chief Financial Officer (CFO), Vice-President of the Board of Directors, Secretary and Treasurer

Paweł Szymański	Christopher Morawski
Director	Director