Interim consolidated financial statements of the Silvair, Inc. Group

as at:

30 June 2018

Table of contents

1.

General information

Parent company

Name:	**Silvair, Inc. (formerly: Seed Labs, Inc.)**
Registered office:	**717 Market Street, Suite 100, San Francisco, CA 94103, USA IT**
Core business:	**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 Group operates in the field of new technologies focusing on the Internet of Things (IoT). We have developed and are planning the implementation of an innovative product and software used for remote communication of devices, with special consideration of smart lighting systems. Our strategic goal is to achieve a leading position on the market of modern technology solution suppliers in the smart lighting sector using technology based on the Bluetooth Mesh standard.

Our 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 the Silvair Platform, a technology and service platform designed to be implemented in commercial spaces.

The Group has business and marketing presence on the global market, especially on the North American market (in particular in California and New York states) and in the Western Europe (mainly in the UK, Germany, Benelux states and Italy).

Functional and presentation currency

The 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 ("thous. USD").

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 financial statements were prepared as at 30 June 2018 and cover the period of 6 months, i.e. from 1 January 2018 to 30 June 2018.

For the data presented in the consolidated statement of financial position and off-balance sheet items, comparative financial data were presented as at 30 June 2017 and as at 31 December 2017.

For the data presented in the 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 2017 to 30 June 2017.

Going concern assumption

The statements have been drawn up based on the assumption that the Group would continue as a going concern in the foreseeable future. The Parent Company's Board of Directors believes that there are no circumstances indicating a threat to the Entity continuing as a going concern.

Composition of the corporate bodies of the Parent Company as at 30 June 2018

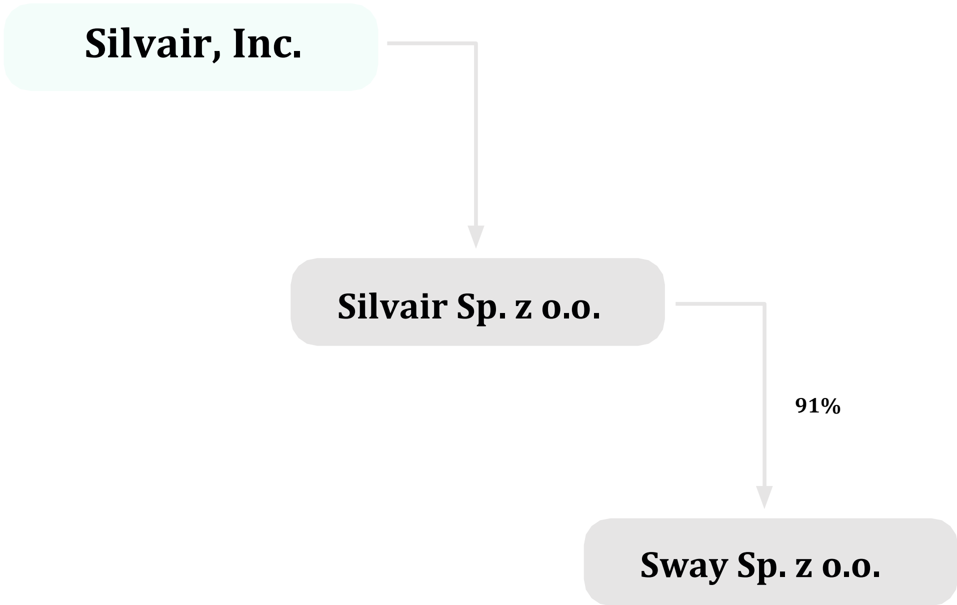
Board of Directors

Szymon Słupik — President
Adam Gembala — Vice-President, Secretary and Treasurer
Rafał Han – Director
Paweł Szymański — Director

Officers

Rafał Han – CEO
Szymon Słupik — Chief Technology Officer (CTO)
Adam Gembala — Chief Financial Officer (CFO)

The Group



Consolidation

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

As at 30 June 2018, as at 31 December 2017 and as at 30 June 2017, the consolidation includes Silvair, Inc. and two subsidiaries: Silvair Sp. z o.o. and Sway Sp. z o.o.

As at 30 June 2018, Silvair, Inc. held directly 100% shares in Silvair Sp. z o.o. and, indirectly through Silvair Sp. z o.o., 91% shares in Sway Sp. z o.o.

As at 31 December 2017 and 30 June 2017, Silvair, Inc. held directly 100% shares in Silvair Sp. z o.o. and indirectly, through Silvair Sp. z o.o., 100% shares in Sway Sp. z o.o.

The financial statements 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. 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 companies, including unrealized profit from intra-Group transactions, have been fully eliminated.

Selected financial data

Average USD to EUR exchange rates in the periods covered by the 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 financial statements:

Reporting period	Average exchange rate in the period	Minimum rate in the period	Minimum rate in the period	Exchange rate on the last day of the period
1 January 2018 – 30 June 2018	1.2061	1.1520	1.2528	1.1650
1 January 2017 – 31 December 2017	1.1362	1.0410	1.2064	1.1981
1 January 2017 – 30 June 2017	1.0911	1.0410	1.1425	1.1404

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

Reporting period	Average exchange rate in the period	Minimum rate in the period	Minimum rate in the period	Exchange rate on the last day of the period
1 January 2018 – 30 June 2018	0.2842	0.2652	0.3014	0.2698
1 January 2017 – 31 December 2017	0.2671	0.2366	0.2872	0.2872
1 January 2017 – 30 June 2017	0.2566	0.2366	0.2698	0.2671

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

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

Selected financial data translated as at the balance sheet date:

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

Item	USD		EUR		PLN	
	1 January 2018 – 30 June 2018	1 January 2017 – 30 June 2017	1 January 2018 – 30 June 2018	1 January 2017 – 30 June 2017	1 January 2018 – 30 June 2018	1 January 2017 - 30 June 2017
Net revenue on the sale of products, goods and materials	1	28	1	26	4	109
Operating profit (loss)	-1,812	-984	-1,504	-903	-6,375	-3,834
Profit (loss) before tax	-1,991	-1,043	-1,652	-957	-7,005	-4,065

Profit (loss) of the period	-1,724	-1,682	-1,431	-1,543	-6,066	-6,555
Net cash flows from operating activities	-942	-694	-782	-637	-3,314	-2,705
Net cash flows from investing activities	-835	270	-693	247	-2,939	1,050
Net cash flows from financing activities	1,844	7	1,531	6	6,490	28
Total net cash flows	67	-418	56	-383	237	-1,628

For items of the statement of financial position

Item		**USD**		**EUR**		**PLN**
	30 June 2018	**31 December 2017**	**30 June 2018**	**31 December 2017**	**30 June 2018**	**31 December 2017**
Total assets	9,673	9,410	8,304	7,854	36,217	32,760
Liabilities and provisions for liabilities	1,815	1,461	1,558	1,219	6,797	5,086
Non-current liabilities	242	334	208	279	907	1,164
Current liabilities	1,573	1,127	1,350	940	5,890	3,922
Equity	7,431	7,949	6,381	6,635	27,831	27,674
Share capital	975	973	837	812	3,650	3,388
Number of shares	9,747,495	9,732,495	9,747,495	9,732,495	9,747,495	9,732,495
Weighted average number of shares	9,739,995	9,297,995	9,739,995	9,297,995	9,739,995	9,297,995
Earnings/(loss) per share (in USD and EUR)	-0.18	-0.32	-0.15	-0.28	-0.62	-1.21
Book value per share (in USD and EUR)	0.76	0.85	0.66	0.71	2.86	2.98

Representation of the Board of Directors

The Board of Directors of the Parent Company represents that, according to its best knowledge, these consolidated financial statements and the comparative data were prepared in line with the accounting principles in effect in Silvair, Inc., and are a true, accurate and clear reflection of the Group's financial position and its financial result.

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed in the European Union, which have been published and have come into effect as at 31 December 2017 and to the extent required by the Finance Minister's Regulation of 19 February 2009 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 2014 Item 133).

The Board of Directors of Silvair, Inc. additionally represents that the entity authorized to audit the financial statements, which audited the consolidated financial statements had been selected in accordance with the law and that entity and the auditors who audited the statements satisfied the requirements for expressing an impartial and independent opinion on the audited annual consolidated financial statements in accordance with the applicable law and professional standards.

2.

Interim consolidated financial statements of Silvair, Inc.

Interim consolidated statement of financial position

		Note No. 2017	30 June 2018	31 December 2017	30 June
A	**Non-current assets**		**8,342**	**8,179**	**6,639**
I.	Costs of development work	**1**	7,828	7,924	6,504
II.	Other intangible assets	**2**	0	0	0
III.	Property, plant and equipment	**3**	56	62	51
IV.	Financial assets	**4**	7	8	7
V.	Deferred tax assets	**5**	452	185	78
B.	**Current assets**		**1,331**	**1,231**	**2,721**
I.	Inventory	**6**	47	50	45
II.	Trade receivables	**7**	22	14	97
III.	Other receivables	**8**	151	115	118
IV.	Prepayments and accruals	**9**	25	34	7
V.	Financial assets	**10**	0	0	0
VI.	Cash and cash equivalents	**11**	1,086	1,018	2,454
Total assets			**9,673**	**9,410**	**9,360**

			Note No.	30 June 2018	31 December 2017	30 June 2017
A.	**Equity**			**7,434**	**7,949**	**8,600**
	I.	Share capital	**12**	975	973	973
	II. options	Capital from revaluation of	**13**	400	287	140
	III.	Other capital	**14**	16,652	15,286	15,283
	IV.	Capital from foreign exchange differences from translation of foreign operations		1,223	1,498	978
	VI.	Retained earnings	**15**	-10,095	-7,092	-7,092
	VI.	Financial result of the current period		-1,721	-3,003	-1,682
B.	**Minority interest**			**424**	**0**	**0**
C.	**Non-current liabilities**			**242**	**334**	**386**
	I.	Deferred tax liabilities	**17**	31	33	35
	II.	Other non-current liabilities	**18**	211	301	351
D.	**Current liabilities**			**1,573**	**1,127**	**374**
	I.	Trade liabilities	**19**	220	198	75
	II.	Other current liabilities	**20**	308	313	299
	III.	Prepayments and accruals	**21**	1,045	616	0
Equity and liabilities				**9,673**	**9,410**	**9,360**

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

	Interim consolidated profit and loss account	Note No.	1 January 2018 – 30 June 2018	1 January 2017 – 31 December 2017	1 January 2017 – 30 June 2017
A.	**Revenue**	**22**	**1**	**37**	**28**
B.	**Cost of sales**		**0**	**10**	**12**
C.	**Gross sales result**		**1**	**27**	**16**
	I. Selling and distribution expenses		260	498	154
	II. General and administrative expenses		1,597	1,658	846
D.	**Net result on sales**		**-1,856**	**-2,129**	**-984**
	I. Other operating income	**24**	47	25	10
	II. Other operating expenses	**25**	3	223	10
E.	**Operating result**		**-1,812**	**-2,327**	**-984**
	I. Financial income	**27**	0	5	5
	II. Financial costs	**28**	179	152	65
F.	**Result before tax**		**-1,991**	**-2,474**	**-1,043**
	I. Income tax	**29**	267	-529	-639
	a) current part		1	4	4
	b) deferred part		-268	-525	-635
G.	**Net profit/(loss) for the period**		**-1,724**	**-3,003**	**-1,682**
	profit/(loss) attributable to:				
	shareholders of the parent company		-1,721	-3,003	-1,682
	non-controlling interest		-3	0	0

Interim consolidated statement of other comprehensive income	1 January 2018 – 30 June 2018	1 January 2017 – 31 December 2017	1 January 2017 – 30 June 2017
Profit/(loss) for the period	**-1,724**	**-3,003**	**-1,682**
Other comprehensive income	**-275**	**1,437**	**917**
1. Other comprehensive income to be reclassified to result in the future	-275	1,437	917
– foreign exchange differences from translation of foreign operations	-275	1,437	917
2. Other comprehensive income not to be reclassified to result in the future	147	287	147
Total comprehensive income	**-1,852**	**-1,279**	**-618**

Interim consolidated statement of changes in equity

Interim consolidated statement of changes in equity	Share capital	Capital from revaluation of options	Other capital	Capital from foreign exchange differences from translation of foreign operations	Retained earnings	Financial result	Total equity
At the beginning of the period 1 January 2018	**973**	**287**	**15,286**	**1,498**	**-10,095**	**0**	**7,949**
Changes in accounting policies	0	0	0	0	0	0	0
At the beginning of the period 1 January 2018, adjusted	**973**	**287**	**15,286**	**1,498**	**-10,095**	**0**	**7,949**
Exercise of stock options for Company shares	2	-34	34	0	0	0	2
Valuation of stock options under IFRS 2	0	147	0	0	0	0	147
Expenditure incurred in connection with the planned stock issue	0	0	-138	0	0	0	-138
Bonds convertible to shares classified as equity instruments	0	0	1,470	0	0	0	1,470
Foreign exchange translation differences	0	0	0	-275	0	0	-276
Result of the period	0	0	0	0	0	-1,721	-1,721
At the end of the period 30 June 2018	**975**	**400**	**16,652**	**1,223**	**-10,095**	**-1,721**	**7,434**

Interim consolidated statement of changes in equity	Share capital	Capital from revaluation of options	Other capital	Capital from foreign exchange differences from translation of foreign operations	Retained earnings	Financial result	Total equity
At the beginning of the period 1 January 2017	**886**	**2,771**	**12,705**	**61**	**-7,092**	**0**	**9,331**
Changes in accounting policies	0	0	0	0	0	0	0
At the beginning of the period 1 January 2017, adjusted	**886**	**2,771**	**12,705**	**61**	**-7,092**	**0**	**9,331**
Exercise of stock options for Company shares	87	-2,778	2,778	0	0	0	87

Valuation of stock options under IFRS 2	0	294	0	0	0	0	294
Expenditure incurred in connection with the planned stock issue	0	0	-327	0	0	0	-327
Bonds convertible to shares classified as equity instruments	0	0	130	0	0	0	130

Foreign exchange translation differences	0	0	0	1,437	0	0	1,437
Result of the period	0	0	0	0	0	-3,003	-3,003
At the end of the period 31 December 2017	**973**	**287**	**15,286**	**1,498**	**-7,092**	**-3,003**	**7,949**

Interim consolidated statement of changes in equity	**Share capital**	**Capital from revaluation of options**	**Other capital**	**Capital from foreign exchange differences from translation of foreign operations**	**Retained earnings**	**Financial result**	**Total equity**
At the beginning of the period 1 January 2017	**886**	**2,771**	**12,705**	**61**	**-7,092**	**0**	**9,331**
Changes in accounting policies	0	0	0	0	0	0	0
At the beginning of the period 1 January 2017, adjusted	**886**	**2,771**	**12,705**	**61**	**-7,092**	**0**	**9,331**
Exercise of stock options for Company shares	87	-2,778	2,778	0	0	0	87
Revaluation of stock options under IFRS 2	0	147	0	0	0	0	147
Expenditure incurred in connection with the planned stock issue	0	0	-200	0	0	0	-200
Foreign exchange translation differences	0	0	0	917	0	0	917
Result of the period	0	0	0	0	0	-1,682	-1,682
At the end of the period 30 June 2017	**973**	**140**	**15,283**	**978**	**-7,092**	**-1,682**	**8,600**

Interim consolidated cash flow statement

	Note No.	**1 January 2018 – 30 June 2018**	**1 January 2017 – 31 December 2017**	**1 January 2017 – 30 June 2017**
Profit (loss) before tax		**-1,991**	**-2,474**	**-1,043**
Adjustments for:		**1,049**	**1,492**	**349**
1. Depreciation and amortization		345	453	247
2. Foreign exchange gains (losses)		-9	123	165
3. Interest and profit sharing (dividends)		12	7	26
4. Change in inventory		4	-5	1
5. Change in receivables		-44	-26	-112

6. Change in current liabilities, except for loans and borrowings	17	206	69
7. Tax paid	2	4	4

8. Change in prepayments and accruals		439	588	1
9. Other adjustments resulting from operating activity	**29.30**	285	142	-53
Net cash from operating activities		**-942**	**-982**	**-694**
Proceeds		0	1,437	1,437
1. Disposal of intangible assets and property, plant and equipment		0	0	0
2. From financial assets, including:		0	0	1,437
a) in related entities		0	0	0
b) in other entities		0	1,437	1,437
Expenditures		-835	-2,387	-1,167
1. Purchase of intangible assets and property, plant and equipment		-22	-51	-22
2. Expenditures incurred for development work		-813	-2,336	-1,145
3. For financial assets, including:		0	0	0
a) in other entities		0	0	0
Net cash from investing activities		**-835**	**-950**	**270**
Proceeds		1,930	243	87
1. Net proceeds from issuing shares and additional capital contributions		1,928	217	87
2. Loans and borrowings drawn		0	0	0
3. Interest		2	26	0
Expenditures		-86	-165	-80
1. Repayment of loans and borrowings		-72	-133	-64
2. Interest		-14	-31	-16
Net cash from financing activities		**1,844**	**78**	**7**
Net cash flows		**67**	**-1,854**	**-418**
Change in cash		**68**	**-1,854**	**-418**
- change in cash on account of foreign exchange differences		1	0	101
Cash at the beginning of the period		**1,018**	**2,872**	**2,872**
Cash and cash equivalents at the end of the period		**1,086**	**1,018**	**2,454**

3.

Explanatory notes to the interim consolidated financial statements

Compliance with International Financial Reporting Standards

These interim consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board approved by the European Union under IFRS Regulation (European Commission 1606/2002), hereinafter referred to as “EU IFRS”.

The EU IFRS include the standards and interpretations accepted by the International Accounting Standards Board (IASB) and International Financial Reporting Standards Interpretations Committee (IFRIC), approved for application in the EU.

New and amended standards and interpretations

In these interim consolidated financial statements, the Group applied for the first time the following standards and amendments to the existing standards published by the International Accounting Standards Board (IASB) and endorsed in the EU, which came into force in 2018:

- IFRS 9 *Financial Instruments*,
- IFRS 15 *Revenue from Contracts with Customers*,
- Clarifications to IFRS 15 *Revenue from Contracts with Customers*,
- Amendment to IFRS 4 *Insurance Contracts* – *Application of IFRS 9 Financial Instruments together with IFRS 4 Insurance Contracts*
- Amendments to IFRS 2 *Share-based Payment – Clarifications of classification and measurement of share based payment transactions*,
- Amendments to IAS 40 *Investment Property – Transfers of Investment Property*,
- IFRIC 22 interpretation *Foreign Currency Transactions and Advance Consideration*,
- Amendments to various standards *Annual Improvements to IFRSs (2014-2016 cycle)* – amendments to IFRS 1 and IAS 28

The application of the aforementioned standards had no impact on the financial statements.

As at the date of these interim consolidated financial statements, the Group did not elect an early application of standards, amendments to standards and interpretations that were published and endorsed in the European Union (“EU”) but have not as yet become effective. The Group will apply the following standards from the time they come into effect:

- IFRS 16 *Leases*,
- Amendments to IFRS 9 *Financial Instruments*.

Additionally, as at the date of these interim consolidated financial statements, the following new standards or amendments to standards or new interpretations have been issued by the International Accounting Standards Board but have not been endorsed in the European Union:

- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* – Sale or contributions of assets between an investor and its associate or joint venture (the effective date has not been specified),
- IFRS 14 *Regulatory Deferral Accounts* (the European Commission decided not to start the process of endorsing this temporary standard for use in the EU until the final version of IFRS 14 is issued),
- IFRS 17 *Insurance Contracts*,
- Amendments to IAS 19 *Employee Benefits – Plan amendment, curtailment or settlement*,

- Amendments to IAS 28 Investments in Associates and Joint Ventures – *Long-term interests in associates and joint ventures*,
- Amendments to various standards *Annual Improvements to IFRSs (2015-2017 cycle)*,
- IFRIC 23 interpretation *Uncertainty over Income Tax Treatments,*
- Revision of the IFRS Conceptual Framework.

The Group estimates that the above standards, interpretations and amendments to standards would have had no material influence on the interim consolidated financial statements, had they been applied by the Group as at the balance sheet date.

Description of accepted accounting policies

Translation of items in foreign currencies

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

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

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

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

	30 June 2018	31 December 2017	30 June 2017
PLN/USD	0.2671	0.2872	0.2698

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

	6-month period ended 30 June 2018	year ended 31 December 2017	6-month period ended 30 June 2017
PLN/USD	0.2842	0.2671	0.2566

Property, plant and equipment

The Group recognizes as fixed assets: individual items fit for use that meet the criteria defined for fixed assets in IAS 16, if the purchase price (production cost) is at least PLN 3,500. Fixed assets worth less than PLN 3,500 are depreciated or written off in full in the month of their purchase, unless, due to the specific nature of the Group's operations, they constitute in aggregate a significant asset.

Property, plant and equipment is initially recognized at cost (purchase price or production cost) less depreciation charges and impairment losses in subsequent periods. Costs of external financing related directly to the acquisition or production of assets that require a longer period of time to become fit for use or resale are added to the production cost of such fixed assets only if non-recognition of such costs would materially affect the reliability and clarity of presentation of its assets.

Such costs are added at the moment financing is incurred for the construction of fixed assets until the moment such fixed assets are put into use. Modernization costs are included in the carrying amount of fixed assets when it is probable that the Group would accrue economic benefits on this account and the costs incurred for modernization can be measured reliably. All other expenses incurred on repair and maintenance of fixed assets are charged to the profit and loss account in the reporting periods in which they were incurred.

The Group also classifies the following as fixed assets: fixed assets under construction and investments in third party fixed assets and the right of perpetual usufruct of land.

Depreciation is calculated for all fixed assets, except for land and fixed assets under construction, for the estimated period of useful life of those assets, using the straight line method, starting in the month following the month, in which the asset is accepted for use.

The Group verifies periodically, no later than at the end of the financial year, the assumed useful lives of fixed assets, their residual value and depreciation methods, while the effects of changes in these estimates are taken into account in the subsequent and following financial years (prospectively). As at the balance sheet date, the Group also reviews property, plant and equipment for impairment and assesses the need to recognize impairment losses on this account. This occurs when the Group becomes sufficiently certain that an asset will not bring the expected economic benefits or will bring significantly lower benefits in the future. Impairment loss is recognized at the surplus of the asset's carrying amount over its recoverable amount. Recoverable amount is the higher of: fair value less the cost necessary in connection with its sale, or value in use.

Impairment is charged to other expenses corresponding to the function of the property, plant and equipment in the period when the impairment was found, no later than as at the end of the financial year. If the Group is sufficiently certain that the reason for the impairment loss recognized on an asset ceases to exist, it reverses the previously recognized impairment loss in whole or in part by crediting revenues.

An item of property, plant and equipment may be derecognized if disposed of or if the company does not expect to realize any future economic benefits from its further use. Any gains or losses on derecognition of an asset from the balance sheet (calculated as the difference between net proceeds from its sale, if any, and the carrying amount of the asset) are captured in the profit or loss of the period, in which the asset is derecognized.

Investments in progress are fixed assets under construction or under assembly and are stated at purchase price or production cost less any impairment losses. Fixed assets under construction are not depreciated until completed and commissioned for use.

Costs of development work

Expenditures for development work are measured at production cost less depreciation charges and impairment losses.

An intangible asset arising from development is recognized if, and only if, the company can demonstrate all the issues specified in IAS 38 necessary to incorporate development in an asset. Production cost of intangible assets that has the nature of development includes direct costs comprised of costs of materials, work of the Group's employees and services directly related to the development work as well as a justified portion of indirect (departmental) costs.

Development work not yet completed is recognized in the intangible assets line item and is not amortized until its completion. For completed development work, the company applies the purchase price and production cost model under IAS 38 and recognizes them at production cost less total depreciation charges calculated based on their useful life and impairment losses. The Group verifies periodically, no later than at the end of the financial year, the assumed useful lives of intangible assets and amortization methods, while the effects of changes in these estimates are taken into account in the subsequent and following financial years (prospectively). Amortization is calculated using the straight-line method over the anticipated period of earning revenues from the sale of the project, until full amortization of the intangible assets. In exceptional circumstances, the Group may calculate amortization taking the residual value into account. Expenditures for development, which ended with a negative effect or which was discontinued, is classified as costs of the period on a one-off basis.

The cost of development work is recognized in profit or loss at the moment it is incurred.

As at the balance sheet date, the Group reviews the progress status of each project and reviews intangible assets for impairment and the need to recognize impairment losses on this account. This occurs when the Group becomes sufficiently certain that an asset will not bring the expected economic benefits or will bring significantly lower benefits in the future. Impairment loss is recognized at the surplus of the asset’s carrying amount over its recoverable amount. Recoverable amount is the higher of: fair value less the cost necessary in connection with its sale, or value in use.

Impairment is recognized against other expenses corresponding to the function of the intangible assets in the period when the impairment was found, no later than as at the end of the financial year. If the Group is sufficiently certain that the reason for the impairment loss recognized on an asset ceases to exist, it reverses the previously recognized impairment loss in whole or in part by crediting revenues.

Other intangible assets

Intangible assets are measured at historic purchase cost or production cost less depreciation charges and impairment losses. Amortization is accrued using the straight-line method.

Intangible assets may include intangible assets with indefinite useful lives and goodwill. Goodwill and intangible assets with indefinite useful lives are not amortized. They are tested for impairment on an annual basis.

The Group verifies periodically, no later than at the end of the financial year, the assumed useful lives of intangible assets, their residual value and amortization methods, while the effects of changes in these estimates are taken into account in the subsequent and following financial years (prospectively). As at the balance sheet date, the Group also reviews intangible assets for impairment and assesses the need to recognize impairment losses on this account. This occurs when the Group becomes sufficiently certain that an asset will not bring the expected economic benefits or will bring significantly lower benefits in the future. Impairment loss is recognized at the surplus of the asset’s carrying amount over its recoverable amount. Recoverable amount is the higher of: fair value less the cost necessary in connection with its sale, or value in use.

Other financial assets (other than investments in subsidiaries)

Upon initial recognition, the Group classifies each financial asset under IFRS 9 as:

— Financial assets at fair value through profit or loss
— Financial assets at fair value through other comprehensive income

Financial assets measured at amortized cost are captured in the Group's balance sheet when they become party to a binding agreement. When an asset is recognized initially, an entity shall measure it at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the asset or financial liability.

Trade and other receivables

Trade receivables are recognized and measured at originally invoiced amounts, taking into account impairment losses on doubtful receivables. Impairment loss on receivables is estimated when collection of the full amount due is no longer likely. Uncollectible receivables are written down to other costs on the date their uncollectibility is determined. Impairment losses on receivables are determined when objective proof exists that the Group will be unable to collect all the amounts due as set forth in the original terms of the receivables.

If the impact of time value of money is material, the value of receivables is determined by discounting forecast future cash flows to the present value, using a discount rate reflecting up-to-date market assessments of time value of money. If the discount method is applied, an increase in receivables as a result of lapse of time is recognized as financial income.

Other receivables include in particular advances provided on account of future purchases property, plant and equipment, intangible assets and inventory. Advances are presented in line with the type of assets to which they refer – as non-current or current assets respectively. As non-pecuniary assets, advances are not discounted.

Receivables from the state budget are presented in other non-financial assets, except for corporate income tax receivables, which are a separate balance sheet line item.

Prepayments and accruals

In prepaid expenses and accrued income, the Group captures expenses that were incurred in advance while they relate in whole or in part to subsequent periods.

The Group recognizes deferred income for the purpose of treating this income as income in future reporting periods when they are realized. Accrued expenses are liabilities payable for goods or services received or provided or formally agreed with the supplier, but not billed by the end of the financial year.

The Group keeps records of prepayments and accruals for the short and long term.

Cash and cash equivalents

Cash includes cash on hand, cash in bank and any deposits and short-term securities with maturity of up to 3 months.

Cash is recognized as at the balance sheet date at its nominal value.

Equity

The Group's equity is comprised of:

— Share capital,
— Capital from revaluation of options,
— Other capital,
— Capital from foreign exchange differences from translation of foreign operations,
— Retained earnings,
— Financial result of the current period.

Share capital is recognized at its par value, in the amount stated in the Parent Company's articles of association.

Capital from revaluation of options (share-based payment)

The cost of share-based payment transactions is measured by reference to the fair value at the date the rights are granted. Fair value is recognized in expenses in the profit and loss account and in equity (capital from revaluation of options) over the vesting period.

Fair value of awarded options (bonds) to purchase the Parent Company's shares is estimated by an independent expert using modern financial engineering methods and numerical methods. The measurement includes: input price for the model, strike price of the instrument, expected volatility of the instrument, risk-free interest rate and expected dividend.

Other capital is created from:

— share premium account less cost of issue.
  Share issue costs incurred upon incorporation of the Group or upon increase of the share capital reduce supplementary capital to the value of the share premium account,
— difference between the value of shares and the carrying amount of net assets if shares are taken up in the entity under joint control,
— revaluation of assets,
— charges to profits of successive financial years.

Capital from foreign exchange differences from translation of foreign operations is created in the process of translating figures into the Group's presentation currency in the manner described in the "Functional currency and presentation currency" section.

Retained earnings consist of profits and losses posted in previous financial years that have not been transferred by decision of an approving body to another capital line item or designated for dividend payment.

Provisions for liabilities

Provisions for liabilities are recognized if the Group has an existing obligation (legal or customary) resulting from past events, if fulfillment of the obligation will likely reduce the resources embodying the Group's economic benefits and the amount of the liability can be reliably estimated.

The amount of provisions recognized and the justification for recognizing new provisions is reviewed and updated at the end of the reporting period, in order to adjust the estimates to the Group's knowledge as at that date.

In the financial statements, provisions are presented as long-term and short-term, respectively.

Trade liabilities and other non-financial liabilities

Liabilities are the Group's present liabilities resulting from past events, the fulfilment of which will reduce assets generating economic benefits for the Group.

Current trade liabilities are recognized in the amount payable. Interest, if any, is recognized when the suppliers' notes are received.

Non-current liabilities are the liabilities whose maturity, counting from the end of the reporting period, is longer than 12 months.

Current liabilities are the liabilities whose maturity, counting from the end of the reporting period, is shorter than 12 months.

Other non-financial liabilities include in particular liabilities to the tax office on account of value added tax and other public institutional debt, liabilities on account of received advance payments to be settled by deliveries of goods, services or non-current assets. Other non-financial liabilities are recognized at the amount of the required payment.

Financial liabilities

A financial liability is any liability that is:

— a contractual obligation to deliver cash or another financial asset to another entity; or to exchange financial assets or financial liabilities with another entity under potentially unfavorable conditions,
— a contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to issue a variable number of its own equity instruments, or a derivative that will or may be settled other than by exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of the entity's own non-derivative equity instruments.

Upon initial recognition, the Group classifies each financial liability as:

— Financial liabilities measured at fair value through profit or loss
— Financial liabilities at fair value through other comprehensive income
— Financial liabilities measured at amortized cost
— Finance lease liabilities and lease agreements with a purchase option
— Trade liabilities and other financial liabilities

Upon initial recognition, financial liabilities measured at fair value through profit or loss are measured at fair value taking into consideration their market value as at the balance sheet date without taking into account the costs of sale transactions that may be directly attributed to the financial liability. Changes in the fair value of these instruments are recognized in profit or loss as financial costs or income. Other financial liabilities other than financial instruments measured at fair value through profit or loss are measured at par value or, if measurement at par value would materially affect the accuracy and clarity of presentation of the liability – at amortized cost using the effective interest rate method.

The Group derecognizes a financial liability if the liability has expired, i.e. when the obligation defined in the agreement has been fulfilled, cancelled or expired. Replacement of a current debt instrument with another one with substantially different terms, performed between the same parties, is recognized by the Group as expiry of the original financial liability and recognition of a new financial liability. Similarly, material amendments of terms and conditions of agreements relating to an existing financial liability is recognized by the Group as expiry of the initial and recognition of a new financial liability. The difference in the relevant carrying amounts arising out of the replacement is recognized in profit or loss.

Income tax

Income tax includes: current tax and deferred tax.

Current tax liability

Current tax liability is calculated on the basis of the tax result (taxable base) of the financial year.

Tax profit (loss) differs from accounting profit (loss) due to the exclusion of taxable revenues and tax-deductible expenses in future years as well as cost and revenue items that will never be taxable. Current tax liability is calculated on the basis of the tax rates applicable in the given financial year.

Deferred tax

Deferred tax liability is tax to be paid in the future, recognized in the full amount using the balance sheet method, on account of temporary differences between the tax value of assets and liabilities and their carrying amount in the financial statements.

Deferred tax asset is tax to be refunded in the future, calculated using the balance sheet method, on account of temporary differences between the tax value of assets and liabilities and their carrying amount in the financial statements. Deferred tax assets are recognized if it is probable that taxable income will be generated in the future that will enable the use of the temporary differences.

The main temporary differences result from the different valuation of assets and liabilities settled over time for tax and accounting purposes and tax losses from previous years of operation of Subsidiaries.

Deferred income tax is determined using tax rates enacted or substantially enacted as at the balance sheet date, which will prevail at the time they are realized. Deferred tax is recognized in the profit and loss account, except where it refers to transactions settled with equity it is posted to equity.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is subject to appropriate reduction to the extent it is no longer probable that taxable income sufficient for a partial or full realization of this deferred tax asset would be generated. A deferred tax asset not recognized are reassessed at each balance sheet date and recognized to the amount that reflects the probability of achieving taxable income in the future, which will enable the recovery of this asset. A deferred tax liability or asset are recognized in the balance sheet as long-term provisions or assets, respectively.

4.

Notes and explanations to the interim consolidated financial statements

The Group sets off deferred tax assets and deferred tax liabilities if and only if an enforceable legal right exists to set off current income tax liabilities against receivables and the deferred tax relates to the same taxpayer and the same tax authority.

Revenues and operating expenses

Revenue is the inflow of economic benefits during the period arising in the course of the ordinary activities of the Group when those inflows result in increases in equity, other than increases relating to contributions from shareholders.

Sales revenues are amounts due or received from sales of assets and services, less the goods and services tax (VAT). Revenue is measured at the fair value of the consideration received or receivable, taking into account the amount of any trade discounts and volume rebates allowed by the Group.

Revenues from sales of goods are recognized when significant risks and rewards relating to the ownership of goods for resale and products have been transferred to the buyer, provided that the revenue amount can be reliably estimated. Revenues from sales of services are recognized in the period, in which the services were provided based on the progress of the specific transaction, determined as the actual progress of work compared to all the services to be performed.

The cost of goods and materials consumed and the production cost of completed development work is recognized by the Group in the same period, in which revenues on sales of those assets are recognized, in line with the principle of commensurability of revenues and expenses. The cost commensurate with the revenues from the sale of rights to use a software license for a definite period of time is the amortization cost of completed development works.

Financial activity revenues and expenses

Financial income recognized in the profit and loss account includes mainly interest on investing available funds on bank accounts and positive foreign exchange differences. Other elements that may comprise financial income are commissions and interest on loans granted, late interest on receivables, amounts of forgiven loans and borrowings and the amounts of reversed provisions related to the financing activity.

Financial costs include mainly interests on bonds and loans, commissions and handling fees and other bank fees. Other elements that may comprise financial costs include: provisions recognized for certain or probable losses from financial operations, value at purchase price of interests, shares, securities sold, losses on the settlement of derivatives.

Note 1.1 Costs of development work

Costs of development work	30 June 2018	31 December 2017	30 June 2017
Completed development work	4,888	5,576	3,713
Development work not yet completed	2,940	2,348	2,791
Total	**7,828**	**7,924**	**6,504**

Amortization of costs of development work	6-month period ended 30 June 2018	Financial year ended 31 December 2017	6-month period ended 30 June 2017
Completed development work	320	420	201
Development work not yet completed	0	0	0
Total	**320**	**420**	**201**

Amortization of intangible assets in 2017-2018 was charged to general and administrative expenses or capitalized in the value of development work, depending on their purpose. Amortization of completed development work is charged to general and administrative expenses, while amortization of other intangible assets used to carry out research and development projects was capitalized as the value of development work.

Note 1.2 Change in costs of development work

No.	Item	Costs of development work (*)	Total
1.	**Gross value at the beginning of the period 1 January 2018**	**8,656**	**8,656**
	Additions, including:	814	814
	– expenditures incurred	814	814
	Reductions:	590	590
	– liquidation and sale	0	0
	– foreign exchange differences from measurement in presentation currency	590	590
2.	**Gross value at the end of the period 30 June 2018**	**8,880**	**8,880**
3.	**Accumulated amortization at the beginning of the period 1 January 2018**	**732**	**732**
	Additions	320	320
	Reductions	0	0
4.	**Accumulated amortization at the end of the period 30 June 2018**	**1,052**	**1,052**
5.	**Net value at the beginning of the period 1 January 2018**	**7,924**	**7,924**
6.	**Net value at the end of the period 30 June 2018**	**7,828**	**7,828**

No.	Item	Costs of development work (*)	Total
1.	**Gross value at the beginning of the period 1 January 2017**	**5,152**	**5,152**
	Additions, including:	4,038	4,038
	– expenditures incurred	4,038	4,038
	Reductions:	534	534
	– liquidation and sale	178	178
	– foreign exchange differences from measurement in presentation currency	356	356

2.	**Gross value at the end of the period 31 December 2017**	**8,656**	**8,656**
3.	**Accumulated amortization at the beginning of the period 1 January 2017**	**312**	**312**
	Additions	420	420
	Reductions	0	0
4.	**Accumulated amortization at the end of the period 31 December 2017**	**732**	**732**
5.	**Net value at the beginning of the period 1 January 2017**	**4,840**	**4,840**
6.	**Net value at the end of the period 31 December 2017**	**7,924**	**7,924**

No.	Item	Costs of development work (*)	Total
1.	**Gross value at the beginning of the period 1 January 2017**	**5,152**	**5,152**
	Additions, including:	1,865	1,865
	– expenditures incurred	1,145	1,145
	– foreign exchange differences from measurement in presentation currency	720	720
	Reductions:	0	0
	– liquidation and sale	0	0
2.	**Gross value at the end of the period 30 June 2017**	**7,017**	**7,017**
3.	**Accumulated amortization at the beginning of the period 1 January 2017**	**312**	**312**
	Additions	201	201
	Reductions	0	0
4.	**Accumulated amortization at the end of the period 30 June 2017**	**513**	**513**
5.	**Net value at the beginning of the period 1 January 2017**	**4,840**	**4,840**
6.	**Net value at the end of the period 30 June 2017**	**6,504**	**6,504**

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

Note 2.1 Other intangible assets

Other intangible assets	30 June 2018	31 December 2017	30 June 2017
Other intangible assets	0	0	0
Total	**0**	**0**	**0**

Note 2.2 Changes in other intangible assets, by type

No.	Item	Other intangible assets	Total
1.	**Gross value at the beginning of the period 1 January 2018**	**557**	**557**
	Additions	0	0
	Reductions	0	0
2.	**Gross value at the end of the period 30 June 2018**	**557**	**557**
3.	**Accumulated amortization at the beginning of the period 1 January 2018**	**557**	**557**
	Additions	0	0
	Reductions	0	0
4.	**Accumulated amortization at the end of the period 30 June 2018**	**557**	**557**
5.	**Net value at the beginning of the period 1 January 2018**	**0**	**0**
6.	**Net value at the end of the period 30 June 2018**	**0**	**0**

No.	Item	Other intangible assets	Total
1.	**Gross value at the beginning of the period 1 January 2017**	**556**	**556**
	Additions, including:	1	1
	– purchase	1	1
	Reductions, including:	0	0
	– other	0	0
2.	**Gross value at the end of the period 31 December 2017**	**557**	**557**
3.	**Accumulated amortization at the beginning of the period 1 January 2017**	**521**	**521**
	Additions	36	36
	Reductions	0	0
4.	**Accumulated amortization at the end of the period 31 December 2017**	**557**	**557**
5.	**Net value at the beginning of the period 1 January 2017**	**35**	**35**
6.	**Net value at the end of the period 31 December 2017**	**0**	**0**

No.	Item	Other intangible assets	Total
1.	**Gross value at the beginning of the period 1 January 2017**	**556**	**556**
	Additions, including:	1	1
	– purchase	1	1
	Reductions, including:	0	0

– other	0	0
2. Gross value at the end of the period 30 June 2017	**557**	**557**
3. Accumulated amortization at the beginning of the period 1 January 2017	**521**	**521**
Additions	36	36
Reductions	0	0
4. Accumulated amortization at the end of the period 30 June 2017	**557**	**557**
5. Net value at the beginning of the period 1 January 2017	**35**	**35**
6. Net value at the end of the period 30 June 2017	**0**	**0**

The Group has no intangible assets used under lease agreements. The Group has no intangible assets with restricted use rights.
The Group has no bank loans that would be secured with intangible assets.
As at 30 June 2018, 31 December 2017 and as at 30 June 2017, there were no contractual obligations related to the purchase of intangible assets.

Note 2.3 Ownership structure of other intangible assets

Intangible assets	30 June 2018	31 December 2017	30 June 2017
Owned	0	0	0
Third party	0	0	0
Total	**0**	**0**	**0**

Note 3.1 Property, plant and equipment

Property, plant and equipment	30 June 2018	31 December 2017	30 June 2017
a) fixed assets, including:	50	55	51
– land	0	0	0
– buildings and structures	10	12	11
– plant and machinery	34	37	30
– vehicles	0	0	0
– other fixed assets	6	6	10
b) fixed assets under construction	6	7	0
Total	**56**	**62**	**51**

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

No.	Item	Own land	Buildings and structures	Plant and machiney	Vehicls	Other fixed assets	Fixed assets under construction	Total
1.	**Gross value as at 1 January 2018**	**0**	**23**	**174**	**0**	**30**	**7**	**234**
	Additions, including:	0	0	22	0	0	0	22
	– purchase	0	0	22	0	0	0	22
	Reductions, including:	0	2	2	0	0	1	5
	– liquidation and sale	0	0	0	0	0	0	0
	– foreign exchange differences from measurement in presentation currency	0	2	2	0	0	1	5
2.	**Gross value as at 30 June 2018**	**0**	**22**	**194**	**0**	**30**	**6**	**251**
3.	**Accumulated depreciation as at 1 January 2018**	**0**	**11**	**137**	**0**	**24**	**n/a**	**172**
	Additions	0	1	23	0	0	n/a	24
	Reductions, including:	0	0	0	0	0	n/a	0
	– liquidation and sale	0	0	0	0	0	n/a	0
4.	**Accumulated depreciation as at 30 June 2018**	**0**	**12**	**160**	**0**	**24**	**0**	**196**
5.	**Net value as at 1 January 2018**	**0**	**12**	**37**	**0**	**6**	**7**	**62**
6.	**Net value as at 30 June 2018**	**0**	**10**	**34**	**0**	**6**	**6**	**56**

The Group has no property, plant and equipment used under finance lease agreements. The Group has no land in perpetual usufruct.
The Group has no property, plant and equipment with restricted property and use rights.

Depreciation of non-current assets in 2017-2018 was charged to general and administrative expenses or capitalized in the value of development work, depending on the purpose of non-current assets.

Some of the development projects carried out in 2017-2018 were completed successfully and were accepted as intangible assets. Amortization of completed development work is charged to general and administrative expenses.

As at 30 June 2018, 31 December 2017 and as at 30 June 2017, there were no contractual obligations related to the purchase of property, plant and equipment.
As at 30 June 2018, 31 December 2017 and 30 June 2017, there were no liabilities to the state budget or local government units related to the acquisition of ownership titles to buildings and structures.

No.	Item	Own land	Buildings and structures	Plant and machiney	Vehicls	Other fixed assets	Fixed assets under construction	Total
1.	**Gross value as at 1 January 2017**	**0**	**20**	**120**	**0**	**30**	**0**	**170**
	Additions, including:	0	3	54	0	0	7	64
	– purchase	0	2	51	0	0	0	53
	– other	0	1	3	0	0	7	11
	Reductions,	0	0	0	0	0	0	0
2.	**Gross value as at 31 December 2017**	**0**	**23**	**174**	**0**	**30**	**7**	**234**
3.	**Accumulated depreciation as at 1 January 2017**	**0**	**9**	**108**	**0**	**22**	**n/a**	**139**
	Additions	0	2	29	0	2	n/a	33
	Reductions	0	0	0	0	0	n/a	0
4.	**Accumulated depreciation as at 31 December 2017**	**0**	**11**	**137**	**0**	**24**	**n/a**	**172**
5.	**Net value as at 1 January 2017**	**0**	**11**	**12**	**0**	**8**	**0**	**31**
6.	**Net value as at 31 December 2017**	**0**	**12**	**37**	**0**	**6**	**7**	**62**

No.	Item	Own land	Buildings and structures	Plant and machiney	Vehicls	Other fixed assets	Fixed assets under construction	Total
1.	**Gross value as at 1 January 2017**	**0**	**20**	**120**	**0**	**30**	**0**	**170**
	Additions, including:	0	0	27	0	3	0	30
	– purchase	0	0	27	0	3	0	30
	Reductions, including:	0	0	0	0	1	0	1
	– liquidation and sale	0	0	0	0	1	0	1
2.	**Gross value as at 30 June 2017**	**0**	**20**	**147**	**0**	**32**	**0**	**199**
3.	**Accumulated depreciation as at 1 January 2017**	**0**	**9**	**108**	**0**	**22**	**n/a**	**139**

	Additions	0	0	9	0	1	n/a	1
	Reductions, including:	0	0	0	0	1	n/a	1
	– liquidation and sale	0	0	0	0	1	n/a	1
4	**Accumulated depreciation as at 30 June 2017**	**0**	**9**	**117**	**0**	**22**	**n/a**	**148**

5.	**Net value as at 1 January 2017**	**0**	**11**	**12**	**0**	**8**	**0**	**31**
6.	**Net value as at 30 June 2017**	**0**	**11**	**30**	**0**	**10**	**0**	**51**

Note 3.3 Ownership structure of property, plant and equipment

Property, plant and equipment	**30 June 2018**	**31 December 2017**	**30 June 2017**
Owned	56	62	51
Third party	0	0	0
Total	**56**	**62**	**51**

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

As at 30 June 2018, 31 December 2017 and as at 30 June 2017, 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 Krakow at ul. Jasnogórska.

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

By 30 June 2018 and in the financial year 2017, the Group did not incur costs for the production of fixed assets for its own use.

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

Item	**Value in the period of 1 January 2018 - 30 June 2018**	**Value in the period of 1 January 2017 - 31 December 2017**	**Value in the period of 1 January 2017 - 30 June 2017**
Expenditures incurred on property, plant and equipment	22	49	28
Expenditures incurred on intangible assets	813	2,492	1,145
Total	**835**	**2,541**	**1,173**

By the end of 2018, the Group plans to incur expenditures (outlays) on intangible assets at the level comparable to 2017.

In 2018, as well as in 2017, the Group did not incur environmental protection expenditures. The Group does not plan to make any environmental protection expenditures in the second half of 2018.

Note 4 Financial assets (long-term)

Financial assets (long-term)	30 June 2018	31 December 2017	30 June 2017
In related entities	7	8	7
In other entities	0	0	0
Total	**7**	**8**	**7**

Note 5 Deferred tax assets

Deferred tax assets	30 June 2018	31 December 2017	30 June 2017
Deferred tax assets – at the beginning of the period, including:	**185**	**670**	**670**
through profit or loss	185	670	670
through equity	0	0	0
Additions	**266**	**0**	**0**
through profit or loss	266	0	0
through equity	0	0	0
Reductions	**0**	**485**	**592**
through profit or loss	0	485	592
through equity	0	0	0
Deferred tax assets at the end of the period, including:	**452**	**185**	**78**
through profit or loss	452	185	78
through equity	0	0	0

Deferred tax assets arising from temporary differences resulting from:	30 June 2018	31 December 2017	30 June 2017
Accumulated tax losses to be used	7,221	6,185	4,793
Impairment losses on deferred tax assets up to the amount of tax losses available for use in the future (calculation based on the financial budget)	-4,844	-5,209	-4,384
Total	**2,378**	**976**	**408**
Deferred tax assets (19%)	**452**	**185**	**78**

Note 6 Inventory

Inventory	30 June 2018	31 December 2017	30 June 2017
Materials in processing (own entrusted for testing)	4	4	13
Goods for resale	43	46	32
Total	**47**	**50**	**45**

In 2017 and in the period from 1 January 2018 to 30 June 2018 no impairment losses were recognized on the Group's inventory.

Note 7.1 Trade receivables

Trade receivables	30 June 2018	31 December 2017	30 June 2017
from related entities	0	0	0
from other entities	51	45	97
impairment losses	29	31	0
Total	**22**	**14**	**97**

Note 7.2 Impairment losses on trade receivables

As at 30 June 2018, impairment losses on trade receivables amounted to USD 29 thousand.

In the financial year ended 31 December 2017, the Group recognized an impairment loss on receivables from one of the Group's business partners, in an aggregate amount of USD 31 thousand as at 31 December 2017.

As at 30 June 2017, the Group has not recognized impairment losses on trade receivables.

Note 7.3 Aging of trade receivables

Trade receivables	30 June 2018	31 December 2017	30 June 2017
up to one month	22	14	62
over 1 month to 3 months	0	0	12
over 3 months to 6 months	0	0	0
over 6 months to 1 year	0	0	23
over 1 year	29	31	0
impairment losses on receivables	29	31	0
Trade receivables	**22**	**14**	**97**
Of which overdue (gross)	29	31	35

Note 8.1 Other receivables

Other receivables	30 June 2018	31 December 2017	30 June 2017
On taxes and other public benefits	149	114	118
Other receivables	2	1	0
impairment losses	0	0	0
Total	**151**	**115**	**118**

Note 8.2 Impairment losses on other receivables

As at 30 June 2018, 31 December 2017 and as at 30 June 2017, the Group did not recognized any impairment losses on other short-term receivables.

Note 9 Prepayments and accruals

Prepayments and accruals	30 June 2018	31 December 2017	30 June 2017
Rent	0	0	0
Other	25	34	7
Total	**25**	**34**	**7**

Note 10 Financial assets (short-term)

Financial assets (short-term)	30 June 2018	31 December 2017	30 June 2017
in related entities	0	0	0
in other entities	0	0	0
Total	**0**	**0**	**0**

Note 11 Cash and cash equivalents

Cash and cash equivalents	30 June 2018	31 December 2017	30 June 2017
Cash on hand	1	2	2
Cash in bank	1,085	1,016	2,452
Total	**1,086**	**1,018**	**2,454**

Note 12 Share capital

Share capital as at 30 June 2018

The par value per share is USD 0.1. Number of shares.

Type	Number of shares	Par value (USD thous.)	Share subscription price (USD thous.)	Share premium account (USD thous.)
Common Stock	4,724,000	473	473	0
Preferred Stock	960,000	96	125	29
Series A Preferred Stock (Trigon)	1,500,000	150	4,995	4,845
Series A Preferred Stock (Convertible notes)	2,563,495	256	7,141	6,884
Total	**9,747,495**	**975**	**12,734**	**11,758**

Share capital	Number of shares	% of shares
Szymon Słupik	1,884,711	19.34%
Rafał Han	1,296,441	13.30%
Funds managed by Trigon	1,248,243	12.81%
Adam Gembala	1,018,760	10.45%
Onico S.A.	574,712	5.90%
Other shareholders holding less than 5% shares	3,724,628	38.20%
Total	**9,747,495**	**100.00%**

Share capital as at 31 December 2017

The par value per share is USD 0.1. Number of shares.

Type	Number of shares	Par value (USD thous.)	Share subscription price (USD thous.)	Share premium account (USD thous.)
Common Stock	4,709,000	471	471	0
Preferred Stock	960,000	96	125	29
Series A Preferred Stock (Trigon)	1,500,000	150	4,995	4,845
Series A Preferred Stock (Convertible notes)	2,563,495	256	7,141	6,884
Total	**9,732,495**	**973**	**12,732**	**11,758**

Share capital	Number of shares shares	% of
Szymon Słupik	1,884,711	19.36

Rafał Han	1,296,441	13.32

Funds managed by Trigon	1,248,243	12.83
Adam Gembala	1,018,760	10.47
Onico S.A.	574,712	5.90
Other shareholders holding less than 5% shares	3,709,628	38.12
Total	**9,732,495**	**100.00**

Share capital as at 30 June 2017

The par value per share is USD 0.1. Number of shares.

Type	Number of shares	Par value (USD thous.)	Share subscription price (USD thous.)	Share premium account (USD thous.)
Common Stock	4,709,000	471	471	0
Preferred Stock	960,000	96	125	29
Series A Preferred Stock (Trigon)	1,500,000	150	4,995	4,845
Series A Preferred Stock (Convertible notes)	2,563,495	256	7,141	6,884
Total	**9,732,495**	**973**	**12,732**	**11,578**

Share capital	Number of shares	% of shares
Szymon Słupik	1,884,711	19.36
Rafał Han	1,296,441	13.32
Funds managed by Trigon	1,248,243	12.83
Adam Gembala	1,018,760	10.47
Onico S.A.	574,712	5.90
Other shareholders holding less than 5% shares	3,709,628	38.12
Total	**9,732,495**	**100.00**

Note 13 Capital from revaluation of options

Capital from revaluation of options	30 June 2018	31 December 2017	30 June 2017
Valuation of stock options under IFRS 2	400	287	140
Total	**400**	**287**	**140**

Note 14.1 Other capital

Other capital	30 June 2018	31 December 2017	30 June 2017
Supplementary capital	16,652	15,286	15,283
Total	**16,652**	**15,286**	**15,283**

Note 14.2 Changes in other capital

In the period from 1 January 2018 to 30 June 2018:

Changes in other capital	Other capital
As at 1 January 2018	**15,286**
Exercise of stock options for Company shares	34
Expenditure incurred in connection with the planned stock issue	-138
Issue of bonds convertible to shares	1,470
As at 30 June 2018	**16,652**

In the financial year ended 31 December 2017:

Changes in other capital	Other capital
As at 1 January 2017	**12,705**
Exercise of stock options for Company shares	2,778
Expenditure incurred in connection with the planned stock issue	-327
Issue of bonds convertible to shares	130
As at 31 December 2017	**15,286**

In the period from 1 January 2017 to 30 June 2017:

Changes in other capital	Other capital
As at 1 January 2017	**12,705**
Exercise of stock options – movement of capital from revaluation of options	2,778
Share issue costs	-200
As at 30 June 2017	**15,283**

Note 15 Retained earnings

Retained earnings	30 June 2018	31 December 2017	30 June 2017
Accumulated losses brought forward	-10,095	-7,092	-7,092
Total	**-10,095**	**-7,092**	**-7,092**

Note 16 Earnings (loss) per share

Earnings/(loss) per share are calculated by dividing the net profit/(loss) for the reporting period 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) for the reporting period by the weighted average number of common shares outstanding during the reporting period, adjusted by the effect of diluting options.

Earnings/(loss) per share in the period covered by the financial statements:	30 June 2018	31 December 2017	30 June 2017
Weighted average number of Parent Company's shares in the period	9,747,495	9,297,995	9,297,995
Earnings/(loss) per share (USD)	-0.18	-0.32	-0.18
Number of diluting options	569,000	584,000	584,000
Weighted average number of Parent Company's shares in the period after diluting options	10,095,495	9,881,995	8,490,778
Diluted earnings/(loss) per share (USD)	**-0.17**	**-0.30**	**-0.20**

Note 17 Deferred tax liabilities

Deferred tax liabilities	30 June 2018	31 December 2017	30 June 2017
Deferred tax liabilities at the beginning of the period, including:	**33**	**38**	**38**
through profit or loss	33	38	38
through equity	0	0	0
Additions	**0**	**0**	**0**
through profit or loss	0	0	0
through equity	0	0	0
Reductions	**2**	**5**	**3**
through profit or loss	2	5	3
through equity	0	0	0
Deferred tax liabilities at the end of the period, including:	**31**	**33**	**35**
through profit or loss	31	33	35
through equity	0	0	0

Deferred tax liabilities arising from temporary differences resulting from:	30 June 2018	31 December 2017	30 June 2017
Difference between the tax value and carrying amount of completed development work	163	174	184
Total	**163**	**174**	**184**
Deferred tax liabilities (19%)	**31**	**33**	**35**

Note 18 Other liabilities (long-term)

Other liabilities	30 June 2018	31 December 2017	30 June 2017
PARP loan	211	301	351
Other loans from other entities	0	0	0
Total	**211**	**301**	**351**

Note 19.1 Trade liabilities

Other liabilities	30 June 2018	31 December 2017	30 June 2017
to related entities	0	0	0
to other entities	220	198	75
Total	**220**	**198**	**75**

Note 19.2 Aging of trade liabilities

Trade liabilities	30 June 2018	31 December 2017	30 June 2017
up to one month	220	197	75
over 1 month to 3 months	0	1	0
over 3 months to 6 months	0	0	0
over 6 months to 1 year	0	0	0
over 1 year	0	0	0
Total	**220**	**198**	**75**
of which overdue	0	0	0

Note 20.1 Other liabilities (short-term)

Other liabilities (short-term)	30 June 2018	31 December 2017	30 June 2017
To related entities	0	0	0
To other entities	308	313	299
a) loans and borrowings	134	145	136
b) issue of debt securities	0	0	0
c) advance payments towards deliveries	0	0	0
d) on taxes and other public benefits	90	86	82
e) payroll	84	82	73
f) other	0	0	8
Total	**308**	**313**	**299**

Note 20.2 Contingent liabilities, including guarantees and sureties extended by the entity, including bills of exchange

In order to secure the loan granted by PARP in the amount of PLN 2.0 million with the outstanding balance of PLN 1.3 million (USD 348 thousand) as at 30 June 2018 and PLN 1.6 million as at 31 December 2017 (USD 446 thousand), Sway Sp. z o.o. issued a blank promissory note.

Except for that promissory note, as at 30 June 2018 and as at 31 December 2017, the Group had no other contingent liabilities.

As at 30 June 2018 and 31 December 2017, Group 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.

Note 21 Prepayments and accruals

Prepayments and accruals	Value as at 1 January 2018	Additions	Reductions	Value as at 30 June 2018
NCBiR subsidy for fixed assets	616	465	36	1,045
Total	**616**	**465**	**36**	**1,045**

Prepayments and accruals	Value as at 1 January 2017	Additions	Reductions	Value as at 31 December 2017
Provision for costs of services provided in the financial year but billed in the next year	1	0	1	0
NCBiR subsidy for fixed assets	0	616	0	616
Total	**1**	**616**	**1**	**616**

Prepayments and accruals	Value as at 1 January 2017	Additions	Reductions	Value as at 30 June 2017
Provision for costs of services provided in the financial year but billed in the next year	1	0	1	0
Total	**1**	**0**	**1**	**0**

Note 22.1 Sales revenues

Sales revenues	Period ended 30 June 2018	Financial year ended 31 December 2017	Period ended 30 June 2017
Revenues from sales of products	0	7	7
Revenues from sales of goods and services	1	30	21
Sales revenues	**1**	**37**	**28**

Note 22.2 Sales revenues – geographic structure

Sales revenues – geographic structure	**Period ended 30 June 2018**	**Financial year ended 31 December 2017**	**Period ended 30 June 2017**
Revenues from sales of products	0	7	7
domestically	0	0	0
within the European Union	0	7	7
in third countries	0	0	0
Revenues from sales of services	1	30	21
domestically	1	11	4
within the European Union	0	0	0
in third countries	0	19	0
Sales revenues – geographic structure	**1**	**37**	**28**

Note 23 Operating segments

General information on the business conducted in the period from 1 January 2017 to 30 June 2018

The activity in the Silvair, Inc. Group in the period from 1 January 2017 to 30 June 2018 was carried out in 5 operating segments:

— Silvair Platform
— Silvair Mesh Stack
— Wi-Home
— Proxi
— BLE Stack

The Silvair Mesh Stack segment consists of universal firmware based on the Bluetooth Mesh standard, intended primarily for installation in electronic components of lighting products and in sensory devices. The firmware is versioned depending on the type of device, its functionality and supported communication protocol. In this segment the Company also classifies the above firmware that is modified or upgraded based on the clients' individual requirements (custom firmware). The Company earns revenues in this segment from sales of firmware licenses.

The digital platform segment, i.e. Silvair Platform, consists of a bundle of services related to the management of a smart lighting network and the usage of data generated by such network to provide services going beyond smart lighting. Where the services within the platform are provided directly by the Company, the revenues consist of periodic fees charged for a specific service bundle. Where the services within the platform are provided by third parties, the Company earns a revenue share in the fees charged by the service provider.

The BLE Stack segment consists of: firmware based on the Bluetooth Low Energy standard and a radio module based on a Texas Instruments chip, designed for installation in electronic devices. The firmware is versioned depending on the type of device, its functionality and the type of the processing unit. In this segment the Company also classifies the firmware that is modified or upgraded based on the clients' individual requirements (custom firmware). The Company earns revenue in this segment from sales of firmware licenses and radio modules.

The Proxi system consists of: custom firmware compliant with the Bluetooth Low Energy standard to be installed in light switch box modules (flush-mounted) and a mobile iOS and Android app supporting wireless control of home devices (lighting, blinds, roller shutters, garage doors). The Company earns revenue in this segment from sales of firmware licenses and radio modules.

The Wi&Home system is a comprehensive wireless data exchange technology for a smart building management system. The solution has been designed mainly for home use and supports remote control of devices, based mainly on radio transmission over the 868 Mhz band. The Company earns revenues in this segment by selling middleware licenses.

In view of our strategic orientation towards the development of the Bluetooth Mesh technology, the first two segments, i.e. Silvair Mesh Stack and Silvair Platform, are critical for the Group's operation. The Group has discontinued to develop and support the other segments.

Operating segment information from 1 January 2018 to 30 June 2018, in thous. USD

Segment type							
	Silvair Platform	**Silvair Mesh Stack**	**BLE Stack**	**Proxi**	**Wi-Home**	**Other activity**	**Total**
Revenues and expenses							
Sales to external clients	0	0	0	1	0	0	1
Inter-segment sales	0	0	0	0	0	0	0
Income and expenses (operating and other operating)	0	0	0	-1	0	-1,812	-1,813
EBIT							**-1,812**
Net financial income (costs)	0	0	0	0	0	-179	-179
Share in profits of associates	0	0	0	0	0	0	0
Profit before tax							**-1,991**
Income tax (current and deferred)	0	0	0	0	0	267	267
Net profit for the reporting period							**-1,724**
Assets							
Costs of development work	1,570	3,141	791	477	190	2,135	7,828
Receivables	0	7	10	0	0	5	22
Unallocated assets	0	0	0	0	0	1,823	1,823

Total assets							**9,673**
Liabilities							
Financial liabilities	0	0	0	0	0	348	348
Unallocated liabilities	0	0	0	0	0	1,468	1,468
Total liabilities							**1,816**
Other information							
Depreciation and amortization	9	94	53	34	14	142	345

Operating segment information from 1 January 2017 to 31 December 2017, in thous. USD

Segment type							
	Silvair Platform	**Silvair Mesh Stack**	**BLE Stack**	**Proxi**	**Wi-Home**	**Other activity**	**Total**
Revenues and expenses							
Sales to external clients	0	0	26	4	7	37	37
Inter-segment sales	0	0	0	0	0	0	0
Expenses (operating + other operating expenses + other operating income)	0	0	0	-4	-5	-2,355	-2,364
EBIT							**-2,327**
Net financial income (costs)	0	0	0	0	0	-146	-146
Share in profits of associates	0	0	0	0	0	0	0
Profit before tax							**-2,473**
Income tax (current and deferred)	0	0	0	0	0	-530	-530
Net profit for the reporting period							**-3,003**
Assets							
Costs of development work	1,460	2,700	1,096	584	219	1,865	7,924
Receivables	0	0	13	0	0	116	129
Unallocated assets	0	0	0	0	0	1,357	1,357
Total assets							**9,410**
Liabilities							
Financial liabilities	0	0	0	0	0	447	447
Unallocated liabilities	0	0	0	0	0	1,014	1,014
Total liabilities							**1,461**
Other information							
Depreciation and amortization	0	24	93	63	23	250	453

Operating segment information from 1 January 2017 to 30 June 2017, in thous. USD

Segment type	Silvair Platform	Silvair Mesh Stack	BLE Stack	Proxi	Wi-Home	Other activity	Total
Revenues and expenses							
Sales to external clients	0	0	25	1	2	0	28
Inter-segment sales	0	0	0	0	0	0	0
Expenses (operating + other operating expenses + other operating income)	0	0	-10	-1	-1	-1,000	-1,012
EBIT							**-984**
Net financial income (costs)	0	0	0	0	0	-59	-59
Share in profits of associates	0	0	0	0	0	0	0
Profit before tax							**-1,043**
Income tax (current and deferred)	0	0	0	0	0	639	639
Net profit for the reporting period							**-1,682**
Assets							
Costs of development work	1,056	1,914	895	556	218	1,865	6,504
Receivables	0	0	48	0	0	167	215
Unallocated assets	0	0	0	0	0	2,641	2,641
Total assets							**9,360**
Liabilities							
Financial liabilities	0	0	0	0	0	487	487
Unallocated liabilities	0	0	0	0	0	273	273
Total liabilities							**760**
Other information							
Depreciation and amortization	0	0	0	0	0	247	247

In 2016-2017 and in the first half of 2018, 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.

Information on sales revenues in H1 2018 – main buyers In H1 2018, the Group generated sales in the Proxi segment with one buyer. The buyer is not an affiliate or subsidiary of Silvair, Inc.

Information on sales revenues in 2017 – geographic structure

Country	Sales to external customers 1 January 2018 – 30 June 2018	
European Union of which Poland	USD	1
	%	100%
Other countries	USD	0
	%	100%
Total revenues	**USD**	**1**
	%	**100%**

Information on sales revenues – main buyers in 2017

In the Wi-Home, Proxi and BLE Stack segments, in 2017 the Group generated sales exceeding 10% of consolidated revenues in cooperation with three buyers:

- buyer A: 48.57% of the Group's total consolidated sales revenues,
- buyer B: 29.11% of the Group's total consolidated sales revenues,
- buyer C: 16.68% of the Group's total consolidated sales revenues.

The buyers listed above are not affiliates or subsidiaries of Silvair, Inc.
Except for these buyers, no single external buyer has exceeded the threshold of 10% of the Group's consolidated revenues.

Information on sales revenues – geographic structure in 2017

Country	Sales to external customers 1 January 2017 – 31 December 2017	
European Union of which Poland	USD	18
	%	51%
United States	USD	18
	%	48%
Other countries	USD	1
	%	1%
Total revenues	USD	37
	%	100%

Information on sales revenues in H1 2017 – main buyers

In the Wi-Home, Proxi and BLE Stack segments, in H1 2017, the Group generated sales exceeding 10% of consolidated revenues in cooperation with three buyers:

- buyer A: 61.07% of the Group's total consolidated sales revenues,
- buyer B: 20.97% of the Group's total consolidated sales revenues,
- buyer C: 11.14% of the Group's total consolidated sales revenues.

The buyers listed above are not affiliates or subsidiaries of Silvair, Inc.
Except for these buyers, no single external buyer has exceeded the threshold of 10% of the Group's consolidated revenues.

Information on sales revenues in H1 2017 – geographic structure

Country	Sales to external customers 1 January 2017 – 30 June 2017	
European Union of which Poland	USD	11
	%	39%
United States	USD	17
	%	61%
Other countries	USD	0
	%	0%
Total revenues	USD	28
	%	100%

Note 24 Other operating income

Other operating income	6-month period ended 30 June 2018	Financial year ended 31 December 2017	6-month period ended 30 June 2017
Profit on the sale of non-financial non-current assets	0	0	0
Other operating income	47	25	10
Total	**47**	**25**	**10**

Note 25 Other operating expenses

Other operating expenses	6-month period ended 30 June 2018	Financial year ended 31 December 2017	6-month period ended 30 June 2017
Revaluation of non-financial assets	0	31	0
Other operating costs	3	192	10
Total	**3**	**223**	**10**

Note 26 Breakdown of costs

Costs by nature and function	6-month period ended 30 June 2018	Financial year ended 31 December 2017	6-month period ended 30 June 2017
Depreciation and amortization	345	453	247
Consumption of materials and energy	55	170	74
External services	1,157	1,797	852

Taxes and fees	8	12	7
Payroll	691	1,152	535
Social security and other benefits	166	274	119
Other costs by nature	95	226	74
Cost of products and materials sold	0	10	12
Total costs by type	**2,517**	**4,094**	**1,920**
Change in inventories of products and production cost of products for own use (development work)	**659**	**1,928**	**908**
Cost of sales	0	10	12
Selling and distribution expenses	260	498	154
General and administrative expenses	1,597	1,658	846
Total costs by function	**1,857**	**2,165**	**1,012**

Note 27 Financial income

Financial income	**6-month period ended 30 June 2018**	**Financial year ended 31 December 2017**	**6-month period ended 30 June 2017**
Interest	**0**	**5**	**5**
Interest on bank deposits and accounts	0	5	5
Other	**0**	**0**	**0**
Financial income	**0**	**5**	**5**

Note 28 Financial costs

Financial costs	**6-month period ended 30 June 2018**	**Financial year ended 31 December 2017**	**6-month period ended 30 June 2017**
Interest	**15**	31	16
From other entities	15	31	16
Interest on bonds	0	0	0
Interest on received loans	15	31	16
Other	**164**	**121**	**49**
Foreign exchange differences	164	121	49
Financial costs	**179**	**152**	**65**

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

Item	6-month period ended 30 June 2018	Financial year ended 31 December 2017	6-month period ended 30 June 2017
Profit before tax	**-1,991**	**-2,474**	**-1,043**
Costs not classified as tax-deductible expenses, including:	**669**	**1,148**	**268**
Depreciation and amortization	44	4	2
PFRON disability fund tax	7	12	6
Unpaid interest	39	31	0
Unpaid payroll and social security contributions	31	40	36
Foreign exchange differences in the balance sheet	171	38	56
Impairment losses	0	28	0
Other costs	377	995	168
– including valuation of stock options (Note 30)	147	294	147
Costs of the previous year recognized as tax-deductible expenses in the current year	**42**	**33**	**31**
ZUS from November-December of the previous year, paid in January of the next year	34	30	25
Other	9	3	6
Revenues that are not tax revenues	**66**	**137**	**93**
Unpaid interest	1	0	0
Foreign exchange differences in the balance sheet	29	137	93
Subsidy	35	0	0
Previous year revenues subject to taxation in the current year	**0**	**1**	**1**
Interest paid	0	1	1
Income / loss	**-1,431**	**-1,494**	**-898**
Deductions from income (*)	**138**	**0**	**-200**
Taxation base	**-1,569**	**-1,494**	**-1,098**
Tax – Parent Company	**2**	**4**	**4**
Impact of change in the deferred tax asset	**266**	**-530**	**-638**
Impact of change in the deferred tax liability	**2**	**5**	**3**
Total charges to profit before tax	**266**	**-529**	**-639**

(*) deductions from income include IPO costs accounted for and included in the Statement of financial position as reduction of the Group's Other Capital.

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 December 2017, options have been granted from the “Option Pool” for all the shares for the Management Board and Venture FIZ, as well as 70,000 out of 132,000 shares for the Key Personnel.

By 31 December 2017, all the options granted to the Management Board members and Venture FIZ have been exercised and in the Key Personnel pool, options for 30,000 shares will be exercised by 31 December 2017. By 30 June 2018, options for further 15,000 Key Personnel shares have been exercised.

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.

According to the provisions of the KPI Agreement, 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, which requires, in each instance, a consent from the member of the Board of Directors appointed by the Investor (Venture FIZ), 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. By 30 June 2018, options for all the shares envisaged for Rafał Han in the pool had already been granted.

By 30 June 2017, 31 December 2017 and as at 30 June 2018, no stock options had been exercised in the “Additional Option Pool”.

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

Number of options and strike price from 1 January 2017 to 30 June 2018

	in the period of 6 months	in 2017 in 2018
Pool of shares under the Option Plan	1,453,000	1,453,000
Number of shares available under the Option Plan at the beginning of the period	**544,000**	**1,453,000**
Number of shares granted under option agreements	353,000	909,000
Number of shares taken up in exercise of the options	15,000	869,000
Number of shares available to be taken up in subsequent periods under option agreements	378,000	40,000
Number of shares released upon expiration of options	0	0
Number of shares available to be granted under further option agreements at the end of the period	**191,000**	**544,000**

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. 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%
— M parameter = 3
— eΔt parameter = 0%
— Stock price volatility (σ) = 46.6%.

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

	6-month period ended 30 June 2018	Financial year ended 31 December 2017	6-month period ended 30 June 2017
Management cost	147	287	147
Capital from revaluation of options	147	287	147

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

	6-month period ended 30 June 2018	Financial year ended 31 December 2017	6-month period ended 30 June 2017
Other capital	-34	2,788	2,788
Capital from revaluation of options	34	-2,788	-2,788

The change in capital from revaluation of options in 2017 until 31 December 2017 resulted from the exercise of 869,000 stock options and revaluation of the remaining options in the vesting period.

The total amount of shares taken up in performance of option contracts in 2017 was USD 87 thousand.

The change in capital from revaluation of options in H1 2018 until 30 June 2018 resulted from the exercise of 15,000 stock options and revaluation of the remaining options in the vesting period.

The total amount of shares taken up in performance of option contracts in the period from 1 January to 30 June 2018 was USD 2 thousand.

Note 31 Major events after the balance sheet date

The following material events occurred after the balance sheet date:

In the period from July to the date of this report, Silvair, Inc. granted loans to its subsidiary Silvair Sp. z o.o., of the total value of PLN 3,000,000.

On 16 July 2018, 1,184,910 common bearer shares of Silvair, Inc. were issued with a par value of USD 0.10 each and issue price of PLN 17.00, offered in a public offering. Furthermore, in connection with the issue of Silvair, Inc. shares referred to above, (i) 4,063,495 common bearer shares of Silvair, Inc. were issued with a par value of USD 0.10 each as a result of the conversion of 4,063,495 of Silvair, Inc.'s Series A Preferred Stock, and (ii) 448,015 common bearer shares of Silvair, Inc. with a par value of USD 0.10 each were issued as a result of the conversion of debt securities (convertible promissory notes).

On 4 September 2018, Silvair, Inc.'s Board of Directors appointed Marek Kapturkiewicz to the Silvair, Inc.'s Board of Directors and to the Silvair, Inc.'s Audit Committee.

Note 32 Information on joint ventures

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

Note 33.1 Financial risk management objectives and principles

The Group's operations are exposed to the following types of financial risk:
a) credit risk,
b) liquidity risk,
c) 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.

The Group's main operating segments – production of software for remote communication between devices and smart lighting systems – due to their nature are 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 partner pay the due amounts regularly, the exposure to individual credit risk is not high. The Group applies internal procedures and mechanisms that mitigate this risk: appropriate client selection, a new client review system and ongoing monitoring of amounts receivable. The Group consistently pursues any 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. The Group makes sure that liquidity is maintained at an appropriate and safe level.

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 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.

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 2016 and 2015, 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.

Financial assets by balance sheet item	30 June 2018 fair value	30 June 2018 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	measure d at amortized cost	
Financial assets						
Interest and shares	7	7	-	-	-	8
Loans	-	-	-	-	-	-
Long-term security deposits and other long-term receivables	-	-	-	-	-	-
Trade receivables	22	22	-	-	22	-
Receivables other than above, which are financial assets	-	-	-	-	-	-
Short-term securities	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Bank deposits	-	-	-	-	-	-
Cash	1,086	1,086	-	-	-	1,086

Financial liabilities by balance sheet item	30 June 2018 fair value	30 June 2018 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	345	345	-	345	-
Finance leases	-	-	-	-	-
Long-term security deposits and other non-current liabilities	-	-	-	-	-
Debt securities	-	-	-	-	-
Measurement of other instruments – derivatives	-	-	-	-	-
Trade liabilities	220	220	-	220	-
Liabilities other than above, which are financial liabilities	-	-	-	-	-

Financial assets by balance sheet item	31December 2017 fair value	31 December 2017 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	8	8	-	-	-	8
Loans	-	-	-	-	-	-
Long-term security deposits and other long-term receivables	-	-	-	-	-	-
Trade receivables	14	14	-	-	14	-
Receivables other than above, which are financial assets	-	-	-	-	-	-
Short-term securities	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Bank deposits	-	-	-	-	-	-
Cash	1,018	1,018	-	-	-	1,018

Financial liabilities by balance sheet item	31 December 2017 fair value	31 December 2017 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	446	446	-	446	-
Finance leases	-	-	-	-	-
Long-term security deposits and other non-current liabilities	-	-	-	-	-
Debt securities	-	-	-	-	-
Measurement of other instruments – derivatives	-	-	-	-	-
Trade liabilities	198	198	-	198	-
Liabilities other than above, which are financial liabilities	-	-	-	-	-

Financial assets by balance sheet item	30 June 2017 fair value	30 June 2017 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	97	97	-	-	97	-
Receivables other than above, which are financial assets	-	-	-	-	-	-
Short-term securities	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Bank deposits	-	-	-	-	-	-
Cash	2,454	2,454	-	-	-	2,454

Financial liabilities by balance sheet item	30 June 2017 fair value	30 June 2017 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	487	487	-	487	-
Finance leases	-	-	-	-	-
Long-term security deposits and other non-current liabilities	-	-	-	-	-
Debt securities	-	-	-	-	-
Measurement of other instruments – derivatives	-	-	-	-	-
Trade liabilities	75	75	-	75	-
Liabilities other than above, which are financial liabilities	-	-	-	-	-

Sensitivity analysis
Currency risk 1 January 2018 - 30 June 2018

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	-	-	-	-	-
Long-term security deposits and other long-term receivables	-	-	-	-	-
Trade receivables	22	-1	-	1	-
Receivables other than above, which are financial assets	-	-	-	-	-
Short-term securities	-	-	-	-	-
Debt securities	-	-	-	-	-
Bank deposits	-	-	-	-	-
Cash	1,086	-146	-	108	-
cash in bank	1,086	-146	-	108	-
Financial liabilities					
Bank loans	-	-	-	-	-
Long-term	-	-	-	-	-
Short-term	-	-	-	-	-
Loans	345	32	-	-39	-
Finance leases	-	-	-	-	-
Long-term security deposits and other non-current liabilities	-	-	-	-	-
Debt securities	-	-	-	-	-
Trade liabilities	220	15	-	-23	-
Liabilities other than above, which are financial liabilities	-	-	-	-	-

Currency risk 1 January 2017 – 31 December 2017

Financial instruments by balance sheet items	Carrying amount of financial instruments	Effect on pre-tax financial result (10% increase)	Effecton equity (10% increase)	Effect on pre-tax financial result (10% decrease)	Effect on equity(10% decrease)
Financial assets					
Interest and shares	8	-1	-	1	-
Loans	-	-	-	-	-
Long-term security deposits and other long-term receivables	-	-	-	-	-
Trade receivables	14	-3	-	3	-
Receivables other than above, which are financial assets	-	-	-	-	-
Short-term securities	-	-	-	-	-
Debt securities	-	-	-	-	-
Bank deposits	-	-	-	-	-
Cash	1,018	-45	-	55	-
cash in bank	1,018	-45	-	55	-
Financial liabilities					
Bank loans	-	-	-	-	-
Long-term	-	-	-	-	-
Short-term	-	-	-	-	-
Loans	446	41	-	-50	-
Finance leases	-	-	-	-	-
Long-term security deposits and other non-current liabilities	-	-	-	-	-
Debt securities	-	-	-	-	-
Trade liabilities	198	13	-	-21	-
Liabilities other than above, which are financial liabilities	-	-	-	-	-

Currency risk 1 January 2017 - 30 June 2017

Financial instruments by balance sheet items	Carrying amount of financial instruments	Effect on pre-tax financial result (10% increase)	Effec 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	-	-	-	-	-
Long-term security deposits and other long-term receivables	-	-	-	-	-
Trade receivables	97	-1	-	1	-
Receivables other than above, which are financial assets	-	-	-	-	-
Short-term securities	-	-	-	-	-
Debt securities	-	-	-	-	-
Bank deposits	-	-	-	-	-
Cash	2,454	-123	-	150	-
cash in bank	2,454	-123	-	150	-
Financial liabilities					
Bank loans	-	-	-	-	-
Long-term	-	-	-	-	-
Short-term	-	-	-	-	-
Loans	487	44	-	-54	-
Finance leases	-	-	-	-	-
Long-term security deposits and other non-current liabilities	-	-	-	-	-
Debt securities	-	-	-	-	-
Trade liabilities	75	7	-	-8	-
Liabilities other than above, which are financial liabilities	-	-	-	-	-

Note 33.2 Capital risk management

The Group manages capital to maintain its capacity to continue its activity, taking into account the planned capital expenditures, so that it can generate returns for shareholders and bring benefits to other stakeholders and also to maintain the optimum capital structure to reduce its cost.

In line with the market practices, the Group is monitoring capital, among others on the basis of the debt to equity ratio.

The debt to equity ratio is calculated as the ratio of debt to financial capital. Debt is calculated as the sum of financial liabilities (loans, borrowings), while financial capital is the sum of equity and financial liabilities.

In order to maintain financial liquidity and credit capacity that would enable the entity to raise external financing at a reasonable cost level, the Group assumes that its equity ratio will be maintained at no more than 50%.

Item	**30 June 2018**	**31 December 2017**	**30 June 2017**
Debt	345	446	487
Equity	7,433	7,949	8,600
Reserve capital, total	7,778	8,395	9,087
Debt to equity ratio	5.5%	5.3%	5.4%

Note 34 Employment in the Group

Item	**Average headcount in the period from 1 January to 30 June 2018**		
(persons)	**total**	**white-collar employees**	**blue-collar employees**
Silvair, Inc.	0	0	0
Silvair Sp. z o.o.	62	62	0
Sway Sp. z o.o.	3	3	0
Total	**65**	**65**	**0**

Item	**Average headcount in the period from 1 January to 31 December 2017**		
(persons)	**total**	**white-collar employees**	**blue-collar employees**
Silvair, Inc.	0	0	0
Silvair Sp. z o.o.	60	60	0
Sway Sp. z o.o.	3	3	0
Total	**63**	**63**	**0**

Item	Average headcount in the period from 1 January to 30 June 2017		
(persons)	**total**	**white-collar employees**	**blue-collar employees**
Silvair, Inc.	0	0	0
Silvair Sp. z o.o.	59	59	0
Sway Sp. z o.o.	3	3	0
Total	**62**	**62**	**0**

Note 35 Entity authorized to audit financial statements

The audit of the consolidated financial statements was carried out by UHY ECA Audyt Spółka z ograniczoną odpowiedzialnością Sp.k. with its registered office in Krakow at ul. Moniuszki 50.

The net amount of the contractor's fee for auditing the consolidated financial statements is PLN 12,500.

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

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

Note 37 Compensation of key management personnel

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

Item	1 January 2018 – 30 June 2018	1 January 2017 - 31 December 2017	1 January 2017 – 30 June 2017
Szymon Słupik	40	78	38
Adam Gembala	40	79	38
Rafał Han	40	80	38
Oktawian Jaworek	8	16	6
Paweł Szymański	0	0	0
Gross compensation paid	**128**	**253**	**121**

Compensation of key management personnel on account of share-based payments:

Item	1 January 2018 – 30 June 2018	1 January 2017 – 31 December 2017	1 January 2017 – 30 June 2017
Rafał Han	86	60	0
Szymon Słupik	0	87	0
Adam Gembala	0	53	0
Staff	198	0	0
Share-based payment	**284**	**200**	**0**

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

Note 38 Related party transactions

Transactions with parties related by equity with the Parent Company:

Parties related by equity with the Parent Company:
- Silvair Sp. z o.o.
- Sway Sp. z o.o.

The Parent Company holds directly 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. (formerly Seed Labs, Inc.) - lender and Silvair Sp. z o.o. (formerly Seed Labs Sp. z o.o.) - borrower:

On 08 July 2014 Seed Labs, Inc. granted a loan in the total amount of USD 1,000 thousand to Seed Labs Sp. z o.o. with a repayment date of 08 July 2016. The parties agreed on interest of 5% annually on amounts actually paid out.

On 08 September 2014, the Parties signed Annex 1 to the loan agreement, increasing the maximum loan amount to USD 5,000 thousand. The parties agreed on interest of 5% annually on amounts actually paid out.

As at 18 September 2015, the total net amount drawn under the loan from Seed Labs, Inc. was USD 3,470 thousand (without interest) (PLN 13,289 thousand). On 18 September 2015, the Shareholder Meeting decided to increase the share capital of Seed Labs Sp. z o.o. from PLN 1,550 thousand to PLN 5,000 thousand by issuing 69,000 new shares with a par value of PLN 50.00 each and the total par value of PLN 3,450 thousand.
All the new shares in the increased share capital were taken up by Seed Labs, Inc. for a cash contribution in the amount equivalent to the amount of the loan granted as at 18 September 2015.

On 18 September 2015, the Companies signed an agreement to set off claims of Seed Labs Sp. z o.o. on account of the new share issue with the financial liability under the loan agreement from Seed Labs, Inc.

On 14 January 2016, the Parties signed Annex 2 to the loan agreement increasing the maximum loan amount to USD 15,000 thousand. The parties agreed on interest of 5% annually on amounts actually paid out.

On 07 July 2016, the Parties signed Annex 3 to the loan agreement extending the maturity of the loan until 8 July 2017.

As at 20 December 2016, the total net amount of loans received from Seed Labs, Inc. was USD 6,484 thousand (without interest) (PLN 27,398 thousand) – the amount described below subject to conversion; and the net amount of USD 650 thousand that remained outstanding, which constituted a liability of Seed Labs Sp. z o.o. as at 20 December 2016 and as at the balance sheet date in 2016. On 20 December 2016, the Extraordinary Shareholder Meeting decided to increase the share capital of Seed Labs Sp. z o.o. from PLN 5,000 thousand to PLN 10,000 thousand by issuing 100,000 new shares with a par value of PLN 50.00 each and the total par value of PLN 5,000 thousand.
All the new shares in the increased share capital were taken up by Seed Labs, Inc. for a cash contribution of PLN 27,982 thousand, which was equivalent to a major part of the nominal amount of the loan granted (USD 6,474 thousand) and interest accumulated on the loan until 20 December 2016. As at 31 December 2016, Silvair Sp. z o.o. (formerly Seed Labs Sp. z o.o.) recognizes a liability under the loan to Silvair, Inc. in the amount of USD 650 thousand (principal) and USD 1.6 thousand (interest) totaling PLN 2,723 thousand.

In 2017, Silvair Sp. z o.o.'s liability under the loan increased by interest accrued in the amount of USD 32.5 thousand and, as at 31 December 2017, Silvair Sp. z o.o. posted a liability under the loan from Silvair, Inc. in the amount of USD 650 thousand (principal) and USD 34.1 thousand (interest) totaling PLN 2,381 thousand after a balance sheet measurement.

In 2018, Silvair, Inc. granted loans with a total amount of USD 1,650 thousand and, as at 30 June 2018, showed a receivable in the total amount of USD 2,369 thousand, of which interest of USD 69 thousand and loan principal of USD 2,300 thousand.

Transactions between Silvair, Inc. (formerly Seed Labs, Inc.) and Silvair Sp. z o.o. (formerly Seed Labs Sp. z o.o.):

In addition to the loan described above, there were no other transactions between the Companies.

As at 30 June 2017 and as at 30 June 2018, both Silvair, Inc. (formerly Seed Labs, Inc.) and Silvair Sp. z o.o. (formerly Seed Labs Sp. z o.o.) had no mutual receivables and other liabilities.

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

On 05 May 2014, Seed Labs Sp. z o.o. granted a loan to Sway Sp. z o.o. in the total amount of PLN 2,000 thousand. Sway Sp. z o.o. undertook to repay the loan by 8 July 2016. The Parties agreed on interest of 5% annually on amounts actually paid out.

On 23 March 2015, the Parties signed Annex 1 to the Loan Agreement increasing the loan amount to PLN 5,000 thousand.

On 16 December 2016, the Parties signed Annex 2 to the loan agreement setting the maximum loan amount at PLN 6,000 thousand. By 20 December 2016, Seed Labs Sp. z o.o. had paid out the amount of PLN 5,936 thousand to Sway Sp. z o.o. As at 20 December 2016, interest on the loan due from Sway Sp. z o.o. amounted to PLN 356 thousand.

On 20 December 2016, the Extraordinary Shareholder Meeting of Sway Sp. z o.o. adopted a resolution to increase the share capital from PLN 3,005 thousand to PLN 3,100 thousand by issuing 1,900 new shares with a par value of PLN 50.00 each and the total par value of PLN 95 thousand. All the new shares in the increased share capital of Sway Sp. z o.o. were taken up by the Company's shareholder, Seed Labs Sp. z o.o., for the price of PLN 6,292 thousand, which was equal to the par value of the loan granted as at 20 December 2016 and interest accrued on the loan as at that date.

As at 31 December 2016 and 31 December 2017, Sway Sp. z o.o. showed no liabilities on account of loans received from Silvair Sp. z o.o.

In 2018, Silvair Sp. z o.o. granted a loan of PLN 380 thousand to Sway Sp. z o.o., as a result of which the balance of liabilities on account of loans received from Silvair Sp. z o.o. is now USD 102 thousand.

Transactions between Silvair Sp. z o.o. (formerly Seed Labs Sp. z o.o.) and Sway Sp. z o.o.

As at 30 June 2017, 31 December 2017 and 30 June 2018, Sway Sp. z o.o. and Silvair Sp. z o.o. (formerly Seed Labs Sp. z o.o.) posted no mutual receivables and liabilities.

Entities having personal ties with Group companies:

Transactions between entities with personal ties:

As stated in Note 3.4 of the explanatory notes to the consolidated financial statements, as at 30 June 2017 and as at 30 June 2018, the subsidiaries Silvair Sp. z o.o. and Sway Sp. z o.o. were parties to a lease agreement for a property in Krakow at ul. Jasnogórska, where the headquarters of both companies were located. The landlord of that property is Centrum Jasnogórska 44, in which the function of a shareholder and a Vice-President of the Management Board is discharged by Mr. Szymon Słupik, who is also a member of the Board of Directors (a Shareholder) of the Parent Company, Silvair, Inc.

In the financial years 2017-2018, the Group leased space from Centrum Jasnogórska 44 where the total cost was USD 214 thousand in the financial year 2017 and USD 117 thousand in the period from 1 January to 30 June 2018.

As at 30 June 2017, balance sheet date of 31 December 2017 and as at 30 June 2018, the Group had no liabilities due to that company under the lease agreement.

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

Transactions with the key management personnel

Key management personnel:

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

Rafał Han – CEO, Director
Szymon Słupik – CTO, President, Director
Adam Gembala – CFO, Vice-President, Treasurer, Secretary, Director

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

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

As at 30 December 2017, 31 December 2017 and 30 June 2018, Silvair Sp. z o.o. and Sway Sp. z o.o. posted no liabilities to shareholders and to the Board of Directors other than current liabilities on account of compensation.

Rafał Han

CEO, Director

Szymon Słupik

CTO, President, Director

Adam Gembala

CFO, Vice-President, Treasurer, Secretary, Director

Paweł Szymański

Director

Marek Kapturkiewicz

Director

Krakow, 1 October 2018

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