Consolidated quarterly report of the Silvair, Inc. Group

Krakow, 29 May 2020

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For the purpose of providing additional information in the condensed consolidated (quarterly) report, the Group uses a single numbering system for 'Notes and explanations', which is identical (comparable) to the one used in the annual report.

The lack of continuity in the numbering of notes in the quarterly report results from the lack of obligation to include some of the information disclosed in the annual report.

General information

Parent Company

Name:	**Silvair, Inc.**
Registered office:	**717 Market Street, Suite 100, San Francisco, CA 94103, USA**
Core business:	**IT business**
Registration authority:	**Secretary of State,** **Delaware Department of State,** **Delaware Corporate Number 5543093**
EIN: (Employer Identification Number)	**43-2119611**
Company's duration:	**Unlimited**

Group's business

The Issuer is an entity operating in the field of new technologies focusing on the Internet of Things (IoT). The Group has developed an innovative technology for wireless communication of devices in the mesh topology, and is currently launching - in the global market - its product in the form of software and services with special focus on smart lighting systems. The Group's strategic goal is to achieve a leading position on the market of modern technological solutions for the IoT that are based on the Bluetooth Mesh standard. The main factor contributing to our competitive advantage is our participation and the role we play in the Bluetooth Special Interest Group (Bluetooth SIG), an organization supervising the development of standards. In 2014, the organization formed a task force under the name Mesh Working Group, aiming to develop a new version of the Bluetooth protocol that would support wireless exchange of data in the mesh network topology. The Issuer has made a significant contribution to the work of this organization, both in the intellectual and organizational dimension, and many of the solutions developed earlier by the Issuer have been adopted to the protocol specification, becoming the foundation of the new Bluetooth Mesh standard published by the Bluetooth SIG in 2017.

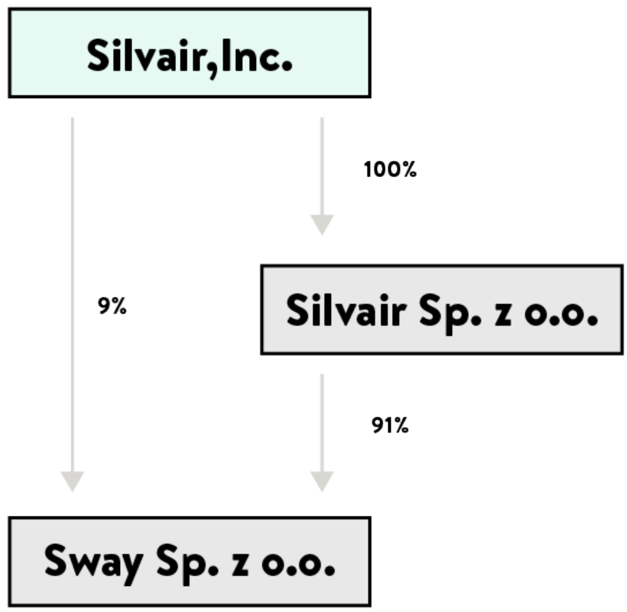
The Group's market expansion is based on the following products: Silvair Mesh Stack, i.e. firmware to be installed directly in devices forming part of smart lighting infrastructure, and Silvair Platform, a technology and service platform designed to be implemented in commercial spaces.

The Group has business presence on the global market, with particular emphasis on the North American and European markets.

The Group

The Group's structure as of 31 March 2020.

On 7 January 2020, an agreement on the transfer of 6,200 shares in Sway was signed between ASI Bridge Alfa Bitspiration Booster Sp. z o.o. Sp.k and Silvair, Inc. As of that date, Silvair Sp. z o.o. holds 90.9% and Silvair, Inc. holds 9.1% shares in Sway Sp. z o.o..



Functional and presentation currency

Interim (quarterly) 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 figures 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 consolidated interim (quarterly) financial statements were prepared as at 31 March 2020 and cover the period of 3 months, i.e. from 1 January 2020 to 31 March 2020.

For the data presented in the annual consolidated statement of financial position and off-balance sheet items, comparative financial data were presented as at 31 December 2019 and as at 31 March 2019.

For the data presented in the annual consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement, comparative financial data were presented for the period from 1 January 2019 to 31 March 2019.

Going concern assumption

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

The Group focuses its endeavors on the commercialization of developed products with the objective of achieving the break-even point as soon as feasible. Contracts that have been executed by members of the Group are already generating revenue, and the Silvair Group's intention is to keep expanding the scale of commercialization of its products in the coming years.

However, in connection with the coronavirus pandemic, the Parent Company's Management Board has identified a risk of disruptions in sales caused by disruptions of the chain of supply of lighting components to the Group's cooperating partners, as well as postponement of investments associated with replacement of the lighting infrastructure by customers due to the widespread lockdown. In connection with the coronavirus pandemic, the Management Board also notes major difficulties with access to capital, which at this stage of commercialization of the Group's products, is an important source of financing of its day-to-day activity. This situation may raise concerns regarding the Group continuing as a going concern. The Parent Company's Management Board has taken actions aimed at eliminating these threats.

Consequently, the Parent Company's Management Board has made a pertinent revision of the 2020 sales assumptions, which will contribute to delaying the breakeven point for the Group. At the same time, in connection with the reduced marketing and sales activity, the Management Board has made a decision to reduce the operating expenses, among others through reduction of headcount and change of the terms of compensation for the Group's key employees and collaborators required to execute the Group's strategy and maintain its competitive advantage. The Group's operating expenses optimization process was planned in such a way as not to disrupt the Group's product development and contracts with the Group's key partners, and make it possible to immediately restore market activity after the pandemic effects pass. The cost-cutting measures will make it possible to reduce the costs by at least 40%.

As at the date of preparation of these statements, the Group in principle finances its operations from the issue of debt securities convertible into the Company's common shares (Convertible Promissory Note). As part of the total maximum issue amount of USD 5.5 million approved by the Board of Directors, the issues of Convertible Securities are effected in the form of private placements without the registration obligation pursuant to the United States Securities Act of 1933 ("United States Securities Act"), as amended, and without the obligation to prepare a prospectus or other offering document, in accordance with the Company's capital requirements. The resolution adopted by the Company's Board of Directors does not define the schedule or the deadline for Convertible Securities issues.

As at the date of preparation of these statements, the Company issued Convertible Securities with the total par value of USD 3.412 million. After the limit of the current issue is exhausted, the Group intends to carry out another issue of Convertible Securities and a new issue of the Company's shares. In accordance with earlier disclosures, the Group retains the ability to issue and apply for the listing of approx. 1.4 million common shares without the need to publish a new prospectus, the approval of which would require the conduct of separate proceedings before the Polish Financial Supervision Authority (KNF). The Parent Company's Management Board estimates that the funds that can be raised in this form will range from USD 1 to 2 million.

In the context of the difficulties with access to capital caused by the coronavirus pandemic, the cost-cutting measures taken by the Group's Management Board are also aimed at reducing the demand for capital needed to finance the day-to-day operations and thus expediting reaching the breakeven and self-financing point by the Group.

Composition of the corporate bodies of the Parent Company as at 31 March 2020

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)

Consolidation

Silvair, Inc. is the Group's parent company preparing quarterly consolidated financial statements.

As at 31 March 2020, as at 31 December 2019 and as at 31 March 2019, consolidation encompasses Silvair, Inc. and two subsidiaries: Silvair Sp. z o.o. and Sway Sp. z o.o. As at 31 March 2020, Silvair, Inc. held directly 100% shares in Silvair Sp. z o.o. and 9% shares in Sway Sp. z o.o. and, indirectly through Silvair Sp. z o.o., 91% shares in Sway Sp. z o.o.

As at 31 December 2019 and as at 31 March 2019, Silvair, Inc. held directly 100% shares in Silvair Sp. z o.o. and 9% of rights to shares in Sway Sp. z o.o. and, indirectly through Silvair Sp. z o.o., 91% shares in Sway Sp. z o.o. The financial data of the subsidiaries, after taking into consideration adjustments introduced to make them compliant with IFRS, are prepared for the same reporting period as the statements of the Parent Company, applying consistent accounting principles, based on uniform accounting principles applied for transactions and similar economic events. IFRS conversion adjustments are made in order to eliminate any discrepancies in the application of accounting policies. The Company reviews whether or not it has control over other entities if an event occurs that indicates a change of one or more of the above conditions of control. Any significant balances and transactions between the Group's companies, including unrealized profit from intra-Group transactions, have been fully eliminated

All amounts are expressed in USD thousand (unless indicated otherwise).

Representation by the Board of Directors

These interim condensed consolidated financial statements ("consolidated financial statements") have been prepared in accordance with the requirements of IAS 34 "Interim Financial Reporting" and 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 (Journal of Laws of 2018, Item 757).

Selected financial data

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

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

Reporting period	Average exchange rate in the period	Minimum exchange rate in the period	Maximum exchange rate in the period	Exchange rate as at the last day of the period
01.01.2020 – 31.03.2020	1.1016	1.0684	1.1392	1.0978
01.01.2019 – 31.12.2019	1.1190	1.0893	1.1524	1.1213
01.01.2019 – 31.03.2019	1.1361	1.1212	1.1524	1.1212

Average USD/PLN exchange rates in the periods covered by the 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
01.01.2020 – 31.03.2020	0.2506	0.2344	0.2641	0.2412
01.01.2019 – 31.12.2019	0.2601	0.2490	0.2685	0.2633
01.01.2019 – 31.03.2019	0.2327	0.2596	0.2685	0.2607

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

All amounts are expressed in USD thousand (unless indicated otherwise).

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		
	01.01.2020 –31.03.2020	01.01.2019 –31.03.2019	01.01.2019 –31.12.2019	01.01.2020 –31.03.2020	01.01.2019 –31.03.2019	01.01.2019 –31.12.2019	01.01.2020 –31.03.2020	01.01.2019 –31.03.2019	01.01.2019 –31.12.2019
Net revenue on the sale of products, goods and materials	51	47	177	46	41	158	204	178	680
Operating profit (loss)	-708	-616	-3 725	-643	-542	-3 329	-2 825	-2 330	-14 319
Profit (loss) before tax	-1 079	-675	-3 881	-979	-594	-3 468	-4 306	-2 554	-14 919
Profit (loss) of the period	-1 054	-627	-3 906	-957	-552	-3 491	-4 206	-2 372	-15 015
Net cash flows from operating activities	-157	-455	-1 939	-142	-400	-1 733	-626	-1 721	-7 454
Net cash flows from investing activities	-699	-700	-2 824	-634	-616	-2 524	-2 789	-2 648	-10 855
Net cash flows from financing activities	450	-16	2 726	408	-14	2 436	1 794	-61	10 479
Total net cash flows	-406	-1 171	-2 037	-369	-1 030	-1 820	-1 621	-4 430	-7 830

All amounts are expressed in USD thousand (unless indicated otherwise).

For items of the statement of financial position

Item	**USD**			**EUR**			**PLN**		
	31.03.2020	**31.03.2019**	**31.12.2019**	**31.03.2020**	**31.03.2019**	**31.12.2019**	**31.03.2020**	**31.03.2019**	**31.12.2019**
Total assets	11 347	12 311	12 389	10 336	10 981	11 048	47 051	47 231	47 050
Liabilities and provisions for liabilities	5 158	1 724	4 736	4 698	1 538	4 224	21 388	6 614	17 986
Non-current liabilities	434	158	484	395	141	432	1 800	606	1 838
Current liabilities	4 724	1 565	4 252	4 303	1 397	3 792	19 589	6 004	16 148
Equity	6 189	10 588	7 653	5 637	9 444	6 825	25 663	40 621	29 064
Share capital	1 143	1 142	1 143	1 041	1 019	1 019	4 740	4 381	4 341
Number of shares	11 425 670	11 420 670	11 425 670	11 425 670	11 420 670	11 425 670	11 425 670	11 420 670	11 425 670
Weighted average number of shares	11 425 670	11 400 545	11 403 045	11 425 670	11 400 545	11 403 045	11 425 670	11 400 545	11 403 045
Earnings/(loss) per share	-0.09	-0.05	-0.34	-0.08	-0.05	0.30	-0.35	-0.94	-1.30
Book value per share	0.54	0.93	0.67	0.48	0.83	0.60	2.25	3.56	2.55

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

All amounts are expressed in USD thousand (unless indicated otherwise).

Consolidated statement of financial position

	Note No.	31 March 2020	31 December 2019	31 March 2019
A. Non-current assets		**10 239**	**10 752**	**9 896**
I. Costs of development work	**1**	9 447	9 896	9 140
II. Other intangible assets		14	17	17
III. Property, plant and equipment		83	34	49
IV. Right-of-use assets	**3.7**	32	171	-
V. Financial assets		7	7	7
VI. Deferred tax assets	**5**	656	627	683
B. Current assets		**1 108**	**1 637**	**2 415**
I. Inventory	**6**	11	9	12
II. Trade receivables	**7**	70	48	40
III. Other receivables		97	223	184
IV. Prepayments and accruals		40	61	17
V. Financial assets		-	-	-
VI. Cash and cash equivalents		890	1 296	2 162
Total assets		**11 347**	**12 389**	**12 311**

All amounts are expressed in USD thousand (unless indicated otherwise).

	Note No.	31 March 2020	31 December 2019	31 March 2019
A. Equity		**6 189**	**7 653**	**10 588**
Equity attributable to the shareholders of the parent company		**6 189**	**7 573**	**10 471**
I. Share capital		1 143	1 143	1 142
II. Capital from revaluation of options	**13**	424	375	215
III. Other capital	**14**	21 281	21 253	21 152
IV. Minority interest transactions	**14.3**	-365	-445	-445
V. Capital from foreign exchange differences from translation of foreign operations		467	954	875
VI. Retained earnings	**15**	-15 707	-11 840	-11 840
VII. Financial result of the current period		-1 054	-3 867	-627
Equity attributable to non-controlling entities		**-**	**80**	**117**
B. Non-current liabilities		**434**	**484**	**158**
I. Deferred tax liabilities	**17**	23	24	27
II. Lease liabilities		-	-	-
III. Other non-current liabilities		-	11	131
IV. Prepayments and accruals		411	449	0
C. Current liabilities		**4 724**	**4 252**	**1 565**
I. Trade liabilities		267	231	168
II. Liabilities from contracts with customers	**20**	77	36	-
III. Lease liabilities	**18.1**	46	171	-
IV. Liabilities on bonds convertible to shares	**20**	3 492	2 954	-
V. Other current liabilities		383	345	307
VI. Other short-term provisions	**20**	77	82	51
VII. Prepayments and accruals		382	433	1 039
Equity and liabilities		**11 347**	**12 389**	**12 311**

All amounts are expressed in USD thousand (unless indicated otherwise).

Interim (quarterly) consolidated profit and loss account with consolidated statement of comprehensive income

Consolidated profit and loss account	Note No.	01.01.2020 –31.03.2020	01.01.2019 –31.03.2019
A. Revenue	**22**	**51**	**47**
B. Cost of sales		**195**	**198**
C. Gross sales result		**-144**	**-151**
I. Selling and distribution expenses		177	120
II. General and administrative expenses		404	359
D. Net sales result		**-725**	**-630**
I. Recognition of impairment losses through costs of development work		-	-
II. Other operating income		22	21
III. Other operating expenses		5	7
E. Operating result		**-708**	**-616**
I. Financial income		4	6
II. Financial costs		375	65
F. Result before tax		**-1 079**	**-675**
I. Income tax		-25	-46
a) current part		4	5
b) deferred part		-29	-51
G. Profit/(loss) for the period		**-1 054**	**-629**
Profit/(loss) attributable to:			
shareholders of the parent company		-1 054	-627
non-controlling interest		-	-2

All amounts are expressed in USD thousand (unless indicated otherwise).

	1 January 2020 – 31 March 2020	1 January 2019 – 31 March 2019
Net earnings/(loss) per share (in USD)	**-0,09**	**-0,05**
Diluted earnings/(loss) per share (in USD)	**-0,08**	**-0,05**

Interim (quarterly) consolidated statement of other comprehensive income	**1 January 2020 – 31 March 2020**	**1 January 2019 – 31 March 2019**
Profit/(loss) for the period	**-1 054**	**-629**
Other comprehensive income	**-567**	**-160**
1. Other comprehensive income to be reclassified to result in the future	-567	-160
– foreign exchange differences from translation of foreign operations	-567	-160
2. Other comprehensive income not to be reclassified to result in the future*	-	-
Total comprehensive income	**-1 621**	**-789**
Total comprehensive income attributable to:		
shareholders of the parent company	-1 621	-787
non-controlling interest	-	-2

**In previous periods, the Issuer unnecessarily reported the value of the incentive (option) program in this item*

All amounts are expressed in USD thousand (unless indicated otherwise).

Interim (quarterly) consolidated statement of changes in equity

Interim (quarterly) consolidated statement of changes in equity	Share capital	Capital from reval. of options	Other capital	Minority interest transactions	Capital from foreign exchange differences	Retained earnings	Financial result	Total equity	Equity attributable to non-controlling entities	Total equity
At the beginning of the period 1 January 2020	**1 143**	**375**	**21 253**	**-445**	**954**	**-15 707**	**-**	**7 573**	**80**	**7 653**
Corrections of errors:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
adjustment associated with the right to acquire shares	-	-	-	-	-	-	-	-	-	-
minority interest adjustment	-	-	-	-	-	-	-	-	-	-
At the beginning of the period 1 January 2020, corrected	**1 143**	**375**	**21 253**	**-445**	**954**	**-15 707**	**-**	**7 573**	**80**	**7 653**
Changes to equity in the period from 1 January to 31 March 2020										
Exercise of stock options for Company shares		-28	28	-	-	-	-		-	
Issue of new shares as part of the stock plan				-	-	-	-		-	
Valuation of stock options under IFRS 2	-	77	-	-	-	-	-	77	-	77
Bonds convertible to shares classified as equity instruments	-	-	-	-	-	-	-	-	-	-
Change in the group's structure (transactions with non-controlling entities)	-	-	-	80	-	-	-	80	-80	-
Total transactions with owners	-	49	28	80	-	-	-	157	-80	77
Result of the period	-	-	-		-	-	-1 054	-1 054		-1 054
Other comprehensive income for the period	-	-	-		-487	-	-	-487	-	-487
Total comprehensive income	**-**	**-**	**-**	**-**	**-487**	**-**	**-1 054**	**-1 541**	**-**	**-1 541**
At the end of the period 31 March 2020	**1 143**	**424**	**21 281**	**-365**	**467**	**-15 707**	**-1 054**	**6 189**	**-**	**6 189**

All amounts are expressed in USD thousand (unless indicated otherwise).

Annual consolidated statement of changes in equity	Share capital	Capital from reval. of options	Other capital	Minority interest transactions	Capital from foreign exchange differences	Retained earnings	Financial result	Total equity	Equity attributable to non-controlling entities	Total equity
At the beginning of the period 1 January 2019	**1 138**	**155**	**21 147**	**-**	**1 034**	**-12 573**	**-**	**10 901**	**407**	**11 308**
Corrections of errors:	**-**	**-**	**-**	**-445**	**-**	**733**	**-**	**288**	**-288**	**-**
adjustment associated with the right to acquire shares	-	-	-	-445	-	445	-	-	-	-
minority interest adjustment	-	-	-	-	-	288	-	288	-288	-
At the beginning of the period 1 January 2019, corrected	**1 138**	**155**	**21 147**	**-445**	**1 034**	**-11 840**	**-**	**11 189**	**119**	**11 308**
Changes to equity in the period from 1 January to 31 December 2019										
Exercise of stock options for Company shares	1	-108	104	-	-	-	-	-3	-	-3
Issue of new shares as part of the stock plan	4	-2	2	-	-	-	-	4	-	4
Valuation of stock options under IFRS 2	-	330	-	-	-	-	-	330	-	330
Bonds convertible to shares classified as equity instruments	-	-	-	-	-	-	-	-	-	-
Change in the group's structure (transactions with non-controlling entities)	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	5	220	106	-	-	-	-	331	-	331
Result of the period	-	-	-	-	-	-	-3 867	-3 867	-39	-3 906
Other comprehensive income for the period	-	-	-	-	-80	-	-	-80	-	-80
Total comprehensive income	**-**	**-**	**-**	**-**	**-80**	**-**	**-3 867**	**-3 947**	**-39**	**-3 986**
At the end of the period 31 December 2019	**1 143**	**375**	**21 253**	**-445**	**954**	**-11 840**	**-3 867**	**7 573**	**80**	**7 653**

All amounts are expressed in USD thousand (unless indicated otherwise).

Interim (quarterly) consolidated statement of changes in equity	Share capital	Capital from reval. of options	Other capital	Minority interest transactions	Capital from foreign exchange differences	Retained earnings	Financial result	Total equity	Equity attributable to non-controlling entities	Total equity
At the beginning of the period 1 January 2019	**1 138**	**155**	**21 147**	**-**	**1 034**	**-12 573**	**-**	**10 901**	**407**	**11 308**
Corrections of errors:	**-**	**-**	**-**	**-445**	**-**	**733**	**-**	**288**	**-288**	**-**
adjustment associated with the right to acquire shares	-	-	-	-445	-	445	-	-	-	-
minority interest adjustment	-	-	-	-	-	288	-	288	-288	-
At the beginning of the period 1 January 2019, corrected	**1 138**	**155**	**21 147**	**-445**	**1 034**	**-11 840**	**-**	**11 189**	**119**	**11 308**
Changes to equity in the period from 1 January to 31 March 2019										
Exercise of stock options for Company shares		-9	5	-	-	-	-	-4	-	-4
Issue of new shares as part of the stock plan	4			-	-	-	-	4	-	4
Valuation of stock options under IFRS 2	-	69	-	-	-	-	-	69	-	69
Bonds convertible to shares classified as equity instruments	-	-	-	-	-	-	-	-	-	-
Change in the group's structure (transactions with non-controlling entities)	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	4	60	5	-	-	-	-	69	-	69
Result of the period	-	-	-	-	-	-	-627	-627	-2	-629
Other comprehensive income for the period	-	-	-	-	-160	-	-	-160	-	-160
Total comprehensive income	**-**	**-**	**-**	**-**	**-160**	**-**	**-627**	**-787**	**-2**	**-789**
At the end of the period 31 March 2019	**1 142**	**215**	**21 152**	**-445**	**874**	**-11 840**	**-627**	**10 471**	**117**	**10 588**

All amounts are expressed in USD thousand (unless indicated otherwise).

Interim (quarterly) consolidated cash flow statement

	Note No.	1 January 2020 – 31 March 2020	1 January 2019 – 31 March 2019
Profit (loss) before tax		**-1 079**	**-675**
Adjustments for:		**922**	**220**
1. Depreciation and amortization		287	220
2. Foreign exchange gains (losses)		359	82
3. Interest and profit sharing (dividends)		39	1
4. Movement in provisions		-5	-1
5. Movement in inventory		-2	1
6. Movement in receivables		104	-64
7. Movement in current liabilities, except for loans and borrowings		164	-15
8. Tax paid		-4	5
9. Movement in prepayments and accruals		-97	-9
10. Other adjustments resulting from operating activity	**11.1**	77	0
Net cash from operating activities		**-157**	**-455**
Proceeds		-	-
1. Disposal of intangible assets and property, plant and equipment		-	-
2. From financial assets, including:		-	-
a) in related entities		-	-
b) in other entities		-	-
Expenditures		699	-700
1. Purchase of intangible assets and property, plant and equipment		53	-
2. Expenditures incurred for development work		646	-700
3. For financial assets, including:		-	-

All amounts are expressed in USD thousand (unless indicated otherwise).

a) in other entities	-	-
Net cash from investing activities	**-699**	**-700**
Proceeds	498	15
1. Net proceeds from issuing shares and additional capital contributions	-	9
2. Loans and borrowings drawn	-	-
3. Proceeds from the issue of debt securities	500	6
4. Interest	-	-
Expenditures	50	31
1. Repayment of loans and borrowings	32	38
2. Repayment of lease liabilities	16	-
3. Interest	2	7
Net cash from financing activities	**450**	**-16**
Net cash flows	**-406**	**-1 171**
Movement in cash	**-406**	**-1 171**
- movement in cash on account of foreign exchange differences	-	-
Cash at the beginning of the period	**1 296**	**3 333**
Cash and cash equivalents at the end of the period	**890**	**2 162**

Explanatory notes to the interim (quarterly) condensed consolidated financial statements

Corrections of prior period errors

Type of error

In the current reporting period, there were no corrections of prior period errors.

At the end of 2019, the Group effected a retrospective correction of an error made in the data presented for 2018. As a result of the introduced correction, the error was presented in the Consolidated Financial Statements for 2019. The error pertained to failure to disclose the rights to the shares in Sway sp. z o.o., which Silvair, Inc. obtained in 2018.

As a consequence of the above, as at 31 March 2019, the Group incorrectly presented the value of equity attributable to non-controlling entities and the value of equity attributable to the parent company.

In performance of the investment agreement dated 28 March 2018 concluded between, among others, Sway sp. z o.o. and ASI Bridge Alfa Bitspiration Booster Sp. z o.o. Sp.k. (hereinafter "ASI Bridge"), on 18 May 2018 ASI Bridge acceded to Sway and took up 6,200 (six thousand two hundred) indivisible common shares in SWAY ("Shares"), created through increasing SWAY's share capital and taken up for a cash contribution of PLN 1,600,000 (USD 427 thousand, as at the take-up date). The par value of the Shares was PLN 310,000. The investment agreement provided for ASI Bridge's divestment of Sway and transfer of the shares to Silvair, Inc. On 18 May 2018, Silvair, Inc. and ASI Bridge entered into a share exchange dispositive agreement under which ASI Bridge undertook to transfer the ownership of the Shares to Silvair, Inc. immediately after the competent registration court registers SWAY's share capital increase in which the Shares were created, in return for transfer by Silvair, Inc. of the title to convertible notes ("Notes") with the value corresponding to the USD equivalent of PLN 1,600,000, translated at the average NBP exchange rate from the date of signing the convertible promissory note document, convertible into Silvair, Inc.'s shares. As part of the initial public offering (IPO) of Silvair, Inc. at the Warsaw Stock Exchange, which took place on 26 July 2018, the said Notes received by ASI Bridge were converted into Silvair, Inc.'s shares, as a result of which ASI Bridge became the owner of 91,722 shares of Silvair, Inc.

On 22 June 2018, all conditions for the acquisition of the Shares by Silvair, Inc. were satisfied, however, for reasons independent of the Company, ASI Bridge did not transfer the Shares to Silvair, Inc. in 2018 and 2019. Consequently, the Company made successive actions aimed at bringing about the intended result. Among other things, on 2 September 2018, and again on 2 January 2020, Silvair, Inc. summoned ASI Bridge to perform its obligation of divestment of Sway sp. z o.o. and transfer of the legal title to the Shares. As a consequence of the actions taken by the Company, the agreement transferring the ownership of the Shares in Sway from ASI Bridge to Silvair, Inc. was entered into on 7 January 2020.

Due to the fact that the company did not take into account in 2018 the obtained right to the Shares, it was justified to make a correction with the effects presented below. The Company did not take into account in 2018 the obtained right to the shares in Sway and the value of the taken up shares was covered with corrections in the results of previous years.

The consequences of the correction are described below.

Impact on consolidated financial statements

Statement of financial position as at 31 March 2019	
Item	**Amount (in thousands of USD)**
Minority interest transactions	-445
Retained earnings	733
Equity attributable to non-controlling entities	-288

Impact on earnings/(loss) per share

The change had an insignificant impact on the Q1 2019 loss and did not affect the loss per share, which amounted to USD -0.05.

Impact on financial statements

Statement of financial position (USD '000s)	As at 31 March 2019, published	Change	As at 31 March 2019, corrected
A. Non-current assets	**9 896**	-	**9 896**
I. Costs of development work	9 140	-	9 140
II. Other intangible assets	17	-	17
III. Property, plant and equipment	49	-	49
IV. Financial assets	7	-	7
V. Deferred tax assets	683	-	683
B. Current assets	**2 415**	-	**2 415**
I. Inventory	12	-	12
II. Trade receivables	40	-	40
III. Other receivables	184	-	184
IV. Prepayments and accruals	17	-	17
V. Financial assets	0	-	0
VI. Cash and cash equivalents	2 162	-	2 162
Total assets	**12 311**	-	**12 311**

All amounts are expressed in USD thousand (unless indicated otherwise).

	As at 31 March 2019, published	Change	As at 31 March 2019, corrected
A. Equity	**10 588**	**-**	**10 588**
Equity attributable to the shareholders of the parent company	**10 183**	**288**	**10 471**
I Share capital	1 142	-	1 142
II Capital from revaluation of options	215	-	215
III. Other capital	21 152	-	21 152
IV. Minority interest transactions	0	-445	-445
V. Capital from foreign exchange differences	874	-	874
VI. Retained earnings	-12 573	733	-11 840
VII. Financial result of the current period	-627	-	-627
Equity attributable to non-controlling entities	**405**	**-288**	**117**
B. Non-current liabilities	**158**		**158**
I. Deferred tax liabilities	27	-	27
II. Other non-current liabilities	131	-	131
III. Prepayments and accruals	0	-	0
C. Current liabilities	**1 565**	**-**	**1 565**
I. Trade liabilities	168	-	168
II. Other current liabilities	307	-	307
III. Other short-term provisions	51	-	51
IV. Prepayments and accruals	1 039	-	1 039
Equity and liabilities	**12 311**	**-**	**12 311**

Basis for preparation and accounting policies

Basis for preparation of the consolidated financial statements

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

These interim condensed consolidated financial statements of the Group cover the period of 3 months ended on 31 March 2020 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 31 March 2019 and the consolidated statement of changes in equity for 2019 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 2019.

These interim condensed consolidated financial statements have been prepared in accordance with the accounting principles that were presented in the Group’s last consolidated financial statements for the year ended 31 December 2019, except for the changes described below resulting from the entry into force of new standards, interpretations and changes in standards.

As at 31 March 2020, these condensed consolidated financial statements have not been subject to audit or review by an entity authorized to audit financial statements.

Changes in standards or interpretations introduced in 2019 and continued in 2020

- New IFRS 16 “Leases”

  The new standard replaces IAS 17 and several interpretations. Apart from the change of the definition of lease, the standard introduces changes in lessees’ accounting: it requires that the balance sheet recognizes, for every lease contract, the value of the “right-of-use asset” and the corresponding financial liability. The right-of-use asset is then amortized, while the liability is measured at amortized cost. In specific situations identified in the standard, the lease liability is subject to remeasurement, whose effects are, as a rule, recognized as an adjustment to the right-of-use asset.

  Practical expedients were envisaged for short-term contracts (up to 12 months) and low-value asset leases, which the Group adopted in its accounting policies. The practical expedient involves the possibility of not recognizing the liabilities for such leases.

  The accounting approach to leases on the part of the lessor is similar to the rules laid down in the existing IAS 17.

The Group implemented IFRS 16 using the modified retrospective method, i.e. without transformation of comparative data, and recognizing the total effect of initial application of the standard as an adjustment to the opening balance of retained earnings on initial application date. In addition, the Group applied the following practical solutions allowed by the standard:

- as at the date of initial application of IFRS 16, the Group did not carry out a reassessment of whether the given contract is a lease or whether it comprises a lease; the Group applied the standard only to agreements which were identified as leases before such date pursuant to IAS 17 and IFRIC 4,
- the value of the right-of-use under all contracts previously classified by the Group as operating lease pursuant to IAS 17 as at the date of initial application of IFRS 16 was determined in the amount of the lease liability adjusted by the fees and prepayments recognized in the consolidated statement of financial position directly before the date of initial application,
- the knowledge acquired *post factum* when determining the lease period was used.

Due to using the practical expedients, the Group used IAS 36 as at the date of initial application of IFRS 16 to assess the necessity to recognize impairment losses on the value of the right-of-use assets. The analysis has not shown such necessity.

The Group does not have any real property in perpetual usufruct.

The new standard has impact on the Group's financial statements. As at the date of initial application, the Group was the lessee in 2 lease agreements, described more broadly in Note 38. As at 31 March 2019, the Group carried out an analysis of the impact of IFRS 16 on the Group's financial statements. Due to the short-term nature of the contracts, the Group took advantage of the exemption envisaged for short-term contracts (up to 12 months).

On 30 June 2019, the term of the contracts providing for the right to use the property in which Silvair Sp. z o.o. and Sway Sp. z o.o. conduct activity was extended to 31 December 2020. In connection with the change of the contracts, the Group reassessed the classification of the contracts pursuant to IFRS 16 and concluded that the contracts satisfy the criteria for recognition of right-of-use assets.

On 2 March 2020, due to the ongoing pandemic (SARS-CoV-2 virus infections) and its impact on business activity, the terms of the contracts providing for the right to use the property in which Silvair Sp. z o.o. and Sway Sp. z o.o. conduct activity were changed. In connection with the amendment to the contracts, the Group reassessed the classification of the contracts pursuant to IFRS 16 and concluded that the contracts satisfy the criteria for recognition of right-of-use assets. The amendment to the contract assumes a reduction of the monthly rent in the period from March to December 2020 and a change in the lease area. Due to the change in contracts, the value of the right-of-use and the lease liability decreased by the amount of USD 74,000. Since the Issuer does not use bank loans, borrowings or other leases, it could not rely on its own indicators when determining the interest rate. Therefore, as the interest rate used to determine the lease liability, it adopted an interest rate of 3.82% (WIBOR3M + interest rate on 2-year government bonds).

In the statement of financial position, the Group presented right-of-use assets and lease liabilities separately from other assets and liabilities. The interest expense on financial lease liabilities were presented as a component of financial costs, separately from amortization of the right-of-use. In the cash flow statement, interest was presented in financing activities while amortization and variable costs not included in the measurement of the lease liability were presented in operating activities.

- New IFRIC 23 "Uncertainty over Income Tax Treatments"

  This interpretation for IAS 12 "Income Tax" unifies the approach to situations in which interpretation of income tax regulations is not clear and there is no definitive answer whether taxation authorities or courts accept the company's tax treatment. The management should first assess whether its interpretation is likely to be accepted by tax authorities. If it is then such an interpretation should be adopted for the preparation of the financial statements. If it is not then uncertainty associated with the income tax-related amounts should be taken into account using the most likely amount or the expected value. The company should reassess the assumed amount if facts and circumstances affecting it change. If the amount is adjusted then it is treated as a change in an accounting estimate in accordance with IAS8.

  The Group did not have any transactions whose recognition raised tax doubts. The Group decided to reduce the amount of deferred tax assets in connection with the probable reduction of the possibility of using them in entirety in the future. Information about the change of the deferred tax assets is presented in Note 5.

- New IFRS 9 "Financial Instruments"

  This amendment enabled the entity to account as "assets measured at amortized cost" some prepayable instruments with the so-called negative compensation (meaning that upon prepayment the entity would receive less than the sum of principal and accrued interest). Amendment of this standard did not affect the financial statements since there were no transactions affected by these changes. Classification of financial instruments according to IFRS 9 is presented in Note 33.

Other changes that entered into force in 2019 did not affect the consolidated financial statements or did not have a significant impact on the consolidated financial statements.

The standards and interpretations published by the IASB but not endorsed by the European Union are indicated below in the section on standards and interpretations that have not entered into force.

These amendments are effective for annual periods beginning on or after 1 January 2020.

- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"

  The amendment entails the introduction of a new definition of the term "material" (in respect to an omission or misstatement in the financial statements). The previous definition included in IAS 1 and IAS 8 differed from the one included in the Conceptual Framework for Financial Reporting, which could cause difficulty in judgments made by the entity preparing the financial statements. The amendment will cause unification of definitions in all the applicable IASs and IFRSs. The Group estimates that the new standard will not affect its financial statements because the previous judgments regarding materiality were consistent with the ones that would have been made using the new definition.

- Amendment to IFRS 3 "Business Combinations"

  The amendment concerns the definition of a business and covers mainly the following matters:

  - it clarifies that to be considered a business, an acquired set of activities and assets must include an input and material processes that together significantly contribute to the ability to create outputs,
  - narrows the definition of outputs and thereby also of a business by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs,
  - adds guidance and illustrative examples to help entities assess whether a material process has been acquired as part of combination,
  - removes the assessment of whether it is possible to replace any missing inputs or processes and continue to operate a business in order to produce outputs; and
  - adds an optional possibility of conducting a simplified assessment of whether an acquired set of activities and assets is not a business.

  These amendments apply to business combinations for which the acquisition date is in the first quarterly reporting period beginning on or after 1 January 2020, and to acquisitions of assets effected in or after this reporting period. The change of the standard did not affect the financial statements due to the fact that there were no transactions covered by amendments. As of now, the Group is not able to predict any future business acquisition transactions.

- Amendments to References to the Conceptual Framework in IFRS

  The Board has prepared a revised version of the conceptual framework for financial reporting. Consequently, for the sake of consistency, the references to the conceptual framework contained in individual standards have been adapted accordingly. The amendments are effective for annual periods beginning on or after 1 January 2020 and, in the Group's assessment, will not impact its financial statements.

- Amendments to IFRS 9, IAS 39 and IFRS 7

  The IAS Board has introduced amendments to hedge accounting principles in connection with the planned reform of benchmark interest rates (WIBOR, LIBOR etc.). These rates are often the hedged position e.g. in the case of IRS hedging. The planned replacement of the existing rates with new benchmark rates has caused doubts as to whether a forecast transaction is still highly probable, whether future hedged cash flows are still expected to occur, or whether there is an economic link between the hedged and the hedging position. The amendment to the standards has specified that the estimations should assume that changes to benchmark rates will not occur. Since the Group does not use hedge accounting, the uncertainty associated with derivative instruments based on interest rates will not have influence on its financial statements.

- Amendment to IAS 1 "Presentation of Financial Statements"

  The IAS Board has specified the principles for classification of liabilities as current and non-current, primarily in two aspects:
  - it has been specified that the classification depends on the rights that the company has as at the balance sheet date,

All amounts are expressed in USD thousand (unless indicated otherwise).

- the management's intentions with regard to expediting or delaying the payment of the liability are not taken into consideration.

Application of a standard or interpretation prior to its entry into force

In these consolidated financial statements, no voluntary early application of any standard or interpretation has been applied.

Description of accepted 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 2019.

Translation of items in foreign currencies

Transactions captured in the ledgers of the Parent Company Silvair, Inc. denominated in currencies other than USD are translated into US dollars at the rate effective on the transaction date. As at the balance sheet date, monetary assets and liabilities expressed in currencies other than USD are translated into US dollars using the average exchange rate for such a currency in effect at the end of the reporting period. The functional currency of both subsidiaries is PLN. As at the balance sheet date, assets and liabilities of these foreign subsidiaries are translated into the Group's presentation currency using the exchange rate in effect on the balance sheet date, and their statements of comprehensive income are translated at the average exchange rate for the financial period. The translation method is described in the *Functional and presentation currency* section. The Group has adopted the following PLN/USD exchange rates for the purposes of balance sheet measurement:

	31 March 2020	31 December 2019	31 March 2019
PLN/USD	0.2412	0.2633	0.2607

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

	From 1 January to 31 March 2020	From 1 January to 31 December 2019	From 1 January to 31 March 2019
PLN/USD	0.2506	0.2601	0.2327

Uncertainty of estimates

In preparation of the interim consolidated financial statements, the Parent Company's Management 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:

1. Commercial success of the products and services depends on the pace and scale of dissemination and commercial implementation of the Bluetooth Mesh standard. It cannot be ruled out that Bluetooth Mesh will not bring the expected market success.

2. The pursuit of the Group's strategy depends on the success of its research work and effective commercialization of the developed products. Although the first products have already been launched in the market, the Issuer cannot rule out that the current form of 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.

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 1.3)
- impairment losses (see Note 5, 6 and 7.1)
- provisions (see Note 20.3)
- term of lease contracts (see Note 18.1)
- share-based payment agreements (see Note 30)

In the reporting period, no significant changes were made in the methods used to make estimations, compared to 2019.

Seasonality of business

The Group's business is not seasonal.

Business combinations and loss of control

In the first quarter of 2020, there were no business combinations or loss of control in the Group. There were no such events in 2019 either.

Information and notes on material changes in the amounts of estimates and selected reporting items

All amounts are expressed in USD thousand (unless indicated otherwise).

Note 1.2 Changes in costs of development work

No.	Item	1 January 2020 – 31 March 2020	1 January 2019 – 31 December 2019	1 January 2019 – 31 March 2019
1.	**Gross value at the beginning of the period**	**12 912**	**10 186**	**10 235**
	Additions, including:	645	2 792	700
	– expenditures incurred	645	2 792	700
	– foreign exchange differences from measurement in presentation currency	-	-	-
	Reductions, including:	845	66	234
	– liquidation and sale	1	-	-
	– foreign exchange differences from measurement in presentation currency	844	66	234
2.	**Gross value at the end of the period**	**12 712**	**12 912**	**10 701**
3.	**Accumulated depreciation at the beginning of the period**	**2 323**	**1 349**	**1 349**
	Additions	249	974	212
	Reductions	-	-	-
4	**Accumulated depreciation at the end of the period**	**2 572**	**2 323**	**1 561**
5.	**Impairment losses at the beginning of the period**	**693**	**-**	**-**
	Additions	-	693	-
	Reductions	-	-	-
6.	**Impairment losses as at 31 March 2020**	**693**	**693**	**-**
7.	**Net value at the beginning of the period**	**9 896**	**8 837**	**8 886**
8.	**Net value at the end of the period 31 March 2020**	**9 447**	**9 896**	**9 140**

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

Estimates:

As at each balance sheet date, the Group analyzes whether or not objective grounds exist that might imply an impairment of expenditures on development work. In the opinion of the Management Board, as at the balance sheet date, there were no premises indicating an additional impairment of expenditures on development work compared to 31 December 2019.

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

At the end of 2019, the Group reviewed the development work from the perspective of the possibility of generating expected economic benefits in the future. As a result of the review at the end of 2019, the Group identified intangible assets worth USD 693 thousand, which have lost their value as a result of no interest in the market in the products based on these assets and discontinuation of the development of the technology implemented in them. These assets have been covered by an impairment loss in the full amount. For the remaining development works with significant value, both under way and completed, impairment tests have been carried out. In order to assess the recoverable amount, individual development works have been grouped into cash generating units.

The impairment tests have been carried out for the following cash generating units:

- Bluetooth Mesh Protocol and Silvair Mesh Stack,
- Silvair Platform and Multi ALS,
- Wi-Home.

The recoverable amount has been determined on the basis of the value in use of the assets, understood as the present estimate value of future cash flows, whose recovery is expected due to further use of the cash generating unit.

Assumptions adopted for the needs of impairment tests:

- The tests are prepared on the basis of an internal financial forecast of the Silvair Group for 2020-2029 (Forecast) based on the discounted cash flow method.
- Due to the innovative nature of the commercialized technology, a 10-year projection period has been adopted.
- The execution of development work has multiple stages, i.e. individual development work stages are closed upon release of the next software versions and/or launch of the next service or package of digital services.
- The development work volume in individual projection years comprises: initial carrying amount, direct expenditures (personnel and non-personnel) on continuation of individual work stages, indirect expenditures and other expenditures of the Group which are aimed to contribute to earning revenues from the tested assets.
- The initial carrying amount comprises all expenditures incurred both for development works completed and not yet completed included in the cash generating unit.
- To determine the discount rate, the weighted average cost of capital was used. The WACC value calculated for the needs of the Test was 14.21%.

All amounts are expressed in USD thousand (unless indicated otherwise).

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.
- A 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.

Cash generating unit	The value of development work as at 31 March 2020	Recoverable amount
Bluetooth Mesh Protocol and Silvair Mesh Stack	4 421	17 306
Silvair Platform and Multi ALS	3 925	103 727
Wi-Home	1 008	2 296
Total	**9 354**	**123 329**

As at 31 March 2020, the need to recognize new impairment losses for the costs of development work was not identified.

Note 3.7 Right-of-use assets

Right-of-use assets	31 March 2020	31 December 2019	31 March 2019
Real estate right-of-use asset	32	171	-
Other assets	-	-	-
Total	**32**	**171**	**-**

As at 31 March 2020 and 31 March 2019, 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 the date of preparation of the Group's consolidated financial statements for 2018, the agreement did not fulfill the criteria of IAS 17 for recognizing it in the Group's statement of financial position as a lease. On 29 June 2019, the Issuer extended the agreements to the end of 2020 and thus changed the balance sheet classification of the agreements and presented them pursuant to IFRS 16. The information about the change of the presentation is described in the section "Basis for preparation and accounting policies" of these statements. The information about the agreements is presented in Note 38 - Related party transactions.

All amounts are expressed in USD thousand (unless indicated otherwise).

On 2 March 2020, the terms of the contracts providing for the right to use the property in which Silvair Sp. z o.o. and Sway Sp. z o.o. conduct activity were changed. In connection with the amendment to the contracts, the Group reassessed the classification of the contracts pursuant to IFRS 16 and concluded that the amended contracts still satisfy the criteria for recognition of right-of-use assets. The amendment to the contracts assumes a reduction of the monthly rent in the period from March to December 2020 and a change in the lease area from 2 March 2020.

Due to the change in contracts, the value of the right-of-use and the lease liability decreased by the amount of USD 74,000. Since the entire right-of-use assets pertain to one category (lease of premises), the changes are presented without a category breakdown.

No.	Item	1 January 2020 – 31 March 2020	1 January 2019 – 31 December 2019	1 January 2019 – 31 March 2019
1.	**Gross value at the beginning of the period**	**332**	**-**	**-**
	Additions, including:	-	-	-
	acquisition	-	-	-
	internal relocation	-	332	-
	Reductions, including:	-107	-	-
	change of contract terms	-107	-	-
	foreign exchange differences from measurement in presentation currency	2	-	-
2.	**Gross value at the end of the period**	**223**	**332**	**-**
3.	**Accumulated depreciation at the beginning of the period**	**161**	**-**	**-**
	Additions	30	161	-
	Reductions	-	-	-
4.	**Accumulated depreciation at the end of the period**	**191**	**161**	**-**
5.	**Net value at the beginning of the period**	**171**	**-**	**-**
6.	**Net value at the end of the period**	**32**	**171**	**-**

All amounts are expressed in USD thousand (unless indicated otherwise).

Note 5 Deferred tax assets

Deferred tax assets	31 March 2020	31 December 2019	31 March 2019
Deferred tax assets at the beginning of the period, including:	**627**	**620**	**620**
through profit or loss	614	620	620
through equity	13	-	-
Additions	**29**	**395**	**63**
through profit or loss	28	382	63
through equity	1	13	-
Reductions	**-**	**388**	**-**
through profit or loss	-	388	-
through equity	-	-	-
Deferred tax assets at the end of the period, including:	**656**	**627**	**683**
through profit or loss	642	614	683
through equity	14	13	-

Deferred tax assets arising from temporary differences resulting from:	31 March 2020	31 December 2019	31 March 2019
Accumulated tax losses to be used	8 914	9 263	8 324
Impairment losses on deferred tax assets up to the amount of tax losses available for use in the future (calculation based on the financial budget)	-5 463	-5 965	-4 730
Total	**3 451**	**3 298**	**3 594**
Deferred tax assets (19%)	**656**	**627**	**683**

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.

All amounts are expressed in USD thousand (unless indicated otherwise).

Estimates:

The Company 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 analysis of anticipated tax revenues has shown a limited possibility of settling the tax loss for 2017 and partially for 2018. Therefore, the Group has made a decision to recognize an additional impairment loss for the deferred tax assets as at 31 December 2019. The recognized deferred tax assets cover the loss from 2020, 2019 and partly from 2018. As at 31 March 2020, no grounds were found to recognize an additional impairment loss. The adopted assumptions regarding the probability of realization of revenues by the Group in individual years justify the keeping of the asset on the presented level.

Regulations regarding corporate income tax are subject to frequent changes, as a result of which there is often no reference to well-established line of rulings. The prevailing regulations are not always unambiguous, which additionally leads to differences in their interpretation. Tax settlements are subject to audits by tax authorities. If irregularities are identified in the tax settlements, the taxpayer is obligated to pay the overdue amount together with the statutory interest due. Payment of overdue liabilities does not always release the taxpayer from criminal tax liability. As a result of the aforementioned phenomena, tax settlements are burdened with risk. Tax settlements may be subject to audit within a period of five years from the end of the year in which the tax returns were submitted. As a result, the amounts reported in the financial statements, and thus the basis for calculation of the asset on tax losses and the asset itself may change at a later date after their final determination by the tax authorities.

Note 6 Inventory

Inventory	31 March 2020	31 December 2019	31 March 2019
Materials in processing (own entrusted for testing)	0	0	5
Goods for resale	45	47	41
Impairment loss on merchandise	-34	-38	-34
Total	**11**	**9**	**12**

Inventory releases are recognized using the detailed identification method. As at each balance sheet date, the Company analyzes whether the carrying amount of inventory is higher than or equal to the realizable sales price. Impairment losses on the inventory are recognized in operating expenses. In 2018, USD 34 thousand worth of inventory was covered in full by an impairment loss. As at 31 December 2019, the impairment loss additionally covered materials, which has increased the value of the impairment loss by USD 4 thousand to the amount of USD 38 thousand. In the first quarter of 2020, no impairment losses on the inventory were made.

Note 7 Trade receivables

Trade receivables	31 March 2020	31 December 2019	31 March 2019
From related entities	-	-	-
From other entities	94	74	68
Impairment losses	-24	-26	-28
Total	**70**	**48**	**40**

Note 7.1 Impairment losses on trade receivables

As at 31 March 2020, impairment losses on trade receivables amounted to USD 24 thousand. As at 31 March 2019, impairment losses on trade receivables amounted to USD 28 thousand. The change of the impairment loss results from the differences in measurement of the receivable subject to the impairment loss.

Estimates:

To estimate the impairment losses on trade receivables, the Group applies the individual approach to each customer. Since the Issuer's sales revenues appeared in material amounts only in 2019, there is no possibility of relying on the provisions matrix prepared on the basis of historical data regarding repayment of receivables by business partners. The estimates were based on such parameters as delay time, and position and reliability of the business partner in the market.

Note 11.1 Explanation of selected items of the statement of cash flows

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 77 thousand.

Note 12 Share capital

Share capital of the Parent Company as at 31 March 2020

Type	Number of shares	Par value (USD '000s)	Share subscription price (USD '000s)	Share premium account (USD '000s)
Common Stock	10 465 670	1 047	20 317	19 273
Preferred Stock	960 000	96	125	29
Total	**11 425 670**	**1 143**	**20 442**	**19 302**

The par value per share is USD 0.1. Numbers of shares expressed in units.

All amounts are expressed in USD thousand (unless indicated otherwise).

Share capital ownership structure	Number of shares	% of shares	Number of votes(1)	% of votes
Ipopema TFI(2)	1 827 425	16.00	1 827 425	11.27
Szymon Słupik	1 884 711	16.50	3 529 871	21.75
Rafał Han	1 335 071	11.68	2 967 071	18.29
Adam Gembala	1 018 760	8.92	2 145 520	13.22
Other shareholders holding less than 5% of shares	5 359 703	46.90	5 755 783	35.47
Total	**11 425 670**	**100.00**	**16 225 670**	**100.00**

(1) In accordance with the Certificate of Incorporation:
- a holder of a Common Share holds one vote at the Shareholder Meeting,
- a holder of one Preferred Founder Share holds as many votes at the Shareholder Meeting as corresponds to the six-fold of the number of Common Shares that a share of the Founders Preferred Stock may be converted into pursuant to the Certificate of Incorporation. The Company's shareholders do not hold any other voting rights than the rights specified above.

(2) The share of IPOPEMA TFI SA in accordance with the information sent to the Company on 27 January 2020. Current Report No. 1/2020 Notification of a change in the percentage of all votes at the shareholder meeting of Silvair, Inc.

On 27 April 2020, IPOPEMA TFI SA informed that as a result of the sale of shares of the SILVAIR INC company with a registered office in San Francisco ("Company") by investment funds managed by IPOPEMA TFI SA in a transaction carried out on the regulated market on 21 April 2020 and settled on 23 April 2020, the total share of investment funds managed by IPOPEMA TFI SA fell below the 10% threshold in the total number of votes in the company. After the aforementioned event, all investment funds managed by IPOPEMA TFI SA hold a total of 1,381,077 shares of the Company, which represents 12.09% of the Company's share capital and gives 1,381,077 votes, representing 8.51% of the total number of votes at the Company's shareholder meeting.

On 8 March 2019, the Company issued 40,250 Common Restricted Shares with a par value of USD 0.1 each ("Issue") to a consultant as part of the 2016 Stock Plan described in the Company's Prospectus approved by the Polish Financial Supervision Authority on 25 June 2018 ("Stock Plan"). In the third quarter of 2019, a key employee exchanged options for 5,000 shares. Following the Issue and the exchange, the Company's share capital amounts to USD 1,142,567 and consists of 11,425,670 shares with a par value of USD 0.1 each, including 10,465,670 Common Shares and 960,000 shares of the Founders Preferred Stock, representing 16,225,670 votes at the Company's shareholder meeting, of which 10,465,670 are votes attaching to the Common Shares and 5,760,000 are votes attaching to the Preference Founder Shares. After the Issue, the total number of the Company's common shares remaining to be issued under the Stock Plan is 250,750 shares. The contract between the Company and its consultant provides for the granting of 2,300 shares on each 18th day of the month following 18 February 2019 up until and inclusive of 18 July 2020 as well as 1,150 shares on 30 July 2020 if the consultant maintains the Continuous Service Status within the meaning of the contract as at the date of granting the shares in question. As at 31 March 2020, 29,900 shares were allocated to the Consultant. In 2020, there was no redemption or repayment of non-equity and equity securities. As at 31 March 2020, out of the 11,425,670 issued shares, 11,415,320 shares were paid up in full, and 10,350 shares were not paid up.

Share capital of the Parent Company as at 31 December 2019

Type	Number of shares	Par value (USD ’000s)	Share subscription price (USD ’000s)	Share premium account (USD ’000s)
Common Stock	10 465 670	1 047	20 317	19 273
Preferred Stock	960 000	96	125	29
Total	**11 425 670**	**1 143**	**20 442**	**19 302**

The par value per share is USD 0.1. Numbers of shares expressed in units.

Share capital ownership structure	Number of shares	% of shares	Number of votes	% of votes
Ipopema TFI	2 213 781	19.38	2 213 781	13.64
Szymon Słupik	1 884 711	16.50	3 529 871	21.75
Rafał Han	1 335 071	11.68	2 967 071	18.29
Adam Gembala	1 018 760	8.92	2 145 520	13.22
Other shareholders holding less than 5% of shares	4 973 347	43.52	5 369 427	33.10
Total	**11 425 670**	**100.00**	**16 225 670**	**100.00**

Share capital of the Parent Company as at 31 March 2019

Type	Number of shares	Par value (USD ’000s)	Share subscription price (USD ’000s)	Share premium account (USD ’000s)
Common Stock	10 460 670	1 046	20 232	19 190
Preferred Stock	960 000	96	125	29
Total	**11 420 670**	**1 142**	**20 357**	**19 219**

All amounts are expressed in USD thousand (unless indicated otherwise).

The par value per share is USD 0.1. Numbers of shares expressed in units.

Share capital ownership structure	Number of shares	% of shares	Number of votes	% of votes
Funds managed by Trigon	2 213 781	19.39	2 213 781	13.65
Szymon Słupik	1 884 711	16.50	3 529 871	21.76
Rafał Han	1 296 441	11.35	2 928 441	18.05
Adam Gembala	1 018 760	8.92	2 145 520	13.23
Other shareholders holding less than 5% of shares	5 006 977	43.84	5 403 057	33.31
Total	**11 420 670**	**100.00**	**16 220 670**	**100.00**

On 24 July 2018, the Management Board of Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange, "WSE") adopted Resolution No. 796/2018, by which the WSE Management Board resolved to:

- introduce, as of 26 July 2018, into trading on the parallel market of the stock exchange, 10,420,420 common bearer shares of the Company with a par value of USD 0.10 each registered by the National Depository for Securities under code USU827061099; and
- list Silvair, Inc. shares in the continuous listing system in the listing class referred to in § 71 item 5) of Section IV of Detailed Stock Exchange Trading Rules in the UTP system under an abbreviated name of "SILVAIR-REGS" and a ticker of "SVRS".

The offer shares were taken up at PLN 17.00 per share. In accordance with the prospectus, the Management Board of WSE admitted and introduced into trading 10,420,420 shares of common stock with a par value of USD 0.10 each, including:

- 9,235,510 common bearer shares of the Company, of which: (i) 4,709,000 existing common bearer shares of Common Stock and 15,000 common shares taken up in exercise of options in 2018, which is discussed in Note 30 – totaling 4,724,000 shares of common stock, (ii) 4,063,495 common bearer shares created as a result of the conversion of 4,063,495 shares of Series A Preferred Stock, and (iii) 448,015 new common bearer shares of the Company, which were issued by the Company upon conversion of Third Series Bonds carried out on 18 July 2018.
- 1,184,910 new offered common shares subscribed for by a total of 98 investors, including: 82 retail investors who subscribed for 34,910 shares and 16 institutional investors who subscribed for 1,150,000 shares. The value of the new public offering was PLN 20,143,470.

The Company has not applied for admission of 960,000 shares of the Founders Preferred Stock.

All amounts are expressed in USD thousand (unless indicated otherwise).

Note 13 Capital from revaluation of options

Capital from revaluation of options	31 March 2020	31 December 2019	31 March 2019
Valuation of stock options under IFRS 2	424	375	215
Total	**424**	**375**	**215**

Additional information on the valuation of options is presented in Note 30.

Note 14.1 Other capital

Other capital	31 March 2020	31 December 2019	31 March 2019
Supplementary capital	21 281	21 253	21 152
Total	**21 281**	**21 253**	**21 152**

Note 14.2 Changes in other capital

Changes in other capital	1 January 2020 - 31 March 2020	1 January 2019 - 31 December 2019	1 January 2019 - 31 March 2019
At the beginning of the period	**21 253**	**21 147**	**21 147**
Exercise of stock options for Company shares	28	108	-
Expenditures incurred in connection with the stock issue	-	-	-
Issue of new shares	-	-	9
Unpaid capital which has been called up	-	-2	-4
Issue of bonds convertible to shares	-	-	-
At the end of the period	**21 281**	**21 253**	**21 152**

Note 14.3 Minority interest transactions

The use of this balance sheet item is the consequence of the transactions that took place in 2018 and pertains to issue of bonds and their replacement for the shares in the Parent Company in return for the right to shares in the subsidiary Sway. This event was described in detail in the chapter “Corrections of prior period errors”. In the assets of the standalone financial statements, the Issuer presents Rights to shares in the amount of USD 445 thousand, corresponding to the value of the bonds as at the date of their exchange for shares. This amount adjusted the value of capital in the Retained earnings line item.

All amounts are expressed in USD thousand (unless indicated otherwise).

The consolidation adjustments excluded the Rights to shares line item from the assets and the corresponding value was presented as reduction of capital in the Minority interest transactions item.

Converted value of minority interest:

Minority interest transactions	1 January 2020 - 31 March 2020	1 January 2019 - 31 December 2019	1 January 2019 - 31 March 2019
At the beginning of the period	**-445**	**-445**	**-445**
Additions	80	-	-
Reductions	0	-	-
At the end of the period	**-365**	**-445**	**-445**

The transaction was settled on 7 January 2020. On that day, Silvair, Inc. concluded a dispositive agreement with *ASI Bridge Alfa Bitspiration Booster Spółka z ograniczoną odpowiedzialnością sp.k.* (hereinafter: ASI Bridge), which transfered the ownership of shares in Sway sp. z o.o. (a company from the Silvair Group). Under this agreement, the Company acquired 6,200 shares in Sway sp. z o.o., and thus became its partner. As payment for the above shares, the Company transferred - to ASI Bridge - a Bond issued as part of the Series III Bonds issue with a value of USD 441,000. As part of the Company's IPO, ASI Bridge acquired 91,722 ordinary shares of the Company as a result of the conversion of receivables arising from the Bond. The subject agreement is the result of the implementation of ASI Bridge obligations resulting from the Support Agreement (the entrustment of a grant) concluded between NCBiR and ASI Bridge on 28 March 2018 in accordance with the project implemented under the Smart Development Operational Program 2014-2020, i.e. a project - related to the Internet of Things (IoT) industry - entitled: "Identification of the topology of lighting fixtures layout by the way of directional measurement of lighting intensity", as well as the investment agreement concluded by SWAY sp. z o.o. and ASI Bridge as part of the above project.

As at 31 March 2020, the value of Equity attributable to non-controlling entities was adjusted to zero in correspondence with the item Minority interest transactions. As at 31 March 2020, the value of the item Minority interest transactions amounts to USD -365,000.

Note 15 Retained earnings

Retained earnings	31 March 2020	31 December 2019	31 March 2019
Accumulated losses brought forward	-15 707	-11 840	-11 840
Total	**-15 707**	**-11 840**	**-11 840**

All amounts are expressed in USD thousand (unless indicated otherwise).

Note 16 Earnings (loss) per share

Earnings/(loss) per share are calculated by dividing the net profit/(loss) for the reporting period attributable to the shareholders of the parent company by the weighted average number of shares outstanding during the financial year. Diluted earnings/(loss) per share are calculated by dividing the net profit/(loss) adjusted for the impact of interest on potential common shares for the reporting period attributable to the shareholders of the parent company by the weighted average number of common shares outstanding during the reporting period, adjusted by the effect of diluting options. Diluting options also include the allocation of shares in the Parent Company in the period from 1 January 2020 to the publication date.

Earnings/(loss) per share in the period covered by the financial statements:	**31 March 2020**	**31 December 2019**	**31 March 2019**
Weighted average number of Parent Company's shares in the period	11 425 670	11 403 045	11 400 545
Number of diluting options	2 130 467	2 118 665	528 750
Weighted average number of Parent Company's shares in the period after diluting options	13 538 924	12 323 584	11 527 377
Continued operations			
Earnings/(loss) per share (USD)	**-0.09**	**-0.34**	**-0.05**
Diluted earnings/(loss) per share (USD)	**-0.08**	**-0.31**	**-0.05**
Discontinued operations			
Earnings/(loss) per share (USD)	-	-	-
Diluted earnings/(loss) per share (USD)	-	-	-
Continued and discontinued operations			
Earnings/(loss) per share (USD)	**-0.09**	**-0.34**	**-0.05**
Diluted earnings/(loss) per share (USD)	**-0.08**	**-0.31**	**-0.05**

All amounts are expressed in USD thousand (unless indicated otherwise).

Note 17 Deferred tax liabilities

Earnings/(loss) per share in the period covered by the financial statements:	31 March 2020	31 December 2019	31 March 2019
Deferred tax liabilities at the beginning of the period, including:	**24**	**28**	**28**
through profit or loss	24	28	28
through equity	-	-	-
Additions:	**-**	**-**	**-**
through profit or loss	-	-	-
through equity	-	-	-
Reductions:	**1**	**4**	**1**
through profit or loss	1	4	1
through equity	-	-	-
Deferred tax liabilities at the end of the period, including:	**23**	**24**	**27**
through profit or loss	23	24	27
through equity	-	-	-

Deferred tax liabilities arising from temporary differences resulting from:	31 March 2020	31 December 2019	31 March 2019
Difference between the tax value and carrying amount of completed development work	121	126	142
Total	**121**	**126**	**142**
Deferred tax liabilities (19%)	**23**	**24**	**27**

Note 18.1 Liabilities under leases

Lease liabilities	31 March 2020	31 December 2019	31 March 2019
Long-term		-	-
Short-term	46	171	-
Total	**46**	**171**	**-**

All amounts are expressed in USD thousand (unless indicated otherwise).

The lease liability pertains to real property lease agreements which, pursuant to IFRS 16, have been classified to lease liabilities. A detailed description is presented in the section "Basis for preparation and accounting policies", subsection "Changes in standards or interpretations introduced in 2019 and continued in 2020". Valuation of liabilities does not comprise variable fees for consumption of utilities associated with the used real properties. In connection with the change of terms of real estate lease agreements, the value of the lease liability has decreased by USD 76,000. Due to the change in the terms of the leasing contract, the cost of the interest part in the reporting period amounted to USD -2,000.

In the Issuer's opinion, as at the publication date, in the future there will be no cash outflows to which the Issuer could potentially be exposed as a lessee, and which are not included in the valuation of lease liabilities.

The agreements do not contain limitations or covenants imposed by the lessor.

Note 20.1.1 Liabilities on bonds convertible to shares

Current liabilities on account of issue of bonds convertible to shares	1 January 2020 - 31 March 2020	1 January 2019 - 31 December 2019	1 January 2019 - 31 March 2019
As at the beginning of the period	2 954	-	-
additions	538	2 954	
reductions	-	-	-
Total	**3 492**	**2 954**	**-**

On 8 August 2019, the Company's Board of Directors adopted a resolution to approve the incurring of liabilities up to a total par value of USD 5.5 million in the form of convertible promissory notes ("Convertible Securities") and set the key terms of issue of the Convertible Securities.

As part of the total maximum issue amount approved by the Board of Directors, the issues of Convertible Securities have to be effected in the form of private placements without the registration obligation pursuant to the United States Securities Act of 1933 ("United States Securities Act") and without the obligation to prepare a prospectus or other offering document, in accordance with the Company's capital requirements. The resolution adopted by the Company's Board of Directors does not define the schedule or the deadline for Convertible Securities issues. In accordance with the decision of the Company's Board of Directors, the Convertible Securities bear interest at a fixed interest rate. The holders of Convertible Securities may demand their redemption after elapse of one year from the issue date ("Redemption Date"). In addition, with the consent of the holders of Convertible Securities representing a majority of the outstanding par value of the Convertible Securities, the Company may, according to the terms of the Convertible Securities, repay the liabilities resulting from the Convertible Securities before their Redemption Date. Notwithstanding the foregoing, Convertible Securities are due and payable in the cases defined in the terms of the Convertible Securities, including in particular submission of a petition for the Company's bankruptcy or petition for application of any remedy pursuant to the federal bankruptcy law and appointment of a commissioner or trustee to manage the Company's assets.

All amounts are expressed in USD thousand (unless indicated otherwise).

The terms of the Convertible Securities define the mechanisms for conversion of claims following from the Convertible Securities, comprising a claim for payment of the par value of the Convertible Securities and accrued interest ("Conversion Amount"), to the Company's common shares of a new issue in the case: (i) the Company effects a new share issue in one or several related transactions bringing gross receipts for the Company in the amount of at least USD 5.0 million ("New Equity Financing") or (ii) change of control over the Company occurs in accordance with the definition laid down in the terms of the Convertible Securities, including, among others, sale of essentially all assets of the Company, merger, consolidation, capital reorganization or other similar transaction, subject to the specific provisions of the terms of the Convertible Securities ("Change of Control"). In the case of New Equity Financing or in the case of Change of Control, the Company will issue for the holders of Convertible Securities the Company's common shares in the number following from dividing the Conversion Amount by the lower of: (i) price per share paid for most of the Company's shares in return for a cash contribution as part of New Equity Financing (in the case of New Equity Financing) multiplied by the discount rate of 80%, or the price per the Company's common share paid in connection with the Change of Control (in the case of Change of Control); and (ii) the quotient of USD 37.0 million and the Company's capitalization (within the meaning of the terms of the Convertible Securities). The terms of the Convertible Securities contain provisions prohibiting the disposal of the Company's securities in the case of effecting an initial public offering of the Company's securities pursuant to the United States Securities Act. The Convertible Securities are subject to the laws of the state of California. As at 31 March 2020, the Company has issued Convertible Securities with a total par value of USD 3.412 million.

Bonds convertible to shares	**31 March 2020**	**31 December 2019**	**31 March 2019**
Par value of issued bonds	3 412	2 912	-
Interest expense	80	42	-
Interest paid	0	-	-
Bond liability	**3 492**	**2 954**	-

As a result of the assessment it has been concluded that the bonds do not contain an equity element and they have not been classified as compound financial instruments in accordance with IAS 32, hence they are in entirety a liability carried at amortized cost.

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

In order to secure the loan granted by the Polish Agency for Enterprise Development (PARP) in the amount of PLN 2 million, whose balance as at 31 March 2020 amounted to PLN 464 thousand (USD 112 thousand) and as at 31 March 2019 - PLN 924 thousand (USD 241 thousand), the company Sway Sp. z o.o. issued a blank promissory note.

As at 31 March 2020, 31 December 2019 and 31 March 2019, the Group had no other contingent liabilities. As at 31 March 2020, 31 December 2019 and 31 March 2019, the Group's Companies were not acting as guarantors or sureties and also had not drawn their own or received third party promissory notes as collateral or payment for transactions.

All amounts are expressed in USD thousand (unless indicated otherwise).

Note 20.3 Other short-term provisions

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

In 2019, the Group recognized provisions of liabilities resulting from disputable claims.

As at 31 December 2019, the Company recognized a provision for USD 20 thousand in connection with information received from a lawyer about another claim for payment of a “license fee” from JSDQ. In the Company’s opinion it does not breach JQSD’s patent. Nonetheless, considering the time and potential costs of the litigation in the case, if any, or the necessity to enter into such a license agreement, the Company has made a decision to recognize a provision.

Other short-term provisions	31 March 2020	31 December 2019	31 March 2019
Provision for unused vacation time	57	62	51
Provisions for disputes	20	20	-
Total	**77**	**82**	**51**

Provision for unused vacation time	31 March 2020	31 December 2019	31 March 2019
As at the beginning of the period	**62**	**52**	**52**
Additions	-	13	-
Reductions	5	3	1
As at the end of the period	**57**	**62**	**51**

As at 31 March 2020, the Group has not changed its provisions compared to 31 December 2019. The difference results from the change in the conversion rate used to translate amounts into the functional currency.

All amounts are expressed in USD thousand (unless indicated otherwise).

Estimates:

The Group estimates the amount of the provisions on the basis of adopted assumptions and methodology, assessing the probability of spending the funds comprising economic benefits and classifies amounts with a high probability of spending, as at the balance sheet date, as liabilities. The estimates pertaining to the value of provisions for unused vacation time were based on the data on the number of vacation time days unused by employees, the value of the average compensation individually for each employee divided by the average number of business days per month (22 days), and the charges on compensations charged to the employer. The percentage rate of social security charged to the employer was adopted at the level of 20.61%.

Note 20.4 Liabilities from contracts with customers

Liabilities from contracts with customers	1 January 2020	Additions	Reductions	31 March 2020
Maintenance services for the Silvair Platform	29	46	14	61
Maintenance services for the Silvair Mesh Stack	7	15	6	16
Total	**36**	**61**	**20**	**77**

As at 31 March 2020, the Group identified liabilities associated with maintenance agreements. The payment terms specified in the agreements do not exceed 60 days. Elements such as obligations to accept returns or to refund the fees and other similar obligations, as well as warranties and related obligations do not apply to liabilities from contracts with customers. The Group settles the identified performance obligations using the straight-line method, spread evenly over time, as the activities are performed evenly throughout the entire period of performance.

As at 31 March 2019 there were no liabilities from contracts with customers.

Note 22.1 Sales revenues

Sales revenues	1 January 2020 - 31 March 2020	1 January 2019 - 31 March 2019
Revenues from sales of products	26	13
Revenues from sales of goods and services	25	34
Total	**51**	**47**

The Group identifies revenues from sales of products and services, which are to become the main source of revenues, in accordance with the types of contracts with customers:

All amounts are expressed in USD thousand (unless indicated otherwise).

- 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 downloading software, and software service and maintenance.

Breakdown of revenues from contracts with customers:

Period 1 January 2020 – 31 March 2020

Contract type					
Product/service type	**Fee type**	**CSA agreements**	**SLS agreements**	**Other revenues from contracts**	**Total**
Firmware license	one-off	-	20	-	20
Activation	one-off	6	-	-	6
Development	one-off	4	-	-	4
Maintenance	periodic	16	3	-	19
Other	one-off	-	2	-	2
Total		**26**	**25**	**-**	**51**
Delivery date					
At the time		10	20	-	30
Over time		16	5	-	21
Total		**26**	**25**	**-**	**51**

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

All amounts are expressed in USD thousand (unless indicated otherwise).

Period 1 January 2019 – 31 March 2019

Contract type					
Product/service type	**Fee type**	**CSA agreements**	**SLS agreements**	**Other revenues from contracts**	**Total**
Firmware license	one-off	-	5	-	5
Activation	one-off	6	-	-	6
Development	one-off	21	-	-	21
Maintenance	periodic	12	2	-	14
Other	one-off	-	-	1	1
Total		**39**	**7**	**1**	**47**
Delivery date					
At the time		27	5	1	33
Over time		12	2	-	14
Total		**39**	**7**	**1**	**47**

Note 22.2 Sales revenues – geographic structure

Sales revenues	**1 January 2020 - 31 March 2020**	**1 January 2019 - 31 March 2019**
Revenues from sales of products	**26**	**13**
domestically	-	1
within the European Union	6	8
in third countries	20	4
Revenues from the sale of services and goods	**25**	**34**
domestically	-	-
within the European Union	8	20
in third countries	17	14
Total	**51**	**47**

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.

In the first quarter of 2019, the Silvair, Inc. Group identified the following 2 operating segments in its business activity:

- Silvair Platform
- Silvair Mesh Stack

In connection with the directions of development and strategy adopted by the Group, the Management Board made a decision to change the presentation of the operating segments starting from the fourth quarter. The existing segments Silvair Platform and Silvair Mesh Stack were incorporated into the Lighting Control segment.

The segments have been distinguished taking into account the uniqueness of the Group's activity and directions of development, and the possibility of generating revenues by such segments in the long run. The Group has analyzed whether there is a significant possibility of allocating the costs and assigning 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 appear next year.

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

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

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

Operating segment information from 1 January 2020 to 31 March 2020, in USD ’000s

Segment type	Lighting Control	Other activity	Total
Revenues and expenses			
Sales to external customers	51	-	51
Inter-segment sales	-	-	-
Cost of sales	195	-	195
Income and expenses (operating and other operating)	-	-564	-564
EBIT	**-144**	**-564**	**-708**
Net financial income (costs)	-	-371	-371
Share in profits of associates	-	-	-
Gross profit	**-144**	**-935**	**-1 079**
Income tax (current and deferred)	-	-25	-25
Net profit for the reporting period	**-144**	**-960**	**-1 054**
Assets			
Costs of development work (carrying amount of assets)	7 877	1 570	9 447
Receivables	86	81	167
Unallocated assets	-	1 733	1 733
Total assets			**11 347**
Liabilities			
Financial liabilities	-	158	158
Liabilities from contracts with customers	77	-	77
Unallocated liabilities	-	4 923	4 923
Total liabilities			**5 158**
Other information	-	-	-
Depreciation and amortization	195	91	286

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

Operating segment information from 1 January 2019 to 31 March 2019, in USD '000s

Segment type	Lighting Control	Other activity	Total
Revenues and expenses			
Sales to external customers	46	1	47
Inter-segment sales	-		
Cost of sales	188	10	198
Income and expenses (operating and other operating)	-	-465	-465
EBIT	**-142**	**-474**	**-616**
Net financial income (costs)	-	-59	-59
Share in profits of associates	-	-	-
Gross profit	**-142**	**-533**	**-675**
Income tax (current and deferred)	-	-46	-46
Net profit for the reporting period	**-142**	**-579**	**-629**
Assets			
Costs of development work	7 222	1 918	9 140
Receivables	33	7	40
Unallocated assets	-	3 131	3 131
Total assets			**12 331**
Liabilities			
Financial liabilities	-	241	241
Unallocated liabilities	-	1 351	1 351
Total liabilities			**1 592**
Depreciation and amortization	188	32	220

In 2016-2018 and in 2019, the Silvair, Inc. Group focused all of its resources on completing the development work commenced in earlier years. The Silvair Group also worked on improving and expanding the functionalities of the development work completed in previous years and accepted for use. In the period covered by the financial statements, the Group cooperated with external buyers, whose share in revenues exceeded 10% of the Group's revenues.

All amounts are expressed in USD thousand (unless indicated otherwise).

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

Segment type				
		Lighting Control	**Other activity**	**Total**
REGION				
European Union		14	-	14
Other countries		37	-	37
Poland			-	
Total		**51**		**51**
Product/service type	**Fee type**			
Firmware license	one-off	20	-	20
Activation	one-off	6	-	6
Development	one-off	4	-	4
Maintenance	periodic	19	-	19
Other	one-off	2	-	2
Total		**51**		**51**
Delivery date			-	-
At the time		30	-	-
Over time		21	-	-
Total		**51**		**51**

Note 30 Share-based payment agreements

Description of the agreements:

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

1. The following were to be granted from the "Option Pool":

- 132,000 shares to Key Personnel of the Parent Company,
- 743,000 shares to the Management Board, including: 465,000 options to the CEO, Rafał Han, 172,000 shares to the CTO, Szymon Słupik, and 106,000 shares to the CFO, Adam Gembala,
- 96,000 shares to Venture FIZ.

According to the KPI Agreement, the Board of Directors has the powers to set the detailed terms and conditions for granting options in the "Option Pool" to the beneficiaries. By 31 March 2020, options have been granted from the "Option Pool" for all the shares for the Management Board and Venture FIZ, as well as 80,000 out of 132,000 shares for the Key Personnel. By 31 March 2020, all the options granted to the Management Board members and Venture FIZ have been exercised, and in the Key Personnel pool, options for 50,000 shares have been exercised by 31 March 2020 including 5,000 shares exercised in 2019.

2. The following were to be granted from the Additional Option Pool:

- 279,000 of shares to the Key Personnel of the Parent Company,
- 203,000 shares to the CEO, Rafał Han.

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

On 8 March 2019, the Company issued 40,250 Common Restricted Shares with a par value of USD 0.1 each ("Issue") to a consultant as part of the Option Plan. The contract between the Company and its consultant provides for the granting of 2,300 shares on each 18th day of the month following 18 February 2019 up until and inclusive of 18 July 2020 as well as 1,150 shares on 30 July 2020 if the consultant maintains the continuous service status within the meaning of the aforementioned contract. By 31 March 2020, options for 29,900 shares were exercised in that pool. The granting and exercise of the stock options takes place at the price of USD 4.08, i.e. at the market price of the shares on 18 February 2019.

By 31 March 2020, options were granted from the "Additional Option Pool" for all the shares for Rafał Han, as well as options for 40,250 out of 279,000 shares for the Key Personnel. By 31 March 2020, no options from Rafał Han's pool were exercised.

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

All amounts are expressed in USD thousand (unless indicated otherwise).

Number of options and strike price:

	1 January 2020 - 31 March 2020	1 Jarnuary 2019 - 31 December 2019	1 January 2019 - 31 March 2019
Pool of shares under the Option Plan	2 000 000	1 453 000	1 453 000
Number of shares available under the Option Plan at the beginning of the period	**290 750**	**191 000**	**191 000**
New pool of shares	547 000	-	-
Number of shares granted under option agreements	-	40 250	40 250
Number of shares taken up in exercise of the options	6 900	28 000	2 300
Number of shares available to be taken up in subsequent periods under option agreements	243 350	250 250	315 950
Number of shares released upon expiration of options	-	140 000	100 000
Number of shares available to be granted under further option agreements at the end of the period	**837 750**	**290 750**	**250 750**

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 and granting options for 523,312 shares to designated employees. The change is dictated directly by the decision of the Management Board to reduce the Group's operating costs in connection with the coronavirus pandemic and its economic impact, including among others reduction of employment and changes in the remuneration conditions of key employees and associates of the Group. The Group has measured the fair value of services received as consideration for equity instruments of the entity indirectly, by reference to the fair value of the equity instruments granted.

The fair value of awarded options in 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 the stock price on the date of granting the options.

All amounts are expressed in USD thousand (unless indicated otherwise).

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

	1 January 2020 - 31 March 2020	1 January 2019 - 31 December 2019	1 January 2019 - 31 March 2019
Management cost	77	330	60
Capital from revaluation of options	77	330	60

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

	1 January 2020 - 31 March 2020	1 January 2019 - 31 December 2019	1 January 2019 - 31 March 2019
Other capital	28	110	-
Capital from revaluation of options	-28	-110	-

The change in capital from revaluation of options in the period from 1 January 2020 to 31 March 2020 resulted from the exercise of 6,900 stock options and revaluation of the new options granted in the vesting period. The total amount of shares taken up in performance of option contracts in the reporting period was USD 0.7 thousand.

The change in capital from revaluation of options in the period of 1 January 2019 to 31 December 2019 resulted from the exercise of 28,000 stock options and revaluation of the new options granted in the vesting period. The total amount of shares taken up in the performance of option contracts in the reporting period was USD 2.8 thousand.

Estimates:

The Group has measured the fair value of services received as consideration for equity instruments of the entity 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 Major events after the balance sheet date

The following material events occurred after the balance sheet date:

COVID-19 coronavirus pandemic

In connection with the COVID19 coronavirus pandemic, the Management Board has identified the risk of sales disruptions caused by interruption to lighting component supply chains of the partners with whom the Issuer cooperates, as well as the risk of postponing lighting infrastructure modernization investments by customers due to widespread lockdown. In connection with the above, the Board has adequately reviewed sales assumptions for 2020, which will delay the achievement of the profitability threshold by the Group. At the same time, in connection with the reduction of marketing and sales activities, the Board decided to reduce operating costs, i.a. by reducing employment and changing remuneration conditions for key employees and associates of the Group who are necessary to implement the Group's strategy and maintain its competitive advantage. These changes were introduced by the Management Board on 1 April 2020. The process of optimizing the Group's operating costs has been planned so as not to disrupt the development of the Group's products and the implementation of contracts with the Group's key partners, while enabling immediate restoration of the scope of market activity after the pandemic effects cease to occur.

Information on transactions concerning shares in Silvair, Inc.

On 15, 17 and 22 April 2020, Silvair, Inc. received - from Christopher Morawski, a member of the Company's Board of Directors - notifications on transactions relating to shares which are referred to in Article 19 Section 1 of the MAR Regulation. The content of notifications was made public by the Company in Current Reports No. 9/2020, 10/2020 and 11/2020.

On 28 April 2020, Silvair, Inc. received - from Ipopema Towarzystwo Funduszy Inwestycyjnych S.A. – a notification on a change of share in the total number of votes at the Company's shareholder meeting by investment funds managed by Ipopema Towarzystwo Funduszy Inwestycyjnych S.A. The content of the notification was published by the Company in Current Report No. 12/2020.

Note 32 Information on joint ventures

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

Note 33 Financial risk management objectives and principles

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

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

Credit risk is the risk that one party to a financial instrument fails to discharge its obligation to the Group causing financial loss for the Group. Credit risk arises in receivables, cash and cash equivalents, deposits, bonds purchased and security deposits paid. Impact of credit risk on the Group's main operating segments: production of software for remote communication between devices and smart lighting systems, due to its uniqueness, is not exposed to a significant level of this type of risk. Sales in these segments are largely to a stable client base and are made on deferred payment terms. However, since the business partners pay the due amounts regularly, the exposure to individual credit risk is not high.

All amounts are expressed in USD thousand (unless indicated otherwise).

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 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 is 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 that key customers might fail to fulfill the contractual obligations towards the Group 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 2020, the Group plans to use up the limit under the current bond issue IV, and carry out a new bond issue or a share issue. In the share issue, conversion of issue IV bonds is likely to take place. Redemption of convertible securities before maturity on the holder's request is possible with the Company's consent. The Company does not plan an early redemption but assumes a conversion of bonds into shares.

The Company monitors the risk of shortage of funds through periodic liquidity planning, taking into account the payment due/maturity of assets and liabilities and projected cash flows from operating activity.

Financial liabilities by maturity date as at 31 March 2020

	On demand	Under 3 months	From 3 to 12 months	From 1 year to 5 years	Over 5 years
Bank loans	-	32	80	-	-
Bond liabilities	-	-	3 492	-	-
Trade liabilities	6	261	-	-	-
Lease liabilities	-	15	31	-	-
Total	**6**	**308**	**3 603**	**-**	**-**

All amounts are expressed in USD thousand (unless indicated otherwise).

Financial liabilities by maturity date as at 31 March 2019

	On demand	Under 3 months	From 3 to 12 months	From 1 year to 5 years	Over 5 years
Bank loans	-	33	98	110	-
Bond liabilities	-	-	-	-	-
Trade liabilities	-	168	-	-	-
Lease liabilities	-	-	-	-	-
Total	**-**	**201**	**98**	**110**	**-**

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 the Silvair, Inc. Group, in which most of the revenues are generated in USD and EUR, while most of the 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.

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 2019 and 2018, the Group did not use any external debt instruments (loans and bonds) with a floating interest rate, 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 Management Boards of the subsidiaries. In the risk management process, these are the most important goals:

All amounts are expressed in USD thousand (unless indicated otherwise).

- secure short- and medium-term cash flows,
- stabilize fluctuations in the Group's financial performance,
- fulfill planned financial forecasts by meeting the 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 the subsidiaries include loans, cash and 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	31 March 2020 - fair value	31 March 2020 - 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
Loans	-	-	-	-	-	-
Long-term security deposits and other long-term receivables	-	-	-	-	-	-
Trade receivables	70	70	-	-	70	-
Receivables other than above, which are financial assets	-	-	-	-	-	-
Short-term securities	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Bank deposits	-	-	-	-	-	-
Cash	890	890	-	-	890	-

All amounts are expressed in USD thousand (unless indicated otherwise).

Financial liabilities by balance sheet item	31 March 2020 - fair value	31 March 2020 - 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					
Bank loans	-	-	-	-	-
Long-term	-	-	-	-	-
Short-term	-	-	-	-	-
Loans	112	112	-	112	-
Finance leases	-	-	-	-	-
Long-term security deposits and other non-current liabilities	-	-	-	-	-
Debt securities	3 492	3 492	-	3 492	-
Measurement of other instruments - derivatives	-	-	-	-	-
Trade liabilities	267	267	-	267	-
Liabilities other than above, which are financial liabilities	-	-	-	-	-

Financial assets by balance sheet item	31 March 2019 – fair value	31 March 2019 - 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
Loans	-	-	-	-	-	-
Long-term security deposits and other long-term receivables	-	-	-	-	-	-
Trade receivables	40	40	-	-	40	-
Receivables other than above, which are financial assets	-	-	-	-	-	-
Short-term securities	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Bank deposits	-	-	-	-	-	-
Cash	2 162	2 162	-	-	-	2 162

All amounts are expressed in USD thousand (unless indicated otherwise).

Financial liabilities by balance sheet item	**31 March 2019 – fair value**	**31 March 2019 – 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					
Bank loans	-	-	-	-	-
Long-term	-	-	-	-	-
Short-term	-	-	-	-	-
Loans	241	241	-	241	-
Finance leases	-	-	-	-	-
Long-term security deposits and other non-current liabilities	-	-	-	-	-
Debt securities	-	-	-	-	-
Measurement of other instruments - derivatives	-	-	-	-	-
Trade liabilities	168	168	-	168	-
Liabilities other than above, which are financial liabilities	-	-	-	-	-

All amounts are expressed in USD thousand (unless indicated otherwise).

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

Year ended 31 March 2020

Financial assets	Category under IFRS 9	Interest income / (expense)	Foreign exchange gains / (losses)	Reversal / (recognition) of impairment losses	Gains / (losses) on measurement	Total
Trade receivables	C	-	5	-	-	5
Cash and cash equivalents	C	-	22	-	-	22
Total		**-**	**27**	**-**	**-**	**27**
Financial liabilities						
Bank loans	F	-5	-355	-	-	-360
Finance leases	F	-2	-	-	-	-2
Bond liabilities	F	-38	-	-	-	-38
Trade liabilities	F	-	-6	-	-	-103
Other liabilities which are financial liabilities	F	-	-	-	-	-
Total		**-41**	**-361**	**-**	**-**	**-402**

All amounts are expressed in USD thousand (unless indicated otherwise).

Year ended 31 March 2019

Financial assets	**Category under IFRS 9**	**Interest income / (expense)**	**Foreign exchange gains / (losses)**	**Reversal / (recognition) of impairment losses**	**Gains / (losses) on measurement**	**Total**
Trade receivables	C	-	-	-	-	-
Cash and cash equivalents	A	6	-54	-	-	-48
Total		**6**	**-54**	**-**	**-**	**-48**
Financial liabilities						
Bank loans	F	-4	-	-	-	-4
Finance leases	F	-	-	-	-	-
Bond liabilities	F	-	-	-	-	-
Trade liabilities	F	-	-11	-	-	-11
Other liabilities which are financial liabilities	F	-	-	-	-	-
Total		**-4**	**-11**	**-**	**-**	**-15**

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

All amounts are expressed in USD thousand (unless indicated otherwise).

Financial instruments by currency

Period ended 31 March 2020

Financial assets	USD	PLN	EUR	Total
Interest and shares	-	7	-	7
Trade receivables	57	0	13	70
Bank deposits	-	-	-	-
Cash and cash equivalents	538	297	55	890
Cash in bank	538	296	55	889
Financial liabilities				
Bank loans	-	112	-	112
Long-term	-	0	-	0
Short-term	-	112	-	112
Finance leases	-	46	-	46
Bond liabilities	3 492	-	-	3 492
Trade liabilities	129	137	1	267
Liabilities other than above, which are financial liabilities	-	-	-	-

All amounts are expressed in USD thousand (unless indicated otherwise).

Period ended 31 March 2019

Financial assets	**USD**	**PLN**	**EUR**	**Total**
Interest and shares	-	7	-	7
Trade receivables	32	1	7	40
Bank deposits	-	-	-	-
Cash and cash equivalents	17	2 091	54	2 162
Cash in bank	17	2 090	54	2 161
Financial liabilities				
Bank loans	-	240	-	240
Long-term	-	131	-	131
Short-term	-	109	-	109
Finance leases	-	-	-	-
Bond liabilities	-	-	-	-
Trade liabilities	32	129	7	168
Liabilities other than above, which are financial liabilities	-	-	-	-

Sensitivity analysis

As for 31 March 2020, 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 2020 – 31 March 2020

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 companies.

All amounts are expressed in USD thousand (unless indicated otherwise).

Financial instruments by balance sheet items	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	-
Loans	0	-	-	-	-
Long-term security deposits and other long-term receivables	-	-	-	-	-
Trade receivables	70	-2	-	3	-
Receivables other than above, which are financial assets	-	-	-	-	-
Short-term securities	-	-	-	-	-
Debt securities	-	-	-	-	-
Bank deposits	-	-	-	-	-
Cash	890	-34	-	41	-
Cash in bank	889	-34	-	41	-
Financial liabilities					
Bank loans	-	-	-	-	-
Long-term	-	-	-	-	-
Short-term	-	-	-	-	-
Loans	112	-11	-	14	-
Finance leases	-	-	-	-	-
Long-term security deposits and other non-current liabilities	-	-	-	-	-
Debt securities	3 492	-	-	-	-
Trade liabilities	267	14	-	-17	-
Liabilities other than above, which are financial liabilities	-	-	-	-	-

Note 38 Related party transactions

Transactions with parties related by equity with the Parent Company:

Parties related by equity with the Parent Company:

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

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

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

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

As at 31 March 2020, in connection with this loan, Silvair Sp. z o.o. posted a liability under the loan from Silvair, Inc. in the amount of USD 9,269 thousand, and as at 31 March 2019, it posted a liability in the total amount of USD 5,430 thousand.

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

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

As at 31 March 2020, in connection with this loan, Sway Sp. z o. o. posted a liability under the loan from Silvair Sp. z o. o. in the amount of USD 293 thousand. The amount of accrued interest in the period from 1 January 2020 to 31 March 2020 is USD 33 thousand.

As at 31 March 2019, in connection with this loan, Sway Sp. z o. o. posted a liability under the loan from Silvair Sp. z o. o. in the amount of USD 216 thousand. The amount of accrued interest in the period from 1 January to 31 March 2020 is USD 29 thousand.

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

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

Trade settlements within the Group

As at 31 March 2020 and as at 31 March 2019, Sway Sp. z o.o. and Silvair Sp. z o.o. posted no mutual trade receivables or liabilities.

As at 31 March 2020 and as at 31 March 2019, Silvair, Inc. and Silvair Sp. z o.o. posted no mutual trade receivables or liabilities.

Transactions between the companies and mutual liabilities and receivables were excluded from these consolidated statements.

Entities having personal ties with Group companies:

Transactions between entities with personal ties:

All amounts are expressed in USD thousand (unless indicated otherwise).

As stated in Note 3.4 of the explanatory notes to the consolidated financial statements, as at 31 December 2019, 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 a shareholder and vice-president of the company's management board and at the same time a member of the Board of Directors (Shareholder) of the Parent Company, Silvair, Inc.

In the financial year 2019 and in the first quarter of 2020, the Group leased space from Centrum Jasnogórska 44 Spółka z o.o. where the total cost in the period from 1 January to 31 March 2020 amounted to USD 29 thousand, and in the period from 1 January to 31 March 2019 – USD 42 thousand. As regards the recognition of the above lease agreement in the statement of financial position, the Group presented them as leases according to IFRS 16. The lease terms for the above-mentioned space are changing starting from March 2020. A description of the changes is provided in the section Basis for preparation and accounting policies, subsection Changes in standards or interpretations introduced in 2019 and continued in 2020, of these financial statements.

As at 31 March 2020, the Group had no liabilities toward Centrum Jasnogórska 44, Spółka z o.o. under the lease agreement. Except as described above, the Group's key management personnel and their close family members did not control, jointly control or exert significant influence on and were not members of key personnel of the entities that entered in material transactions with Group Companies in the reporting period.

Note 39 Minority interest

Movement in non-controlling interest	1 January 2020 - 31 March 2020	1 January 2020 - 31 March 2020	1 January 2019 - 31 March 2019
As at the beginning of the financial year	**80**	**119**	**-**
Contributions to capital of Sway	-	-	427
Result for the year attributable to non-controlling interest	-	-39	-18
Reduction of the right to shares for non-controlling interest	-80	-	-290
As at the end of the financial year	**-**	**80**	**119**

In accordance with a resolution adopted by the Extraordinary Shareholder Meeting, on 18 May 2018 the share capital of Sway was increased by PLN 310,000 from PLN 3,100,000 to PLN 3,410,000. This was achieved by creating 6,200 new, equal and indivisible shares with a par value of PLN 50 each. In accordance with the Notarial Deed entered in the Register of Deeds A under file number 1125/2018, prepared by Notary Monika Suchecka, the new shares were acquired by ASI Bridge Alfa Bitspiration Booster Sp. z o.o. Sp.k. with its registered office in Kraków in exchange for a cash contribution of PLN 1,600,000, of which PLN 310,000 was allocated to the share capital and the remaining amount constituting a premium over the total par value was allocated to the company's supplementary capital.

Information regarding the above changes are described in the section Corrections of prior period errors.

Supplementary notes to the quarterly financial statements of the Silvair, Inc. Group

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

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

Seasonality or cyclicality of the Group's operations

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

Provisions and charges, including impairment losses

In the period from 1 January to 31 March 2020, there were no indications for recognizing new impairment losses for assets or for reversing the existing ones. In Q1 2020 there were also no indications for recognizing provisions for liabilities. Information on the level of prior charges and provisions is provided in the section entitled "Information and notes on material changes in the amounts of estimates and selected reporting items".

Litigation

No new litigation was launched in the period from 1 January to 31 March 2020. As at the date of this report, the Group is not a party to any major litigation proceedings, either as a plaintiff or a defendant, in which the value of the dispute would exceed 5% of the Group's equity.

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

As at 31 March 2020 and as at 31 March 2019, none of the Group companies had any liabilities on account of purchases of property, plant and equipment.

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

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

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

Since 25 February 2020, the Group does not regularly repays the installments of the investment loan from the Polish Agency for Enterprise Development (PARP) which was contracted by Sway in 2013. The Group has requested PARP to postpone repayment of these installments due to the effects of the COVID19 pandemic. The value of unpaid installments as at the date of publication is PLN 132.8 thousand (USD 32 thousand).

All amounts are expressed in USD thousand (unless indicated otherwise).

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

The par value of one share is USD 0.1. Property status of the persons sitting in the issuer's management and supervisory bodies did not change in the period from 1 January to 31 March 2020.

Share capital ownership structure	As at 1 January 2020	Acquisition	Disposal	As at 29 May 2020
Szymon Słupik	1 884 711	-	-	1 884 711
Rafał Han	1 335 071	-	-	1 335 071
Adam Gembala	1 018 760	-	-	1 018 760
Christopher Morawski	-	442 770	-	442 770

Information on changes in classification or valuation of financial instruments

Note 33 of this report presents the classification of financial instruments according to IFRS 9. No changes in measurement methods for financial instruments, especially those measured at fair value, were made in Q1 2020. In the reporting period, no changes were also made to the classification of financial assets.

Management Board's Position on the possibility of achieving the previously published forecasts and performance of the Group at least in the next quarter

The Silvair Group has not published any projections for 2020, including projections for Q1 2020.

Summary of the Issuer's achievements and failures

Conclusion of an agreement with ASI Bridge Alfa Bitspiration Booster

On 7 January 2020, Silvair, Inc. concluded a dispositive agreement with *ASI Bridge Alfa Bitspiration Booster Spółka z ograniczoną odpowiedzialnością sp.k.* (hereinafter: ASI Bridge), which transfers the ownership of shares in Sway sp. z o.o. (a company from the Silvair Group). Under this agreement, the Company acquired 6,200 shares in Sway sp. z o.o., and thus became its partner. As payment for the above shares, the Company transferred - to ASI Bridge - a Bond issued as part of the Series III Bonds issue with a value of USD 441,000. As part of the Company's IPO, ASI Bridge acquired 91,722 ordinary shares of the Company as a result of the conversion of receivables arising from the Bond. The subject agreement is the result of the implementation of ASI Bridge obligations resulting from the Support Agreement (the entrustment of a grant) concluded between NCBiR and ASI Bridge on 28 March 2018 in accordance with the project implemented under the Smart Development Operational Program 2014-2020, i.e. a project - related to the Internet of Things (IoT) industry - entitled: "Identification of the topology of lighting fixtures layout by the way of directional measurement of lighting intensity", as well as the investment agreement concluded by SWAY sp. z o.o. and ASI Bridge as part of the above project.

Conclusion of an agreement with F2VS Technologies

On 21 January 2020, Silvair, Inc. entered into a license agreement with F2VS Technologies, Inc. with its registered office in the U.S. (hereinafter: F2VS), pursuant to which the Company and its subsidiaries may use certain F2VS technological solutions covered by patent protection in their products and services during the term of such agreement. The concluded agreement constitutes a settlement based on which F2VS dismissed its complaint in the case brought against Silvair.

Changes in the Board of Directors of Silvair, Inc.

On February 4, the Company received information from Marek Kapturkiewicz about his resignation from the function of a member of the Board of Directors, as well as from the function of a member of the Company's Audit Committee. On the same day, the Company appointed Christopher Morawski as a non-executive director, member of the Board of Directors, and a member of the Company's Audit Committee. The Issuer informed about this change in Current Report No. 3/2020 of 4 February 2020.

Christopher Morawski studied at McGill University in Montreal, Canada, where in 1981 he graduated of Bachelor of Mechanical Engineering. Between 1981-1993, he worked as a Project Engineer at Pratt&Whitney (Canada) and Principal Design Engineer at McDonnell Douglas Aircraft (now Boeing) in Long Beach, California, USA, where he was responsible for technical specification and standardization of engine installations in passenger aircrafts. In the years 1995-2019, he was the President and independent Director of Nitrex USA Holding. From 2014 to the present, he has been the owner and director of Astantis, LLC in Nevada (USA). From 1984 until now, he has been a partner and member of the management board at Nitrex Metal, Inc. based in Canada, where he is responsible, among others, for developing and implementing the concept of the company's expansion on the American, Chinese and European markets. His activities focus in particular on strategic product development, market analysis and the company's financial modeling. He has directed numerous projects regarding the establishment of subsidiaries and international limited company restructuring, including acquisitions and mergers, which resulted in the global expansion of the Nitrex capital group. One of his key competences is also managing the operating and financial segments of enterprises, including communication with investors and shareholders. Currently, Christopher Morawski is a member of the management board at Nitrex Metal Inc., where, taking advantage of many years of experience in the field of international capital and financial transactions, he is a strategic advisor for the company's mergers & acquisitions.

Change of the stock option plan

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, and granting stock options for 523,312 shares to designated employees. The change is a direct result of the Board's decision to reduce the Group's operating costs - in connection with the coronavirus pandemic and its economic impact – by i.a. reducing employment and changing remuneration conditions for the Group's key employees and associates.

Information on dividend paid or declared, in total and per share, broken down into ordinary and preferred stock;

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

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

No such transactions were concluded in the reporting period.

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

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

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

The Management Board of the Issuer believes that the Group's financial performance in the coming periods will be affected by the following external and internal factors:

- pace of adoption of the Bluetooth Mesh standard by the market and effectiveness in acquiring new contracts,
- systematic development work supporting the commercialization of new products and the increase of competitive advantage,
- Covid-19 pandemic,
- macroeconomic situation in Poland and worlwide.

Rafał Han

Chief Executive Officer (CEO)

Szymon Słupik

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

Adam Gembala

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

Paweł Szymański

Director

Christopher Morawski

Director