Consolidated quarterly report of the Silvair, Inc. Group

as at ***30 September 2020***

Kraków, 30 November 2020

Table of contents

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

Lack of continuity of notes in this quarterly report is caused by the fact that the company is not obliged to present some of the information presented in the annual report.

General information

Parent Company

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

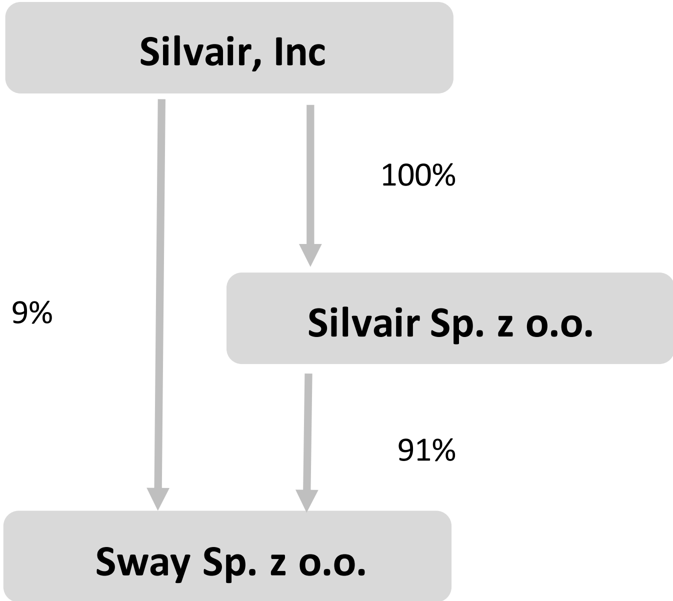
Group's business

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

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

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

The Group



Functional and presentation currency

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

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

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

- assets and liabilities in each statement of financial position are translated at the closing exchange rate in effect on that balance sheet date;
- income and expenses in each statement of comprehensive income are translated at average exchange rates (unless the average exchange rate is not a satisfactory approximation of the cumulative effect of exchange rates on the transaction dates – in such a case, income and expenses are translated at the exchange rates in effect on the relevant transaction dates);
- equity of subsidiaries and interests in subsidiaries are excluded for consolidation purposes at the historical exchange rate as at the date of taking up the shares; and
- any resulting foreign exchange differences are cumulatively recognized in other comprehensive income as a separate component of equity.

Presentation periods

The condensed consolidated financial statements were prepared as at 30 September 2020 and cover the period of 9 months, i.e. from 1 January 2020 to 30 September 2020.

For the data presented in the condensed consolidated statement of financial position and off-balance sheet items, comparative financial data were presented as at 30 September 2019 and as at 31 December 2019.

For the data presented in the interim condensed consolidated profit and loss account, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and consolidated cash flow statement, comparative financial data were presented for the period from 1 January 2019 to 30 September 2019.

Going concern assumption

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

In March this year, in connection with the COVID 19 coronavirus pandemic, the Parent Company's Board identified the risk of sales disruptions caused by interruption to lighting component supply chains of the partners with whom the Group cooperates, as well as the risk of postponing lighting infrastructure modernization investments by customers due to widespread lockdown. In connection with the coronavirus pandemic, the Board also noted major difficulties with access to capital which – at this stage of commercialization of the Group's products – is an important source of financing of its day-to-day activity.

Consequently, the Parent Company's Board has made a pertinent revision of the 2020 sales assumptions. At the same time, in connection with the reduced sales activity, the Board has made a decision to decrease the operating expenses, significantly reducing headcount at the beginning of April this year and changing the terms of compensation for the Group's key employees and collaborators. As a result of the introduced changes, selling and distribution expenses combined with administrative expenses have decreased by 22%, while sales have increased by 91% compared to the corresponding period of the previous year. The Group's operating expenses optimization process was carried out in such a way as not to sigificantly disrupt the development of products and the execution of contracts concluded with the Group's key partners, while allowing restoration of the full scope of market activity after the pandemic effects pass. Due to the reduced employment in the field of development, the Board has introduced changes to the product map and the schedule for introducing new products to the market. All these changes have been agreed with the partners in terms of obligations resulting from the concluded agreements as well as activities required to be taken by the Group to implement its strategy and maintain its competitive advantage.

Along with the reduction of headcount and the change in remuneration conditions, the Board offered the employees remaining within the Group to join the Option Plan as an equivalent of the reduced remuneration. On 31 March 2020, the Board of Directors of Silvair, Inc. adopted a resolution on increasing the number of shares under the Option Plan from 1,453,000 shares to 2,000,000 shares, and granting options for 523,312 shares to designated employees. The introduction of the Option Plan allowed retaining key employees in the Group and maintaining high motivation across all teams.

Despite the economic stagnation caused by the COVID 19 coronavirus pandemic, the Group managed to negotiate and conclude several contracts with new partners by the balance sheet date. Along with the gradual lifting of restrictions (mainly the lockdown), the economic situation of the Group also improved. In Q3, 2020, the Group sold over 20,000 firmware licenses, which is the best quarterly result since the commencement of commercialization.

From January 2020 to 30 September 2020, Silvair, Inc. acquired USD 2.6 million from the issue of Convertible Securities. From the date of approval of the issue (i.e. 8 August 2019) to the date of preparation of this report, the Company has issued Convertible Securities with a total nominal value of USD 5.512 million.

On 26 October 2020, Silvair, Inc. announced its decision regarding the offer of new shares of common stock ("New Shares") issued within the Company's authorized capital. Under the Offer, the Company planned the issue of 815,000 new shares at the issue price of PLN 7.5 and on the terms and conditions set forth in the conditional placement agreement executed on 26 October 2020 by the Company and Trigon Dom Maklerski S.A. On 17 November, the Company completed the process of execution of the agreements for the acquisition of all 815,000 shares, and confirmed that the required cash contributions for the new shares were made in full. On 25 November 2020, the Company announced – in its Current Report no. 25/2020 – a successful completion of the subscription and the issue of securities.

The Parent Company's Board expects that the total amount of funds obtained from the issue of Convertible Securities and the issue of New Shares will allow financing of the Group's operations over the next 12 months.

Composition of the corporate bodies of the Parent Company as at 30 September 2020

Board of Directors:

Szymon Słupik — President

Adam Gembala — Vice-President, Secretary and Treasurer

Rafał Han — Director

Paweł Szymański — Director

Christopher Morawski — Director

Officers:

Rafał Han — Chief Executive Officer

Szymon Słupik — Chief Technology Officer (CTO)

Adam Gembala — Chief Financial Officer (CFO)

All figures, unless indicated otherwise, are expressed in thousands of USD.

Consolidation

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

As at 30 September 2020 and as at 30 September 2019, consolidation encompasses Silvair, Inc. and two subsidiaries: Silvair Sp. z o.o. and Sway Sp. z o.o. As at 30 September 2020, Silvair, Inc. held directly 100% shares in Silvair Sp. z o.o., and 100% shares in Sway Sp. z o.o., including 9% shares held directly and 91% shares held indirectly through Silvair Sp. z o.o.

The financial data of the subsidiaries, after taking into consideration adjustments introduced to make them compliant with IFRS, are prepared for the same reporting period as the statements of the Parent Company, applying consistent accounting principles, based on uniform accounting principles applied for transactions and similar economic events. Adjustments are made in order to eliminate any discrepancies in the application of accounting policies. The Company reviews whether or not it has control over other entities if an event occurs that indicates a change of one or more of the above conditions of control. Any significant balances and transactions between the Group's companies, including unrealized profit from intra-Group transactions, have been fully eliminated.

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 consolidated financial statements:

Reporting period	Average exchange rate in the period	Minimum exchange rate in the period	Maximum exchange rate in the period	Exchange rate as at the last day of the period
01.01.2020 – 30.09.2020	1.1292	1.0684	1.1972	1.1710
01.01.2019 – 31.12.2019	1.1190	1.0893	1.1524	1.1213
01.01.2019 – 30.09.2019	1.1213	1.0924	1.1524	1.0934

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

Reporting period	Average exchange rate in the period	Minimum exchange rate in the period	Maximum exchange rate in the period	Exchange rate as at the last day of the period
01.01.2020 – 30.09.2020	0.2542	0.2344	0.2724	0.2587
01.01.2019 – 31.12.2019	0.2601	0.2490	0.2685	0.2633
01.01.2019 – 30.09.2019	0.2602	0.2490	0.2685	0.2500

All figures, unless indicated otherwise, are expressed in thousands of USD.

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

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

Selected financial data translated as at the balance sheet date:

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

Item	USD		EUR		PLN	
	01.01.2020 –30.09.2020	01.01.2019 –30.09.2019	01.01.2020 –30.09.2020	01.01.2019 –30.09.2019	01.01.2020 –30.09.2020	01.01.2019 –30.09.2019
Net revenue on the sale of products, goods and materials	267	140	236	125	1 050	538
Operating profit (loss)	-1 616	-2 194	-1 431	-1 957	-6 357	-8 431
Profit (loss) before tax	-1 814	-2 265	-1 606	-2 020	-7 136	-8 727
Profit (loss) of the period	-1 682	-2 192	-1 490	-1 955	-6 616	-8 446
Net cash flows from operating activities	-540	-1 388	-479	-1 238	-2 126	-5 334
Net cash flows from investing activities	-1 451	-2 061	-1 285	-1 838	-5 709	-7 920
Net cash flows from financing activities	2 530	1 255	2 241	1 119	9 954	4 822
Total net cash flows	539	-2 194	477	-1 957	2 120	-8 431

All figures, unless indicated otherwise, are expressed in thousands of USD.

For items of the statement of financial position

Item	**USD**		**EUR**		**PLN**	
	30.09.2020	**31.12.2019**	**30.09.2020**	**31.12.2019**	**30.09.2020**	**31.12.2019**
Total assets	13 379	12 389	11 425	11 048	51 721	47 050
Liabilities and provisions for liabilities	7 234	4 736	6 178	4 224	27 965	17 986
Non-current liabilities	415	484	354	432	1 604	1 838
Current liabilities	6 819	4 252	5 823	3 792	26 361	16 148
Equity attributable to the shareholders of the parent company	6 145	7 573	5 248	6 754	23 755	28 760
Share capital	1 153	1 143	985	1 019	4 457	4 341
Number of shares	11 527 170	11 425 670	11 527 170	11 425 670	11 527 170	11 425 670
Weighted average number of shares	11 476 420	11 403 045	11 476 420	11 403 045	11 476 420	11 403 045
Earnings (loss) per share (in USD and EUR)	-0.15	-0.34	-0.13	-0.30	-0.58	-1.30
Book value per share (in USD and EUR)	0.53	0.67	0.46	0.60	2.07	2.55

Representation by 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 at Silvair, Inc., and are a true, accurate and clear reflection of the Group's property and financial position and of its financial result.

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

All figures, unless indicated otherwise, are expressed in thousands of USD.

Interim consolidated statement of financial position

	Note No.	30 September 2020	31 December 2019	30 September 2019 corrected
A. Non-current assets		**11 241**	**10 752**	**10 499**
I. Costs of development work	1	10 354	9 896	9 567
II. Other intangible assets		72	17	14
III. Property, plant and equipment	3.2	23	34	33
IV. Right-of-use assets	3.7	14	171	194
V. Financial assets		7	7	7
VI. Deferred tax assets	5	771	627	684
B. Current assets		**2 138**	**1 637**	**1 438**
I. Inventory	6	11	9	19
II. Trade receivables	7	174	48	57
III. Other receivables		114	223	195
IV. Prepayments and accruals		4	61	28
V. Financial assets		-	-	-
VI. Cash and cash equivalents		1 835	1 296	1 139
Total assets		**13 379**	**12 389**	**11 937**

All figures, unless indicated otherwise, are expressed in thousands of USD.

	Note No.	30 September 2020	31 December 2019	30 September 2019 corrected
A. Equity		**6 145**	**7 653**	**8 776**
Equity attributable to the shareholders of the parent company		**6 145**	**7 573**	**8 681**
I. Share capital	**12**	1 153	1 143	1 143
II. Capital from revaluation of options	**13**	305	375	316
III. Other capital	**14**	21 622	21 253	21 224
IV. Minority interest transactions		-365	-445	-445
V. Capital from foreign exchange differences from translation of foreign operations		819	954	475
VI. Retained earnings		-15 707	-11 840	-11 840
VII. Financial result of the current period		-1 682	-3 867	-2 192
Equity attributable to non-controlling entities		**-**	**80**	**95**
B. Non-current liabilities		**415**	**484**	**549**
I. Deferred tax liabilities	**17**	21	24	25
II. Lease liabilities	**18.1**	-	-	40
III. Other non-current liabilities		-	11	42
IV. Prepayments and accruals	**21**	394	449	442
C. Current liabilities		**6 819**	**4 252**	**2 612**
I. Trade liabilities		135	231	201
II. Liabilities from contracts with customers	**20**	119	36	36
III. Lease liabilities	**18.1**	17	171	157
IV. Liabilities on bonds convertible to shares	**20**	5 691	2 954	1 423
V. Other current liabilities	**20**	376	345	313
VI. Other short-term provisions	**20**	56	82	71
VII. Prepayments and accruals	**21**	425	433	411
Equity and liabilities		**13 379**	**12 389**	**11 937**

All figures, unless indicated otherwise, are expressed in thousands of USD.

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

Interim consolidated profit and loss account	Note No.	01.01.2020 –30.09.2020	01.01.2019 –30.09.2019 corrected	01.07.2020 –30.09.2020	01.07.2019 –30.09.2019 corrected
A. Revenue	**22**	**267**	**140**	**138**	**26**
B. Cost of sales		**598**	**559**	**208**	**164**
C. Gross sales result		**-331**	**-419**	**-70**	**-138**
I. Selling and distribution expenses		416	319	111	82
II. General and administrative expenses		1 012	1 480	332	460
D. Net sales result		**-1 759**	**-2 218**	**-513**	**-680**
I. Other operating income		153	65	91	21
II. Other operating expenses		10	41	1	17
E. Operating result		**-1 616**	**-2 194**	**-423**	**-676**
I. Financial income		0	22	-32	-7
II. Financial costs		198	93	-85	8
F. Result before tax		**-1 814**	**-2 265**	**-370**	**-691**
I. Income tax		-132	-49	-53	-51
a) current part		15	5	5	-
b) deferred part		-147	-54	-58	-51
G. Profit/(loss) for the period		**-1 682**	**-2 216**	**-317**	**-640**
Profit/(loss) attributable to:					
shareholders of the parent company		-1 682	-2 192	-317	-635
non-controlling interest		0	-24	0	-5

All figures, unless indicated otherwise, are expressed in thousands of USD.

	01.01.2020 – 30.09.2020	01.01.2019 – 30.09.2019 corrected	01.07.2020 – 30.09.2020	01.07.2019 – 30.09.2019 corrected
Net earnings/(loss) per share (in USD)	**-0.15**	**-0.19**	**-0.03**	**-0.06**
Diluted earnings/(loss) per share (in USD)	**-0.12**	**-0.18**	**-0.01**	**-0.05**

Interim consolidated statement of other comprehensive income	01.01.2020 – 30.09.2020	01.01.2019 – 30.09.2019 corrected	01.07.2020 – 30.09.2020	01.07.2019 – 30.09.2019 corrected
Profit/(loss) for the period	**-1 682**	**-2 216**	**-317**	**-640**
Other comprehensive income	**-135**	**-559**	**163**	**-615**
1. Other comprehensive income to be reclassified to result in the future	-135	-559	163	-615
– foreign exchange differences from translation of foreign operations	-135	-559	163	-615
2. Other comprehensive income not to be reclassified to result in the future	-	-	-	-
Total comprehensive income	**-1 817**	**-2 775**	**-154**	**-1 255**
Total comprehensive income attributable to:				
shareholders of the parent company	-1 817	- 2 751	-154	-1 250
non-controlling interest	0	-24	0	-5

All figures, unless indicated otherwise, are expressed in thousands of USD.

Interim consolidated statement of changes in equity

Annual consolidated statement of changes in equity	Share capital	Capital from revaluation of options	Other capital	Minority interest transactions	Capital from foreign exchange differences from translation of foreign operations	Retained earnings	Financial result	Total equity	Equity attributable to non-controlling entities	Total equity
At the beginning of the period 01.01.2020	**1 143**	**375**	**21 253**	**-445**	**954**	**-15 707**	**-**	**7 573**	**80**	**7 653**
Correction of errors:	-	-	-	-	-	-	-	-	-	-
adjustment associated with the right to acquire shares	-	-	-	-	-	-	-	-	-	-
minority interest adjustment	-	-	-	-	-	-	-	-	-	-
At the beginning of the period 01.01.2020, corrected	**1 143**	**375**	**21 253**	**-445**	**954**	**-15 707**	**-**	**7 573**	**80**	**7 653**
Changes to equity in the period from 01.01 to 30.09.2020										
Exercise of stock options for Company shares	10	-	-	-	-	-	-	10	-	10
Issue of new shares as part of the stock plan	-	-369	369	-	-	-	-	0	-	0
Valuation of stock options under IFRS 2	-	299	-	-	-	-	-	299	-	299
Bonds convertible to shares classified as equity instruments	-	-	-	-	-	-	-	-	-	-
Change in the group's structure (transactions with non-controlling entities)	-	-	-	80	-	-	-	80	-80	0
Total transactions with owners	**10**	**-70**	**369**	**80**	**-**	**-**	**-**	**389**	**-80**	**309**
Result of the period	-	-	-	-	-	-	-1 682	-1 682	-	-1 682
Other comprehensive income for the period	-	-	-	-	-135	-	-	-135	-	-135
Total comprehensive income	**-**	**-**	**-**	**-**	**-135**	**-**	**-1 682**	**-1 817**	**-**	**-1 817**
At the end of the period 30.09.2020	**1 153**	**305**	**21 622**	**-365**	**819**	**-15 707**	**-1 682**	**6 145**	**0**	**6 145**

All figures, unless indicated otherwise, are expressed in thousands of USD.

Annual consolidated statement of changes in equity	Share capital	Capital from revaluation of options	Other capital	Minority interest transactions	Capital from foreign exchange differences from translation of foreign operations	Retained earnings	Financial result	Total equity	Equity attributable to non-controlling entities	Total equity
At the beginning of the period 01.01.2019	**1 138**	**155**	**21 147**	**-**	**1 034**	**-12 573**	**-**	**10 901**	**407**	**11 308**
Correction of errors:	**-**	**-**	**-**	**-445**	**-**	**733**	**-**	**288**	**-288**	**-**
adjustment associated with the right to acquire shares				-445		445		-	-	-
minority interest adjustment						288		288	-288	-
At the beginning of the period 01.01.2019, corrected	**1 138**	**155**	**21 147**	**-445**	**1 034**	**-11 840**	**-**	**11 189**	**119**	**11 308**
Changes to equity in the period from 01.01 to 31.12.2019										
Exercise of stock options for Company shares	1	-108	104	-	-	-	-	-3	-	-3
Issue of new shares as part of the stock plan	4	-2	2	-	-	-	-	4	-	4
Valuation of stock options under IFRS 2	-	330	-	-	-	-	-	330	-	330
Bonds convertible to shares classified as equity instruments	-	-	-	-	-	-	-	-	-	-
Change in the group's structure (transactions with non-controlling entities)	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	**5**	**220**	**106**	**-**	**-**	**-**	**-**	**331**	**-**	**331**
Result of the period	-	-	-		-	-	-3 867	-3 867	-39	-3 906
Other comprehensive income for the period	-	-	-		-80	-	-	-80	-	-80
Total comprehensive income	**-**	**-**	**-**		**-80**	**-**	**-3 867**	**-3 947**	**-39**	**-3 986**
At the end of the period 31.12.2019	**1 143**	**375**	**21 253**	**-445**	**954**	**-11 840**	**-3 867**	**7 573**	**80**	**7 653**

All figures, unless indicated otherwise, are expressed in thousands of USD.

Annual consolidated statement of changes in equity - corrected	Share capital	Capital from revaluation of options	Other capital	Minority interest transactions	Capital from foreign exchange differences from translation of foreign operations	Retained earnings	Financial result	Total equity	Equity attributable to non-controlling entities	Total equity
At the beginning of the period 01.01.2019	**1 138**	**155**	**21 147**	**-**	**1 034**	**-12 573**	**-**	**10 901**	**407**	**11 308**
Correction of errors:	**-**	**-**	**-**	**-445**	**-**	**733**	**-**	**288**	**-288**	**-**
adjustment associated with the right to acquire shares				-445		445		-	-	-
minority interest adjustment						288		288	-288	-
At the beginning of the period 01.01.2019, corrected	**1 138**	**155**	**21 147**	**-445**	**1 034**	**-11 840**	**-**	**11 189**	**119**	**11 308**
Changes to equity in the period from 01.01 to 30.09.2019										
Exercise of stock options for Company shares	1	-80	75	-	-	-	-	-4	-	-4
Issue of new shares as part of the stock plan	4	-2	2	-	-	-	-	4	-	4
Valuation of stock options under IFRS 2	-	243	-	-	-	-	-	243	-	243
Bonds convertible to shares classified as equity instruments	-	-	-	-	-	-	-	-	-	-
Change in the group's structure (transactions with non-controlling entities)	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	**5**	161	**77**	**-**	**-**	**-**	**-**	**243**	**-**	**243**
Result of the period	-	-	-		-	-	-2 192	-2 192	-24	-2 216
Other comprehensive income for the period	-	-	-	-	-559	-	-	-559	-	-559
Total comprehensive income	**-**	**-**	**-**	**-**	**-559**	**-**	**-2 192**	**-2 751**	**-24**	**2 775**
At the end of the period 30.09.2019	**1 143**	**316**	**21 224**	**-445**	**475**	**-11 840**	**-2 192**	**8 681**	**95**	**8 776**

All figures, unless indicated otherwise, are expressed in thousands of USD.

Interim consolidated cash flow statement

	Note No.	01.01.2020 – 30.09.2020	01.01.2019 – 30.09.2019 corrected	01.07.2020 – 30.09.2020	01.07.2019 – 30.09.2019 corrected
Profit (loss) before tax		**-1 814**	**-2 265**	**-370**	**-691**
Adjustments for:		**1 274**	**887**	**202**	**169**
1. Depreciation and amortization		838	887	284	293
2. Foreign exchange gains (losses)		159	64	-286	42
3. Interest and profit sharing (dividends)		137	-2	59	9
4. Profits (losses) from investment activities		-4	2	-	-
5. Movement in provisions		-26	19	-19	-4
6. Movement in inventory		-2	-6	0	-1
7. Movement in receivables		-17	-92	-73	-23
8. Movement in current liabilities, except for loans and borrowings		172	14	-36	-44
9. Tax paid		-15	5	-5	-
10. Movement in prepayments and accruals		-150	-206	-34	-189
11. Other adjustments resulting from operating activity		182	204	311	86
Net cash from operating activities		**-540**	**-1 378**	**-168**	**-522**
Proceeds		4	-	-2	-
1. Disposal of intangible assets and property, plant and equipment		4	-	-2	-
2. From financial assets, including:		-	-	-	-
a) in related entities		-	-	-	-
b) in other entities		-	-	-	-
Expenditures		1 455	2 061	362	718
1. Purchase of intangible assets and property, plant and equipment		83	19	13	9
2. Expenditures incurred for development work		1 372	2 042	349	709

All figures, unless indicated otherwise, are expressed in thousands of USD.

3. For financial assets, including:	-	-	-	-
a) in other entities	-	-	-	-
Net cash from investing activities	**-1 451**	**-2 061**	**-363**	**-718**
Proceeds	2 609	1 545	1 897	1 449
1. Net proceeds from issuing shares and additional capital contributions	10	84	-	44
2. Loans and borrowings drawn	-	-	-	-
3. Proceeds from the issue of debt securities	2 599	1 412	1 899	1 412
4. Interest	0	22	-2	-7
Expenditures	79	271	17	98
1. Repayment of loans and borrowings	21	111	-5	36
2. Repayment of lease liabilities	58	134	22	54
3. Interest	0	26	0	8
Net cash from financing activities	**2 530**	**1 245**	**1 880**	**1 351**
Net cash flows	**539**	**-2 194**	**1 349**	**111**
Movement in cash	**539**	**-2 194**	**1 349**	**111**
- movement in cash on account of foreign exchange differences	-	-	-	-
Cash at the beginning of the period	**1 296**	**3 333**	**486**	**1 028**
Cash and cash equivalents at the end of the period	**1 835**	**1 139**	**1 835**	**1 139**

Explanatory notes to the interim consolidated financial statements

Corrections of prior period errors

Type of error

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

As a consequence of the above, as at 30 June 2019, the Group incorrectly presented the value of equity attributable to non-controlling entities and the value of equity attributable to the parent company.

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

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

As a consequence of the actions taken by the Company, the agreement transferring the ownership of the Shares in Sway from ASI Bridge to Silvair, Inc. was entered into on 7 January 2020.

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

All figures, unless indicated otherwise, are expressed in thousands of USD.

Impact of the introduced correction on interim consolidated financial statements

Statement of financial position as at 30.09.2019	
Item	**Amount**
Minority interest transactions	-445
Retained earnings	733
Equity attributable to non-controlling entities	-288

In addition, the valuation and valuation presentation have been changed for convertible notes which were presented in the report for the three quarters of 2019 taking into account the rights to conversion to capital, and the initial fair value of the bond part of the liability was calculated using the market interest rate for an equivalent non-convertible bond as at the date of issue. The liability was then recognized at amortized cost until its expiration after the bonds are converted or mature. The remaining portion of the proceeds was allocated to the conversion option and recognized in equity, and is not subject to remeasurement.

Currently, convertible notes are presented as liabilities measured at the adjusted purchase price.

Statement of financial position as at 30.09.2019	
Item	**Amount**
Other capital	-40
Net result	6
Other current liabilities	34

The Issuer has also made a presentation change regarding the division of accruals (subsidies settled over time) into short-term and long-term.

Impact of changes on earnings/(loss) per share

The change had an insignificant impact on the loss for the three quarters of 2019, and did not affect the loss per share which amounted to USD -0.18.

Impact of changes on the statement of financial position as at 30.09.2019

Statement of financial position (USD '000s)	As at 30.09.2019 published	Change	As at 30.09.2019 corrected
A. Non-current assets	**10 499**	**-**	**10 499**
I. Costs of development work	9 567	-	9 567
II. Other intangible assets	14	-	14
III. Property, plant and equipment	33	-	33
IV. Right-of-use assets	194	-	194
V. Financial assets	7	-	7
VI. Deferred tax assets	684	-	684
B. Current assets	**1 438**	**-**	**1 438**
I. Inventory	19	-	19
II. Trade receivables	57	-	57
III. Other receivables	195	-	195
IV. Prepayments and accruals	28	-	28
V. Financial assets	-	-	-
VI. Cash and cash equivalents	1 139	-	1 139
Total assets	**11 937**	**-**	**11 937**

All figures, unless indicated otherwise, are expressed in thousands of USD.

	As at 30.09.2019 published	Change	As at 30.09.2019 corrected
A. Equity	**8 810**	**-34**	**8 776**
Equity attributable to the shareholders of the parent company	**8 427**	**254**	**8 681**
I Share capital	1 143	-	1 143
II Capital from revaluation of options	316	-	316
III. Other capital	21 264	-40	21 224
IV. Minority interest transactions	-	-445	-445
V. Capital from foreign exchange differences	475	-	475
VI. Retained earnings	-12 573	733	-11 840
VII. Financial result of the current period	-2 198	6	-2 192
Equity attributable to non-controlling entities	**383**	**-288**	**95**
B. Non-current liabilities	**107**	**442**	**549**
I. Deferred tax liabilities	25	-	25
II. Lease liabilities	40	-	40
III. Other non-current liabilities	42	-	42
IV. Prepayments and accruals	-	442	442
C. Current liabilities	**3 020**	**-408**	**2 612**
I. Trade liabilities	201	-	201
II. Liabilities from contracts with customers	36	-	36
III. Lease liabilities	157	-	157
IV. Other current liabilities	1 702	34	1 736
V. Other short-term provisions	71	-	71
VI. Prepayments and accruals	853	-442	411
Equity and liabilities	**11 937**	**-**	**11 937**

All figures, unless indicated otherwise, are expressed in thousands of USD.

Interim consolidated profit and loss account	01.01.2020 –30.09.2020	Changes	01.01.2019 –30.09.2019 corrected
A. Revenue	**140**	**-**	**140**
B. Cost of sales	**559**	**-**	**559**
C. Gross sales result	**-419**	**-**	**-419**
I. Selling and distribution expenses	319	-	319
II. General and administrative expenses	1 480	-	1 480
D. Net sales result	**-2 218**	**-**	**-2 218**
I. Other operating income	65	-	65
II. Other operating expenses	41	-	41
E. Operating result	**-2 194**	**-**	**-2 194**
I. Financial income	22	-	22
II. Financial costs	99	-6	93
F. Result before tax	**-2 271**	**6**	**-2 265**
I. Income tax	-49	-	-49
a) current part	5	-	5
b) deferred part	-54	-	-54
G. Profit/(loss) for the period	**-2 222**	**6**	**-2 216**
Profit/(loss) attributable to:			
shareholders of the parent company	-2 198	6	-2 192
non-controlling interest	-24	-	-24

Basis for preparation and accounting policies

Basis for preparation of the consolidated financial statements

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

These interim consolidated financial statements of the Group cover the period of 9 months ended on 30 September 2020 and have been prepared in accordance with IAS 34 "Interim Financial Reporting".

The comparative financial data for the period of 9 months ended 30 September 2019 has been prepared on the same basis of financial statements preparation.

The interim condensed consolidated financial statements do not contain all the information that is disclosed in the annual consolidated financial statements prepared in accordance with IFRS. These interim condensed consolidated financial statements should be read together with the Group's consolidated financial statements for 2019 which were made public on 6 April 2020.

Changes effective for annual periods beginning on or after 1 January 2020.

Amended standards and interpretations, which are applicable for the first time in 2020, do not have a material impact on the Company's interim condensed financial statements.

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

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

  The IAS Board clarified the rules for classifying liabilities as current and non-current mainly in two following aspects:

  - it was clarified that the classification depends on the rights held by the entity as at the balance sheet date,
  - the management's intentions with regard to the acceleration or delay of the liability payment are not taken into account.

- Amendment to IFRS 3 "Business Combinations"

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

  - it clarifies that to be considered a business, an acquired set of activities and assets must include an input and material processes that together significantly contribute to the ability to create outputs,
  - narrows the definition of outputs and thereby also of a business by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs,

- adds guidance and illustrative examples to help entities assess whether a material process has been acquired as part of combination,
- removes the assessment of whether it is possible to replace any missing inputs or processes and continue to operate a business in order to produce outputs; and
- adds an optional possibility of conducting a simplified assessment of whether an acquired set of activities and assets is not a business.

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

- Amendments to references to the Conceptual Framework in IFRS

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

- Amendments to IFRS 9, IAS 39 and IFRS 7

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

- Amendment to IAS 14 "Regulatory Deferral Accounts" (published on 30 January 2014) – in accordance with the decision of the European Commission, the approval process for the standard in the draft version will not be initiated before the publication of the standard in its final version – as at the day of the approval of these financial statements, it has not been approved by the EU – applicable to annual periods beginning on or after 1 January 2016;
- Amendments to IFRS 10 and IAS 28: Transactions of sale or contribution of assets between an investor and its associate or joint venture (published on 11 September 2014) – the works leading to the approval of these amendments have been postponed indefinitely by the EU – the effective date has been postponed by the IASB for an indefinite period.
- IFRS 17 Insurance Contracts (published on 18 May 2017) including Amendments to IFRS 17 (published on 25 June 2020) – as at the day of the approval of these financial statements, it has not been approved by the EU – applicable to annual periods beginning on or after 1 January 2023.

- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (published on 14 May 2020) – as at the day of the approval of these financial statements, it has not been approved by the EU – applicable to annual periods beginning on or after 1 January 2022.
- Amendments to IAS 37 Onerous Contracts — Cost of Fulfilling a Contract (published on 14 May 2020) – as at the day of the approval of these financial statements, it has not been approved by the EU – applicable to annual periods beginning on or after 1 January 2022.
- Amendments resulting from the IFRS 2018-2020 review (published on 14 May 2020) – as at the day of the approval of these financial statements, it has not been approved by the EU – applicable to annual periods beginning on or after 1 January 2022.
- Amendment to IFRS 16 Leases: Covid-19-Related Rent Concessions (published on 28 May 2020) – as at the day of the approval of these financial statements, it has not been approved by the EU – applicable to annual periods beginning on or after 1 June 2020. Earlier application is permitted, including for financial statements not approved for publication as of 28 May 2020.

The effective dates are the dates resulting from the standards published by the International Financial Reporting Board. The dates of application of the standards in the European Union may differ from the dates of application resulting from the content of the standards, and are announced at the time of approval for use by the European Union.

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

In these consolidated financial statements, no voluntary early application of any standard or interpretation has been applied. The Company is currently analyzing how the introduction of the above standards and interpretations may affect the financial statements and the accounting principles (policies) applied by the Company.

All figures, unless indicated otherwise, are expressed in thousands of USD.

Description of adopted accounting policies

These consolidated financial statements have been prepared in accordance with the same accounting policies as the annual consolidated financial statements of the Silvair, Inc. Group for the year 2019.

Translation of items in foreign currencies

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

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

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

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

	30 September 2020	31 December 2019	30 September 2019
PLN/USD	0.2587	0.2633	0.2678

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

	For the period from 01.01.2020 to 30.09.2020	For the period from 01.01.2019 to 31.12.2019	For the period from 01.01.2019 to 30.09.2019
PLN/USD	0.2542	0.2601	0.2636

Uncertainty of estimates

In preparation of the interim consolidated financial statements, the Parent Company's Board uses its judgment in making numerous estimates and assumptions that affect the adopted accounting policies and the presented values of assets, liabilities, revenues and costs. Although the adopted assumptions and estimates rely on the best knowledge of the Company's management regarding current actions and events, the actual results may differ from the expectations. As regards the development works conducted by the Issuer, two key assumptions have been identified for which there is a significant risk of material adjustments of the carrying amounts of the Group's assets:

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

2. The pursuit of the Group's strategy depends on the success of its development work and effective commercialization of the developed products. Although the first products have already been launched in the market, the Issuer cannot rule out that the current form of these products will not satisfy customer requirements or will require additional, unpredicted modifications.

Since the above assumptions pertain to a longer time horizon, in the Issuer's assessment, they do not have any significant impact on the risk of major adjustments of the carrying amounts of the Group's assets during the next financial year.

The uncertainty of estimates is also burdened with the risk relating to not fully known consequences of the situation caused by COVID 19. In the opinion of the Board, currently this does not result in the necessity to make adjustments to the carrying amounts of the Group's assets.

Subjective assessments and judgments

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

- impairment of expenditures for development work (see Note 1.2)
- impairment of property, plant and equipment (see Note 3.2)
- impairment losses (see Note 5, 6, and 7)
- revenues from contracts with customers (see Note 22.1)
- provisions (see Note 20.3)
- share-based payment agreements (see Note 30)

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

Business combinations and loss of control

In the first 9 months of 2020, there were no business combinations or loss of control in the Group. There were no such events in 2019 either.

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

All figures, unless indicated otherwise, are expressed in thousands of USD.

Note 1.2 Changes in costs of development work

Costs of development work (*)	In the period 01.01.2020 - 30.09.2020	In the period 01.01.2019 - 31.12.2019	In the period 01.01.2019 - 30.09.2019
1. Gross value at the beginning of the period	**12 912**	**10 186**	**10 186**
Additions, including:	1 372	2 792	2 042
– expenditures incurred	1 372	2 792	2 042
– foreign exchange differences from measurement in presentation currency	-	-	-
Reductions, including:	159	66	581
– liquidation and sale	-	-	-
– foreign exchange differences from measurement in presentation currency	159	66	581
2. Gross value at the end of the period	**14 125**	**12 912**	**11 647**
3. Accumulated depreciation at the beginning of the period	**2 323**	**1 349**	**1 349**
Additions	829	974	731
Reductions	-	-	-
4. Accumulated depreciation at the end of the period	**3 152**	**2 323**	**2 080**
5. Impairment losses at the beginning of the period	**693**	**-**	**-**
Additions	-	693	-
Reductions	74	-	-
6. Impairment losses at the end of the period	**619**	**693**	**-**
7. Net value at the beginning of the period	**9 896**	**8 837**	**8 837**
8. Net value at the end of the period	**10 354**	**9 896**	**9 567**

(*) 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.

As at 30 September 2020, there are no costs of development work with limited right-of-use in the Group.

Estimates:

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

All figures, unless indicated otherwise, are expressed in thousands of USD.

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

Cash generating unit	The value of development work as at 30.09.2020	Recoverable amount*
Bluetooth Mesh Protocol and Silvair Mesh Stack	4 889	17 306
Silvair Platform and Multi ALS	4 391	103 727
Wi-Home	997	2 296
Total	**10 277**	**123 329**

** Recoverable amount determined at the end of 2019.*

In the opinion of the Board, as at the balance sheet date, there were no premises indicating an additional impairment of expenditures on development work compared to 31 December 2019.

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

No.	Item	Own land	Buildings and structures	Technical machinery and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Total
1.	**Gross value as at 01.01.2020**	-	**24**	**252**	-	**32**	-	**308**
	Additions, including:	-	-	6	-	-	-	6
	acquisition	-	-	4	-	-	-	4
	foreign exchange differences from measurement in presentation currency	-	-	2	-	-	-	2
	Reductions, including:	-	1	18	-	-	-	19
	liquidation and sale	-	-	18	-	-	-	18
	foreign exchange differences from measurement in presentation currency	-	1	-	-	-	-	1
2.	**Gross value as at 30.09.2020**	-	**23**	**240**	-	**32**	-	**295**
3.	**Accumulated depreciation as at 01.01.2020**	-	**16**	**226**	-	**32**	-	**274**
	Additions	-	1	13	-	-	-	14
	Reductions	-	-	16	-	-	-	16
4.	**Accumulated depreciation as at 30.09.2020**	-	**17**	**223**	-	**32**	-	**272**
5.	**Net value as at 01.01.2020**	-	**8**	**26**	-	-	-	**34**
6.	**Net value as at 30.09.2020**	-	**6**	**17**	-	-	-	**23**

All figures, unless indicated otherwise, are expressed in thousands of USD.

No.	Item	Own land	Buildings and structures	Technical machinery and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Total
1.	**Gross value as at 01.01.2019**	**-**	**22**	**230**	**-**	**38**	**-**	**290**
	Additions, including:	-	2	27	-	-	-	29
	acquisition	-	-	27	-	-	-	27
	internal relocation	-	2	-	-	-	-	2
	Reductions, including:	-	-	5	-	6	-	11
	liquidation and sale	-	-	3	-	6	-	9
	internal relocation	-	-	-	-	-	-	-
	foreign exchange differences from measurement in presentation currency	-	-	2	-	-	-	2
2.	**Gross value as at 31.12.2019**	**-**	**24**	**252**	**-**	**32**	**-**	**308**
3.	**Accumulated depreciation as at 01.01.2019**	**-**	**14**	**187**	**-**	**32**	**-**	**233**
	Additions	-	2	42	-	1	-	45
	Reductions	-	-	3	-	1	-	4
4.	**Accumulated depreciation as at 31.12.2019**	**-**	**16**	**226**	**-**	**32**	**-**	**274**
5.	**Net value as at 01.01.2019**	**-**	**8**	**43**	**-**	**6**	**-**	**57**
6.	**Net value as at 31.12.2019**	**-**	**8**	**26**	**-**	**0**	**-**	**34**

All figures, unless indicated otherwise, are expressed in thousands of USD.

No.	Item	Own land	Buildings and structures	Technical machinery and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Total
1.	**Gross value as at 01.01.2019**	**-**	**22**	**230**	**-**	**38**	**-**	**290**
	Additions, including:	-	1	18	-	1	-	20
	acquisition	-	-	18	-	1	-	19
	foreign exchange differences from measurement in presentation currency	-	1	-	-	-	-	1
	Reductions, including:	-	-	7	-	6	-	13
	liquidation and sale	-	-	3	-	-	-	3
	foreign exchange differences from measurement in presentation currency	-	-	4	-	6	-	10
2.	**Gross value as at 30.09.2019**	**-**	**23**	**241**	**-**	**33**	**-**	**297**
3.	**Accumulated depreciation as at 01.01.2019**	**-**	**14**	**187**	**-**	**32**	**-**	**233**
	Additions	-	1	32	-	1	-	34
	Reductions	-	-	3	-	-	-	3
4.	**Accumulated depreciation as at 30.09.2019**	**-**	**15**	**216**	**-**	**33**	**-**	**264**
5.	**Net value as at 01.01.2019**	**-**	**8**	**43**	**-**	**6**	**-**	**57**
6.	**Net value as at 30.09.2019**	**-**	**8**	**25**	**-**	**0**	**-**	**33**

The Group has no property, plant and equipment with restricted property and use rights. The depreciation expenses for non-current assets in 2019-2020 were charged to general and administrative expenses or capitalized in the value of development work, depending on the purpose of non-current assets.

As at 30 September 2020, as at 31 December 2019, and as at 30 September 2019, there were no contractual obligations related to the purchase of property, plant and equipment.

As at 30 September 2020, as at 31 December 2019, and as at 30 September 2019, there were no liabilities to the state budget or local government units related to the acquisition of ownership titles to buildings and structures.

Estimates:

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

All figures, unless indicated otherwise, are expressed in thousands of USD.

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

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

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

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

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

Note 3.7 Right-of-use assets

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

No.	Item	01.01.2020 – 30.09.2020	01.01.2019 – 31.12.2019	01.01.2019 – 30.09.2019
1.	**Gross value at the beginning of the period**	**332**	**-**	**-**
	Additions, including:	15	332	332
	acquisition	-	-	-
	internal relocation	-	332	332
	foreign exchange differences from measurement in presentation currency	15		
	Reductions, including:	107	-	-
	revaluation (change of contract terms)	107	-	-
	foreign exchange differences from measurement in presentation currency	-	-	17
2.	**Gross value at the end of the period**	**240**	**332**	**315**
3.	**Accumulated depreciation at the beginning of the period**	**161**	**-**	**-**
	Additions	65	161	121
	Reductions	-	-	-
4.	**Accumulated depreciation at the end of the period**	**226**	**161**	**121**
5.	**Net value at the beginning of the period**	**171**	**-**	**-**
6.	**Net value at the end of the period**	**14**	**171**	**194**

All figures, unless indicated otherwise, are expressed in thousands of USD.

As at 30 September 2020, as at 31 December 2019, and as at 30 September 2019, the subsidiaries, i.e. Silvair Sp. z o.o. and Sway Sp. z o.o, were parties to a lease agreement for a property in Kraków at ul. Jasnogórska.

On 2 March 2020, the terms of the contracts providing for the right to use the property in which Silvair Sp. z o.o. and Sway Sp. z o.o. conduct activity were changed. In connection with the amendment to the contracts, the Group reassessed the classification of the contracts pursuant to IFRS 16 and concluded that the amended contracts still satisfy the criteria for recognition of right-of-use assets. The amendment to the contracts assumes a reduction of the monthly rent in the period from March to December 2020 and a change in the lease area from 2 March 2020. Due to the change in contracts, the value of the right-of-use and the lease liability decreased by the amount of USD 74,000.

Note 5 Deferred tax assets

Deferred tax assets	30.09.2020	31.12.2019	30.09.2019
Deferred tax assets at the beginning of the period, including:	**627**	**620**	**620**
through profit or loss	614	620	620
through equity	13	-	-
Additions	**144**	**395**	**276**
through profit or loss	144	382	276
through equity	-	13	-
Reductions	**-**	**388**	**212**
through profit or loss	-	388	212
through equity	-	-	-
Deferred tax assets at the end of the period, including:	**771**	**627**	**684**
through profit or loss	758	614	684
through equity	13	13	-

Deferred tax assets arising from temporary differences resulting from:	30.09.2020	31.12.2019	30.09.2019
Accumulated tax losses to be used	9 920	9 263	8 985
Impairment losses on deferred tax assets up to the amount of tax losses available for use in the future (calculation based on the financial budget)	-5 860	-5 965	-5 383
Total	**4 060**	**3 298**	**3 602**
Deferred tax assets (19%)	**771**	**627**	**684**

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

All figures, unless indicated otherwise, are expressed in thousands of USD.

Estimates:

The Company evaluates, as at each balance sheet date, the possibility of realization of the deferred tax asset. This assessment requires a professional judgment and estimates regarding, among others, future tax results. The recognized deferred tax assets cover the loss from 2020, 2019, and partially from 2018. As at 30 September 2020, no grounds were found to recognize an additional impairment loss. The adopted assumptions regarding the probability of realization of revenues by the Group in individual years justify the keeping of the asset on the presented level.

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

Note 6 Inventory

Inventory	30.09.2020	31.12.2019	30.09.2019
Materials in processing (own entrusted for testing)	-	-	4
Goods for resale	48	47	45
Impairment loss on merchandise	-37	-38	-30
Total	**11**	**9**	**19**

Inventory releases are recognized using the detailed identification method. As at each balance sheet date, the Company analyzes whether the carrying amount of inventory is higher than or equal to the realizable sales price. Impairment losses on the inventory are recognized in operating expenses. As at 30 September 2020, the level of the loss remained on the 31 December 2019 level, adjusted by the USD/PLN exchange rate differences.

Note 7 Trade receivables

Trade receivables	30.09.2020	31.12.2019	30.09.2019
From related entities	-	-	-
From other entities	203	74	84
Impairment losses	-29	-26	-27
Total	**174**	**48**	**57**

Note 7.1 Impairment losses on trade receivables

As at 30 September 2020, impairment losses on trade receivables amounted to USD 29 thousand. As at 31 December 2019, impairment losses on trade receivables amounted to USD 26 thousand, and as at 30 September 2019, they amounted to USD 27 thousand.

The movement in impairment losses in the reporting period results from exchange rate differences on valuation in the presentation currency.

Estimates:

To estimate the impairment losses on trade receivables, the Group applies the individual approach to each customer. Since the Issuer's sales revenues appeared in material amounts only in H1 2019, there is no possibility of relying on the provisions matrix prepared on the basis of historical data regarding repayment of receivables by business partners. The estimates were based on such parameters as the delay time, and the position and reliability of the business partner in the market.

Note 12 Share capital

Share capital of the Parent Company as at 30 September 2020

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

Type	Number of shares	Par value (USD '000s)	Share subscription price (USD '000s)	Share premium account (USD '000s)
Common Stock	10 567 170	1 057	20 791	19 734
Preferred Stock	960 000	96	125	29
Total	**11 527 170**	**1 153**	**20 916**	**19 763**

The following table contains a list of shareholders entitled to, directly or indirectly (through subsidiaries), at least 5% of the total number of votes at the Company's shareholder meeting as at the date of submission of this consolidated quarterly report for the period of the first 3 quarters of 2020:

Share capital ownership structure	Number of shares	% of shares	Number of votes (1)	% of votes
Szymon Słupik	1 884 711	16.35	3 529 871	21.62
Rafał Han	1 832 656	15.90	3 464 656	21.22
Adam Gembala	1 018 760	8.84	2 145 520	13.14
Other shareholders holding less than 5% of shares	6 791 043	58.91	7 187 123	44.02
Total	**11 527 170**	**100.00**	**16 327 170**	**100.00**

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

On 1 August 2020, an annex to the Agreement between the Company and its consultant was signed. The annex changes the terms of awarding shares, and provides for the granting of 1,150 shares on 1 April 2020, granting of 575 shares on each 7th day of the month from 7 June 2020 to 7 August 2020 (a total of 1,725 shares), and granting of 2,300 shares on each 7th day of the month from 7 September 2020 to 7 December 2020 (a total of 6,900 shares), as long as the consultant maintains the Continuous Service Status within the meaning of the Agreement as at the date of granting of these shares. By 30 September 2020, 33,500 shares have been allocated to the Consultant.

As at 30 September 2020, out of the 11,527,170 issued shares, 11,520,270 shares were paid up in full, and 6,900 shares were not paid up.

Share capital of the Parent Company as at 31 December 2019

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

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

As at 31 December 2019, out of the 11,425,670 issued shares, 11,405,420 shares were paid up in full, and 17,250 shares were not paid up.

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

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

Share capital as at 30 Septemer 2019

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

Type	Number of shares	Par value (USD '000s)	Share subscription price (USD '000s)	Share premium account (USD '000s)
Common Stock	10 465 670	1 047	20 305	19 258
Preferred Stock	960 000	96	125	29
Total	**11 425 670**	**1 143**	**20 430**	**19 287**

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

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

All figures, unless indicated otherwise, are expressed in thousands of USD.

As at 30 September 2019, out of the 11,425,670 issued shares, 11,401,520 shares were paid up in full, and 24,150 shares were not paid up.

Note 13 Capital from revaluation of options

Capital from revaluation of options	30.09.2020	31.12.2019	30.09.2019
Valuation of stock options under IFRS 2	305	375	316
Total	**305**	**375**	**316**

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

Note 14.1 Other capital

Other capital	30.09.2020	31.12.2019	30.09.2019
Supplementary capital	21 622	21 253	21 224
Total	**21 622**	**21 253**	**21 224**

Note 14.2 Changes in other capital

Changes in other capital	In the period 01.01.2020 - 30.09.2020	In the period 01.01.2019 - 31.12.2019	In the period 01.01.2019 - 30.09.2019
At the beginning of the period	**21 253**	**21 147**	**21 147**
Exercise of stock options for Company shares	369	108	79
Unpaid capital which has been called up	-	-2	-2
At the end of the period	**21 622**	**21 253**	**21 224**

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.

Diluting options also include the allocation of shares in the Parent Company in the period from 1 January 2020 to the publication date.

All figures, unless indicated otherwise, are expressed in thousands of USD.

Earnings/(loss) per share in the period covered by the financial statements:	**30.09.2020**	**31.12.2019**	**30.09.2019**
Weighted average number of Parent Company's shares in the period	11 476 420	11 403 045	11 403 045
Number of diluting options	4 557 689	2 118 665	528 750
Weighted average number of Parent Company's shares in the period after diluting options	14 814 597	12 323 584	11 528 627
Continued operations			
Earnings/(loss) per share (USD)	**-0.15**	**-0.34**	**-0.19**
Diluted earnings/(loss) per share (USD)	**-0.11**	**-0.31**	**-0.19**
Discontinued operations			
Earnings/(loss) per share (USD)	-	-	-
Diluted earnings/(loss) per share (USD)	-	-	-
Continued and discontinued operations	-	-	-
Earnings/(loss) per share (USD)	**-0.15**	**-0.34**	**-0.19**
Diluted earnings/(loss) per share (USD)	**-0.11**	**-0.31**	**-0.18**

Note 17 Deferred tax liabilities

Deferred tax liability	**30.09.2020**	**31.12.2019**	**30.09.2019**
Deferred tax liabilities at the beginning of the period, including:	**24**	**28**	**28**
through profit or loss	24	28	28
through equity	-	-	-
Additions:	-	-	-
through profit or loss	-	-	-
through equity	-	-	-
Reductions:	**3**	**4**	**3**
through profit or loss	3	4	3
through equity	-	-	-
Deferred tax liabilities at the end of the period, including:	**21**	**24**	**25**
through profit or loss	21	24	25
through equity	-	-	-

Deferred tax liabilities arising from temporary differences resulting from:	30.09.2020	31.12.2019	30.09.2019
Difference between the tax value and carrying amount of completed development work	111	126	132
Total	**111**	**126**	**132**
Deferred tax liabilities (19%)	**21**	**24**	**25**

Note 18.1 Liabilities under leases

Lease liabilities	30.09.2020	31.12.2019	30.09.2019
Non-current	-	-	40
Current	17	171	157
Total	**17**	**171**	**197**

The lease liability pertains to real property lease agreements which, pursuant to IFRS 16, have been classified to lease liabilities. A detailed description is presented in Note 3.7 Right-of-use assets. Valuation of liabilities does not comprise variable fees for consumption of utilities associated with the use of the real properties.

Repayment of the interest part in the reporting period amounted to USD 1.66 thousand.

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

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

Note 20.1 Other liabilities (current)

Other current liabilities	30.09.2020	31.12.2019	30.09.2019
To related entities	-	-	-
To other entities, including:	376	344	313
on loans	123	133	126
on taxes and other public benefits	213	113	101
on payroll	40	92	86
other	-	7	-
Total	**376**	**345**	**313**

All figures, unless indicated otherwise, are expressed in thousands of USD.

Note 20.1.1 Liabilities on bonds convertible to shares

Current liabilities on bonds convertible to shares	01.01.2020 – 30.09.2020	01.01.2019 – 31.12.2019	01.01.2019 – 30.09.2019
As at the beginning of the period	2 954	-	-
additions	2 737	2 954	1 423
reductions	-	-	-
Razem	**5 691**	**2 954**	**1 423**

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

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

On 10 August 2020, the Board of Directors adopted resolutions on significant changes to the terms of issue of the Convertible Securities ("Revised Convertible Securities") issued pursuant to the decision of the Company's Board of Directors of 8 August 2019. The content of the adopted resolution was made public by the Company in Current Report No. 17/2020. The terms of the Revised Convertible Securities provide that:

- The total par value of liabilities that the Company may incur under the Revised Convertible Securities is increased from USD 5.5 million to USD 6.0 million;
- The Maturity Date of the Revised Convertible Securities is changed so that the holders of the Revised Convertible Securities have the right to request redemption of the Revised Convertible Securities and payment of the principal amount with interest accrued and unpaid at any time after 31 December 2020, 2021, or 2022, respectively, depending on the terms of issue and the date of issue of individual Revised Convertible Securities;

All figures, unless indicated otherwise, are expressed in thousands of USD.

- The conversion mechanism is modified in such a way that the Conversion Amount will be converted into common shares of the new issue of the Company only in the event of: (i) Change of Control; (ii) or on 15 December 2020, 2021, or 2022 (depending on the terms and date of issue of the relevant Revised Convertible Security), whereby the conversion will not result in a determination that the Company will issue within the preceding 12 months: (i) 20% of the number of the Company's shares admitted to trading on the regulated market operated by the Warsaw Stock Exchange on a date falling 12 months before the conversion, nor (ii) shares in the number specified in the Revised Convertible Securities, i.e. 1,073,757 shares in 2020, 1,168,928 shares in 2021, and 1,423,178 shares in 2022, depending on whichever number of shares is lower.
- The Revised Convertible Securities will be converted into newly issued common stock of the Company at a fixed price of USD 1.65 ("Conversion Price"). In particular, as a result of the Conversion, the Company will issue its common shares to the holders of the Revised Convertible Securities in the number equal to the quotient of the Conversion Amount and the Conversion Price.

On 13 July 2020, as part of the change of the terms of issue of Convertible Securities adopted by the Board of Directors, the Company issued Revised Convertible Securities with a par value of USD 1.8 million. The content of the notification was made public by the Company in Current Report No. 20/2020.

By 30 September 2020, the Company has issued Convertible Securities with a total par value of USD 5.512 million.

Bonds convertible to shares	**30.09.2020**	**31.12.2019**	**30.09.2019**
Par value of issued bonds	5 512	2 912	1 412
Interest expense	179	42	11
Interest paid	-	-	-
Bond liability	**5 691**	**2 954**	**1 423**

As a result of the assessment, it was concluded that the bonds do not contain an equity component and are not considered complex financial instruments in accordance with IAS 32, and therefore are fully a liability measured at amortized cost.

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

In order to secure the loan granted by the Polish Agency for Enterprise Development (PARP) in the amount of PLN 2 million, whose balance as at 30 September 2020 amounted to PLN 473 thousand (USD 123 thousand), as at 31 December 2019 – to PLN 547 thousand (USD 144 thousand), and as at 30 September 2019 – to PLN 789 thousand (USD 214 thousand), the company Sway Sp. z o.o. issued a blank promissory note. Since 25 February 2020, the Group does not repay on an ongoing basis the installments of the investment loan from the Polish Agency for Enterprise Development (PARP) which was contracted by Sway in 2013. The Group has requested PARP to postpone repayment of these installments due to the effects of the COVID19 pandemic. The value of unpaid installments as at the date of publication is PLN 392.4 thousand (USD 101.5 thousand).

All figures, unless indicated otherwise, are expressed in thousands of USD.

As at 30 September 2020, as at 31 December 2019, and as at 30 September 2019, the Group had no other contingent liabilities. As at 30 June 2020, as at 31 December 2019, and as at 30 June 2019, the Group's Companies were not acting as guarantors or sureties and also had not drawn their own or received third party promissory notes as collateral or payment for transactions.

Note 20.3 Other short-term provisions

Other short-term provisions	**30.09.2020**	**31.12.2019**	**30.09.2019**
Provisions for unused vacation time	56	62	61
Provisions for disputes	-	20	10
Total	**56**	**82**	**71**

As at 31 December 2019, the Company recognized a provision for USD 20 thousand in connection with information received from a lawyer about the claim for payment of a license fee from JSDQ. In the Company's opinion, it does not breach JSDQ's patent. Nevertheless, taking into account the time and potential costs of possible court proceedings in the case, on 10 September 2020 the Company concluded a release and license agreement with JSDQ for the amount of USD 3.5 thousand. Under such an agreement, JSDQ waived its claims regarding potential infringements of its patents by the Company. JSDQ has also granted a license to the Company and its subsidiaries for the use of specific JSDQ technological solutions covered by patent protection in the Company's products and services.

Provisions for unused vacation time	**30.09.2020**	**31.12.2019**	**30.09.2019**
As at the beginning of the period	**62**	**52**	**52**
Additions	-	13	13
Reductions	6	3	4
As at the end of the period	**56**	**62**	**61**

Estimates:

The Group estimates the amount of the provisions on the basis of adopted assumptions and methodology, assessing the probability of spending the funds comprising economic benefits, and classifies amounts with a high probability of spending, as at the balance sheet date, as liabilities.

The estimates pertaining to the value of provisions for unused vacation time were based on the data on the number of vacation time days unused by employees, the value of the average compensation individually for each employee divided by the average number of business days per month (22 days), and the charges on compensations charged to the employer. The percentage rate of social security charged to the employer was adopted at the level of 20.61%.

All figures, unless indicated otherwise, are expressed in thousands of USD.

Note 20.4 Liabilities from contracts with customers

Liabilities from contracts with customers	Value as at 01.01.2020	Additions	Reductions	Value as at 30.09.2020
Maintenance services for the Silvair Platform	29	142	60	111
Maintenance services for the Silvair Mesh Stack	7	20	19	8
Total	**36**	**162**	**79**	**119**

Liabilities from contracts with customers	Value as at 01.01.2019	Additions	Reductions	Value as at 31.12.2019
Maintenance services for the Silvair Platform	-	76	47	29
Maintenance services for the Silvair Mesh Stack	-	12	5	7
Total	**-**	**88**	**52**	**36**

Liabilities from contracts with customers	Value as at 01.01.2019	Additions	Reductions	Value as at 30.09.2019
Maintenance services for the Silvair Platform	-	61	32	29
Maintenance services for the Silvair Mesh Stack	-	9	2	7
Total	**-**	**70**	**34**	**36**

As at 30 September 2020, the Group identified liabilities associated with maintenance agreements (maintenance services) described in Note 22.1.

The payment terms specified in the agreements do not exceed 60 days. Elements such as obligations to accept returns or to refund the fees and other similar obligations, as well as warranties and related obligations, do not apply to liabilities from contracts with customers.

The Group settles the identified performance obligations using the straight-line method, spread evenly over time, as the activities are performed evenly throughout the entire period of performance.

All figures, unless indicated otherwise, are expressed in thousands of USD.

Note 21 Prepayments and accruals

Prepayments and accruals	Value as at 01.01.2020	Additions	Reductions	Value as at 30.09.2020
Financing under the Smart Growth Operational Program	343	19*	-	362
NCBiR subsidy for fixed assets	539	-	82	457
Total	**882**	**19**	**82**	**819**

**The addition results from the translation of PLN to USD.*

Prepayments and accruals	Value as at 01.01.2019	Additions	Reductions	Value as at 31.12.2019
Financing under the Smart Growth Operational Program	448	-	105	343
NCBiR subsidy for fixed assets	614	-	75	539
Total	**1 062**	**-**	**180**	**882**

Prepayments and accruals	Value as at 01.01.2019	Additions	Reductions	Value as at 30.09.2019
Financing under the Smart Growth Operational Program	448	-	98	482
NCBiR subsidy for fixed assets	614	-	111	503
Total	**1 062**	**-**	**209**	**853**

Note 22.1 Sales revenues

Sales revenues	Financial period ended 30.09.2020	Financial period ended 30.09.2019
Revenues from sales of products	173	63
Revenues from sales of goods and services	94	77
Total	**267**	**140**

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

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

All figures, unless indicated otherwise, are expressed in thousands of USD.

Under **Commissioning Service Agreements (CSA)**, the Group delivers, maintains and operates electronic tools for activation, commissioning and management of the lighting infrastructure based on the Bluetooth Mesh standard, for and on behalf of the Partner. Under these services it is also possible to provide the Silvair platform for lighting without the firmware developed by Silvair. Revenues from CSA agreements are presented in the Lighting Control segment.

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

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

Revenues from SLS agreements are presented in the Lighting Control segment. Revenues broken down by segments, as well as the description of the segments, are presented in Note 23.

Breakdown of revenues from contracts with customers:

As at 30 September 2020

Contract type				
Product/service type	**CSA agreements**	**SLS agreements**	**Other revenues from contracts**	**Total**
Firmware license	-	107	-	107
Activation	66	-	-	66
Development	4	-	-	4
Maintenance	64	9	-	73
Other	5	12	-	17
Total	**139**	**128**	**-**	**267**
Delivery date:				
At the time	92	113	-	205
Over time	47	15	-	62
Total	**139**	**128**	**-**	**267**

All figures, unless indicated otherwise, are expressed in thousands of USD.

As at 30 September 2019

Contract type				
Product/service type	**CSA agreements**	**SLS agreements**	**Other revenues from contracts**	**Total**
Firmware license	-	36	2	38
Activation	25	-	-	25
Development	46	-	-	46
Maintenance	25	6	-	31
Total	**96**	**42**	**2**	**140**
Delivery date:				
At the time	71	38	2	111
Over time	25	4	-	29
Total	**96**	**42**	**2**	**140**

Estimates:

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

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

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

Note 23 Operating segments

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

As at 30 September 2019, the Silvair, Inc. Group identified the following 2 operating segments in its business activity:

- Silvair Platform
- Silvair Mesh Stack

In connection with the directions of development and strategy adopted by the Group, the Board made a decision to change the presentation of the operating segments, incorporating the previous Silvair Platform and Silvair Mesh Stack segments into the Lighting Control segment.

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

Currently, the Group distinguishes 3 segments: Lighting Control, Smart Lighting Services, and Smart Building Management. In the reporting period, the Group earned revenues only in the Lighting Control segment. Revenues in the other two segments will be appearing gradually over the coming years.

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

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

The Board does not analyze cash flows by segment either.

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

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

Operating segment information from 1 January 2020 to 30 September 2020, in USD ’000s

Segment type	Lighting Control	Other activity	Total
Revenues and expenses			
Sales to external customers	267		267
Inter-segment sales	-	-	-
Cost of sales	598	-	598
Income and expenses (operating and other operating)	-	-1 285	-1 285
EBIT	**-331**	**-1 285**	**-1 616**
Net financial income (costs)	-	-198	-198
Share in profits of associates	-	-	-
Gross profit	**-331**	**-1 483**	**-1 814**
Income tax (current and deferred)	-	-132	-132
Net profit for the reporting period	**-331**	**-1 351**	**-1 682**
Assets			
Costs of development work (carrying amount of assets)	8 777	1 577	10 354
Receivables	173	1	174
Unallocated assets	-	2 851	2 851
Total assets			**13 379**
Liabilities			
Financial liabilities	-	5 814	5 814
Liabilities from contracts with customers	119	-	119
Unallocated liabilities	-	1 301	1 301
Total liabilities			**7 234**
Other information	-	-	-
Depreciation and amortization	598	240	838

Operating segment information from 1 January 2019 to 30 September 2019, in USD '000s

Segment type	Lighting Control	Other activity	Total
Revenues and expenses			
Sales to external customers	138	2	140
Inter-segment sales	-	-	-
Cost of sales	514	45	559
Income and expenses (operating and other operating)	-	-1 775	-1 775
EBIT	**-376**	**-1 818**	**-2 194**
Net financial income (costs)	-	-77	-77
Share in profits of associates	-	-	-
Gross profit	-376	-1 895	-2 271
Income tax (current and deferred)	-	-49	-49
Net profit for the reporting period	**-376**	**-1 846**	**-2 222**
Assets			
Costs of development work	7 665	1 902	9 567
Receivables	56	1	57
Unallocated assets	-	2 313	2 313
Total assets			**11 937**
Liabilities			
Financial liabilities	-	168	168
Liabilities from contracts with customers	36	-	36
Unallocated liabilities	-	2 957	2 957
Total liabilities			**3 161**
Other information	-	-	-
Depreciation and amortization	514	373	887

All figures, unless indicated otherwise, are expressed in thousands of USD.

In 2019-2020 and in 2020, 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 about segments broken down by regions, product lines and recognition time

Segment type			01.01.2020-30.09.2020
	Lighting Control	Other activity	Total
REGION			
European Union	92	-	92
Other countries	175	-	175
Poland	-	-	-
Total	**267**	**-**	**267**
Product/service type			
Firmware license	107	-	107
Activation	66	-	66
Development	4	-	4
Maintenance	73	-	73
Components	11	-	11
Other	6	-	6
Total	**267**	**-**	**267**
Delivery date			
At the time	205	-	205
Over time	62	-	62
Total	**267**	**-**	**267**

All figures, unless indicated otherwise, are expressed in thousands of USD.

Segment type			01.01.2019–30.09.2019
	Lighting Control	Other activity	Total
REGION			
European Union	75	1	76
Other countries	63	-	63
Poland	-	1	1
Total	**138**	**2**	140
Product/service type			
Firmware license	36	2	38
Activation	25	-	25
Development	46	-	46
Maintenance	31	-	31
Total	**138**	**2**	**140**
Delivery date	-	-	-
At the time	109	2	111
Over time	29	-	29
Total	**138**	**2**	**140**

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”.

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 Board, including: 465,000 options to CEO Rafał Han, 172,000 shares to CTO Szymon Słupik, and 106,000 shares to 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 30 September 2020, options have been granted from the "Option Pool" for all of the shares intended for the Board and Venture FIZ, as well as for all of the shares intended for the Key Personnel.

By 30 September 2020, all of the options granted to the Board members and Venture FIZ have been exercised, and from the Key Personnel pool, options for 50,000 shares out of 132,000 shares have been exercised by 30 September 2020.

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

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

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

By 30 September 2020, options have been granted from the "Additional Option Pool" for all of the shares intended for Rafał Han, and options have been granted for 93,000 shares out of 279,000 shares intended for the Key Personnel.

By 30 September 2020, options for 101,500 shares have been exercised from the pool for Rafał Han, and none of the options have been exercised from the pool for the Key Personnel.

On 8 March 2019, the Company issued 40,250 Common Restricted Shares with a par value of USD 0.1 each ("Issue") to the Company's consultant as part of the Option Plan. By 30 September 2020, options for 33,350 shares have been exercised in that pool. The Group considers the date of signing the KPI Agreement as the option grant date within the meaning of IFRS 2.

On 31 March 2020, the Board of Directors of Silvair, Inc. adopted a resolution on increasing the number of shares under the Option Plan from 1,453,000 shares to 2,000,000 shares. The change is dictated directly by the decision of the Board to reduce the Group's operating costs in connection with the coronavirus pandemic and its economic impact, including among others reduction of employment and changes in the remuneration conditions of key employees and associates of the Group. As part of the Option Plan increase of 31 March 2020, option contracts for a total of 551,865 shares have been signed as at 30 September 2020.

All figures, unless indicated otherwise, are expressed in thousands of USD.

Options exercise structure in the period:

	from 01.01.2020 to 30.09.2020	from 01.01.2019 to 31.12.2019	from 01.01.2019 to 30.09.2019
Pool of shares under the Option Plan	2 000 000	1 453 000	1 453 000
Number of shares available under the Option Plan at the beginning of the period	**290 750**	**191 000**	**191 000**
Share pool increase under the Option Plan	547 000	40 250	40 250
Number of shares granted under option agreements	401 865	40 250	40 250
Number of shares taken up in exercise of the options	111 850	28 000	21 100
Number of shares available to be taken up in subsequent periods under option agreements	539 115	250 250	297 150
Number of shares released upon expiration of options	5 000	140 000	100 000
Number of shares available to be granted under further option agreements at the end of the period	**290 885**	**290 750**	**250 750**

The Group has measured the fair value of services received as consideration for the entity's equity instruments indirectly, by reference to the fair value of the equity instruments granted.

The fair value of awarded options was estimated by an independent expert using modern financial engineering methods. The Hull-White model was used to measure the fair value of the options granted, with the following assumptions:

- Stock price at the beginning of the period = $3.33.
- Strike price of the option = $0.10.
- Risk-free interest rate = 2.455%.
- Dividend yield = 0%.
- Parameter M = 3.
- Parameter eΔt = 0%.
- Stock price volatility (σ) = 46.6%.

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

All figures, unless indicated otherwise, are expressed in thousands of USD.

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

	Period from 01.01.2020 to 30.09.2020	Period from 01.01.2019 to 30.09.2019
Administrative expenses	298	283
Capital from revaluation of options	298	283

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

	Period from 01.01.2020 to 30.09.2020	Period from 01.01.2019 to 30.09.2019
Other capital	369	77
Capital from revaluation of options	-369	-77

The change in capital from revaluation of options in the period from 1 January 2020 to 30 September 2020 resulted from the exercise of 111,850 stock options and revaluation of other 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 September 2020 was USD 10 thousand. The change in capital from revaluation of options in the period from 1 January 2019 to 30 September 2019 resulted from the exercise of 21,100 stock options and revaluation of other options in the vesting period. The total amount of shares taken up in performance of option contracts in the reporting period was USD 2.1 thousand.

Estimates:

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

Note 31 Major events after the balance sheet date

The following material events occurred after the balance sheet date:

Signing of an agreement with LEDCity AG

On 1 October 2020, Silvair Sp. z o.o. concluded an agreement with LEDCity AG based in Switzerland for the supply, licensing and provision of services, on the basis of which the Company undertook to provide Silvair

Firmware with a complete set of tools for its implementation on the production line. Silvair also undertook to grant a license for the use of the Firmware and to provide related services.

Notifications on the change of shares in the total number of votes at the general meeting of Silvair, Inc.

On 5 October 2020, Silvair, Inc. informed that it had received – from Ipopema Towarzystwo Funduszy Inwestycyjnych S.A. – a notification on the change of share in the total number of votes at the Company's General Meeting by investment funds managed by Ipopema Towarzystwo Funduszy Inwestycyjnych S.A. The content of the notification was made public by the Company in Current Report No. 22/2020.

Signing of an agreement with Component Distributors, Inc.

On 22 October 2020, Silvair, Inc. concluded an agreement with Component Distributors based in Denver, U.S. for the supply, licensing and provision of services, on the basis of which the Company undertook to provide Silvair Firmware with a complete set of tools for its implementation on the production line. Silvair also undertook to grant a license for the use of the Firmware and to provide related services.

Information on the issue of securities by Silvair, Inc.

On 26 October 2020, the Board of Directors of Silvair, Inc. adopted a resolution regarding the offer of new shares of common stock issued within the Company's authorized capital ("New Shares") ("Offer"). Under the Offer, the Company will issue 815,000 New Shares at the issue price of PLN 7.5 on the terms and conditions set forth in the conditional placement agreement concluded on 26 October 2020 by the Company and Trigon Dom Maklerski S.A. ("Trigon"). On the same day, the information was made public by the Issuer in Current Report No. 23/2020.

The Offer will be made by way of a public offering in Poland addressed exclusively to investors acquiring New Shares with a total value of at least EUR 100,000 per investor, referred to in Article 1 Section 4 Letter (d) of the Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and the repeal of Directive 2003/71/EC ("Prospectus Regulation"); and a private placement of New Shares outside the United States in reliance on Regulation S ("Regulation S") issued under the U.S. Securities Act of 1933, as amended ("U.S. Securities Act").

The Company's shareholders do not have any pre-emptive or similar rights with respect to the New Shares. The New Shares shall be allocated at the Company's Board of Directors discretion to investors selected by the Board of Directors and authorized to participate in the Offer. In addition, the Company intends to apply for the dematerialization of the New Shares and their admission and introduction to trading on the regulated market of the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) ("WSE") ("Admission"). The New Shares, fully fungible with the Company's shares already admitted to trading on the WSE, will represent, over a period of 12 months, less than 20% of the number of Company's shares already admitted to trading on the WSE, as specified in Article 1 Section 5 Letter (a) of the Prospectus Regulation. Therefore, the requirement to prepare and publish a prospectus in connection with the Offer and the Admission will not apply in accordance with the Prospectus Regulation.

On 17 November 2020, the Issuer informed – in Current Report No. 25/2020 – that the Company has completed the process of execution of the agreements with investors to acquire 815,000 new shares of common stock issued within the Company's authorized capital ("New Shares") under the offer described in the Company's Current Report No. 23 dated 26 October 2020. The required cash contributions for all New

Shares were made in full. On 25 November 2020, the Company informed – in Current Report No. 26/2020 – about the successful completion of the issue of securities, as a result of which the Company raised PLN 6.1 million.

Signing of an agreement with Hynall Intelligent Control Co. Ltd.

On 6 November 2020, Silvair, Inc. concluded an agreement with Hynall Intelligent Control Co. Ltd. based in Shenzhen, China for the supply, licensing and provision of services, on the basis of which the Company undertook to provide Silvair Firmware with a complete set of tools for its implementation on the production line. Silvair also undertook to grant a license for the use of the Firmware and to provide related services.

Announcement on the convening of the General Meeting of Shareholders of Silvair, Inc.

On 13 November 2020, Silvair, Inc. announced – in Current Report No. 24/2020 – that the General Meeting of Shareholders is convened for 6 p.m., C.E.T. / 9 a.m., P.S.T. on 14 December 2020. The General Meeting will be held virtually on the Internet platform indicated in the notification on the convening of the General Meeting.

Note 32 Information on joint ventures

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

Note 33 Financial risk management objectives and principles

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

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

Credit risk is the risk that one party to a financial instrument fails to discharge its obligations to the Group, causing financial loss for the Group. Credit risk arises in receivables, cash and cash equivalents, deposits, bonds purchased and security deposits paid.

Impact of credit risk on the Group's main operating segments: production of software for remote communication between devices and smart lighting systems, due to its uniqueness, is not exposed to a significant level of this type of risk. Sales in these segments are largely to a stable client base and are made on deferred payment terms. However, since the business partners pay the due amounts regularly, the exposure to individual credit risk is not high. The Group applies internal procedures and mechanisms that mitigate this risk: appropriate client selection, a new client review system, and ongoing monitoring of amounts receivable. The Group consistently pursues the recovery of overdue receivables. The Group invests its cash in reliable financial institutions (selected on the basis of ratings). The Group is exposed to immaterial levels of credit risk.

All figures, unless indicated otherwise, are expressed in thousands of USD.

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

Considering the stage of the Group's development, the pace of adoption of the developed technology, and the innovative nature of the products based on this technology, we are exposed to a risk that we will not be able to fulfill our obligations when due, in particular due to limited access to funding, failure to earn revenues, delay in earning revenues or earning lower future revenues than assumed, or due to increased costs resulting from the development of our activity or other factors. In addition, we are exposed to the risk that key customers might fail to fulfill the contractual obligations towards the Group companies. The Company monitors the risk of shortage of funds through periodic liquidity planning, taking into account the payment due/maturity of assets and liabilities and projected cash flows from operating activity. The Group takes a number of actions aimed at securing the funding for its current and future capital requirements, primarily through concentrating efforts on commercialization of its products, in parallel with efforts aimed at achieving the breakeven point as soon as practicable, and raising funding in the transition period from: issue of convertible notes, stock issue addressed to existing shareholders and a group of new investors, and research and development support programs (subsidies).

The actions undertaken by the Group are described in Note 20.1.1 Liabilities on bonds convertible to shares, and in Note 31 Major events after the balance sheet date.

Financial liabilities by maturity date as at 30 September 2020

	On demand	Under 3 months	From 3 to 12 months	From 1 year to 5 years	Over 5 years
Bank loans	79	33	11	-	-
Bond liabilities	-	1 754	-	3 937	-
Trade liabilities	108	27	-	-	-
Lease liabilities	-	17		-	-
Total	**187**	**1 831**	**11**	**3 937**	**-**

Financial liabilities by maturity date as at 30 September 2019

	On demand	Under 3 months	From 3 to 12 months	From 1 year to 5 years	Over 5 years
Bank loans	-	34	99	35	-
Bond liabilities	-	-	1 423	-	-
Trade liabilities	3	198	-	-	-
Lease liabilities	-	38	119	40	-
Total	**3**	**270**	**1 641**	**75**	**-**

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

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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group does not invest any surplus funds in interest-bearing assets based on floating interest rates and accordingly it is not exposed to the risk related to changes in interest rates. The principal risk of changes in interest rates is related to debt instruments. In 2020 and 2019, 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 individual financial instruments or their issuer, or by factors affecting all similar financial instruments traded in the market. The Group does not use financial instruments associated with price risk. The Group is not exposed to other price risk.

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

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

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

All figures, unless indicated otherwise, are expressed in thousands of USD.

Classification of financial instruments according to IFRS 9

30.09.2020 Financial assets by balance sheet item	fair value	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	174	174	-	-	174	-
Receivables other than above, which are financial assets	-	-	-	-	-	-
Short-term securities	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Bank deposits	-	-	-	-	-	-
Cash	1 835	1 835	-	-	-	1 835

30.09.2020 Financial liabilities by balance sheet item	fair value	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	123	123	-	123	-
Finance leases	-	-	-	-	-
Long-term security deposits and other non-current liabilities	-	-	-	-	-
Debt securities	5 691	5 691	-	5 691	-
Measurement of other instruments - derivatives	-	-	-	-	-
Trade liabilities	135	135	-	135	-
Liabilities other than above, which are financial liabilities	-	-	-	-	-

30.09.2019 Financial assets by balance sheet item	fair value	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	57	57	-	-	57	-
Receivables other than above, which are financial assets	-	-	-	-	-	-
Short-term securities	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Bank deposits	-	-	-	-	-	-
Cash	1 139	1 139	-	-	-	1 139

30.09.2019 Financial liabilities by balance sheet item	fair value	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	168	168	-	168	-
Finance leases	-	-	-	-	-
Long-term security deposits and other non-current liabilities	-	-	-	-	-
Debt securities	1 423	1 423	-	1 423	-
Measurement of other instruments - derivatives	-	-	-	-	-
Trade liabilities	201	201	-	201	-
Liabilities other than above, which are financial liabilities	-	-	-	-	-

All figures, unless indicated otherwise, are expressed in thousands of USD.

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

For the period from 1 January 2020 to 30 September 2020

Financial assets	Category under IFRS 9	Interest income / (expense)	Foreign exchange gains / (losses)	Reversal / (recognition) of impairment losses	Gains / (losses) on measurement	Total
Trade receivables	C	-	27	-	-	27
Cash and cash equivalents	C	-	41	-	-	41
Total		-	68	-	-	68
Financial liabilities						
Bank loans	F	-16	-115	-	-	-131
Finance leases	F	-2	-	-	-	-2
Bond liabilities	F	-137	-	-	-	-137
Trade liabilities	F	-	3	-	-	3
Other liabilities which are financial liabilities	F	1	-	-	-	1
Total		**-156**	**-110**	**-**	**-**	**-266**

For the period from 1 January 2019 to 30 September 2019

Financial assets	Category under IFRS 9	Interest income / (expense)	Foreign exchange gains / (losses)	Reversal / (recognition) of impairment losses	Gains / (losses) on measurement	Total
Trade receivables	C	-	-	-	-	-
Cash and cash equivalents	C	-	-10	-	-	-10
Total		**-**	**-10**	**-**	**-**	**-10**
Financial liabilities						
Bank loans	F	-11	-28	-	-	-39
Finance leases	F	-12	-	-	-	-12
Bond liabilities	F	-7	-	-	-	-7
Trade liabilities	F	-	-3	-	-	-3
Other liabilities which are financial liabilities	-	-	-	-	-	-
Total		**-30**	**-31**	**-**	**-**	**-61**

All figures, unless indicated otherwise, are expressed in thousands of USD.

Abbreviations used:
A – Financial assets measured at fair value through profit or loss
B – Financial assets measured at fair value through other comprehensive income
C – Financial assets measured at amortized cost
D – Financial liabilities measured at fair value through profit or loss
E – Financial liabilities measured at fair value through other comprehensive income (hedge accounting)
F – Financial liabilities measured at amortized cost

Sensitivity analysis

As at 30 September 2020 and as at 30 September 2019, the Group did not hedge its transactions denominated in foreign currencies.

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

Currency risk, 1 January 2020 – 30 September 2020

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

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	-
Trade receivables	174	-6	-	7	-
Cash	1 835	-2	-	3	-
cash in bank	1 834	-2	-	3	-
Financial liabilities					
Loans	123	-11	-	14	-
Finance leases	-	-	-	-	-
Debt securities	5 691	-	-	-	-
Trade liabilities	135	-6	-	8	-

All figures, unless indicated otherwise, are expressed in thousands of USD.

Currency risk, 1 January 2019 – 30 September 2019

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	-
Trade receivables	57	-	-	-	-
Cash	1 139	-110	-	134	-
cash in bank	1 136	-110	-	-134	-
Financial liabilities					
Loans	168	-16	-	20	-
Finance leases	-	-	-	-	-
Debt securities	1 423	-	-	-	-
Trade liabilities	201	-12	-	15	-

Financial instruments by currency

As at 30 September 2020

Financial assets	USD	PLN	EUR	Total
Interest and shares	-	7	-	7
Trade receivables	28	84	62	174
Cash and cash equivalents	1 805	18	12	1 835
Cash in bank	1 805	17	12	1 834
Financial liabilities	**USD**	**PLN**	**EUR**	**Total**
Bank loans	-	123	-	123
Long-term	-	-	-	-
Short-term	-	123	-	123
Finance leases	-	17	-	17
Bond liabilities	5 691	-	-	5 691
Trade liabilities	94	38	3	135
Other financial liabilities	-	-	-	-

All figures, unless indicated otherwise, are expressed in thousands of USD.

As at 30 September 2019

Financial assets	USD	PLN	EUR	Total
Interest and shares	-	7	-	7
Trade receivables	40	2	15	57
Cash and cash equivalents	588	492	59	1 139
Cash in bank	587	490	59	1 136
Financial liabilities	**USD**	**PLN**	**EUR**	**Total**
Bank loans	-	168	-	168
Long-term	-	42	-	42
Short-term	-	126	-	126
Finance leases	-	157	-	157
Bond liabilities	1 423	-	-	1 423
Trade liabilities	31	166	4	201
Other financial liabilities	-	-	-	-

Note 38 Related party transactions

Transactions with parties related by equity with the Parent Company:

Parties related by equity with the Parent Company:

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

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

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

As at 30 September 2020, in connection with this loan, Silvair Sp. z o.o. posted a liability under the loan from Silvair, Inc. in the amount of USD 10,564 thousand; as at 31 December 2019, it posted a liability in the total amount of USD 8,521 thousand, and as at 30 September 2019, it posted a liability in the total amount of USD 7,057 thousand.

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

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

As at 30 September 2020, Sway Sp. z o. o. posted a liability under the loan from Silvair Sp. z o. o. in the amount of USD 327 thousand; as at 31 December 2019, the liability amounted to USD 290 thousand, and as at 30

September 2019, Sway Sp. z o. o. posted a liability under the received loan in the amount of USD 246 thousand.

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

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

Trade settlements within the Group

As at 30 September 2020, as at 31 December 2019, and as at 30 September 2019, Sway Sp. z o.o. and Silvair Sp. z o.o. posted no mutual trade receivables or liabilities.

As at 30 September 2020, as at 31 December 2019, and as at 30 September 2019, Silvair, Inc. and Silvair Sp. z o.o. posted no mutual trade receivables or liabilities.

As at 30 September 2020, as at 31 December 2019, and as at 30 September 2019, Silvair, Inc. and Sway Sp. z o.o. also posted no mutual trade receivables or liabilities.

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

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 September 2020 and as at 30 September 2019, the subsidiaries Silvair Sp. z o.o. and Sway Sp. z o.o. were parties to a lease agreement for a property in Kraków at ul. Jasnogórska, where the head offices of both companies are located.

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

As regards the recognition of the above lease agreement in the statement of financial position, the Group presented it as lease according to IFRS 16. The lease terms for the above-mentioned space changed in March 2020. A description of the changes is provided in the section Basis for preparation and accounting policies, subsection Changes in standards or interpretations introduced in 2019 and continued in 2020, of these financial statements.

As regards the recognition of the above lease agreement in the statement of financial position, the Group presented it as lease according to IFRS 16.

As at 30 September 2020, as at balance sheet date of 31 December 2019, and as at 30 September 2019, the Group had no liabilities due to the above-mentioned Company under the lease agreement.

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

Transactions with the key management personnel and shareholders

Key management personnel:

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

In the reporting period, the key management personnel was comprised of:

Rafał Han – Chief Executive Officer

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

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

Paweł Szymański – Non-executive Director

Christopher Morawski – Non-executive Director

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

As at 30 September 2020, Silvair, Inc. had a liability to Rafał Han on account of convertible bonds in the amount of USD 118 thousand; as at the balance sheet date of 31 December 2019, Silvair, Inc. had a liability to Rafał Han on account of convertible bonds in the amount of USD 113 thousand; and as at 30 September 2019 – in the amount of USD 112 thousand.

As at 30 September 2020, Silvair, Inc. had a liability to Morawski Family Trust on account of convertible bonds in the amount of USD 3,092 thousand; as at the balance sheet date of 31 December 2019, Silvair, Inc. had a liability to Morawski Family Trust on account of convertible bonds in the amount of USD 1,514 thousand; as of 30 September 2019, Silvair, Inc. had no liability to Morawski Family Trust on account of convertible bonds.

Silvair, Inc., Silvair Sp. z o. o. and Sway Sp. z o.o. did not have any liabilities to shareholders and the Board of Directors, except for ongoing payroll and business travel liabilities.

Supplementary notes to the interim (quarterly) consolidated financial statements

Extraordinary events in terms of their type, value or frequency having material effect on assets, liabilities, equity, net result or cash flows

In the assessment of the Issuer, no extraordinary events in terms of their type, value or frequency occurred that would have material effect on assets, liabilities, equity, net result or cash flows.

Seasonality or cyclicality of the Group's operations

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

Provisions and charges, including impairment losses

In the period from 1 January to 30 September 2020, there were no indications for recognizing new impairment losses for assets or for reversing the existing ones. Changes in the respective values result from differences associated with the conversion into the presentation currency of the report.

As at 30 September 2019, the Issuer maintained a provision for claims of F2VS Technologies, Inc., with its registered office in the US (hereinafter: F2VS), which filed a statement of claim against Silvair, Inc. The proceedings pertained to an allegation that the Company breached F2VS's patents. The litigation is conducted by a Delaware court (DISTRICT COURT FOR THE DISTRICT OF DELAWARE, USA) under the US law. F2VS moved for discontinuation of the breach by the Company and a compensation in an unspecified amount. Based on the facts of the case, the Company is of the position that its products and services do not breach the plaintiff's patents. Consequently, in the Company's opinion, the probability of winning the dispute by the Company is high. Considering this, on 3 September 2019 the Company submitted its statement of defense, denying the breaches, and moved for dismissing F2VS's statement of claim in entirety. Nonetheless, considering the time and potential costs of the court proceedings in the USA, the parties have embarked on negotiations to conclude a settlement. The Company put forward a settlement proposal in the amount of USD 10,000. The provision was released due to the settlement, which ended with the signing of an agreement for the purchase of the right to use the license. The value of the agreement amounted to USD 60,000.

As at 31 December 2019, the Company recognized a provision for USD 20 thousand in connection with information received from a lawyer about the claim for payment of a license fee from JSDQ. In the Company's opinion, it did not breach JSDQ's patent. Nonetheless, considering the time and potential costs of the litigation in the case, if any, or the necessity to enter into such a license agreement, the Company made a decision to recognize a provision. On 13 February 2020, JSDQ Mesh Technologies LLC (hereinafter: "JSDQ"), based on the alleged infringement of JSDQ patents by the Company, made a proposal to conclude a license agreement with the Company, the scope of which grants the Company the right to use JSDQ technological solutions covered by specific patents. In the Company's opinion, this case is an example of the so-called patent trolling, and the Company's products and services did not infringe JSDQ patents. Nevertheless, taking into account the time and potential costs of possible court proceedings in the case, on 10 September 2020 the Company concluded a release and license agreement with JSDQ for the amount of USD 3.5 thousand. Under such an agreement, JSDQ waived its claims regarding potential infringements of its patents by the Company. JSDQ has also granted a license to the Company and its subsidiaries for the use of specific JSDQ technological solutions covered by patent protection in the Company's products and services. In connection with the above, the previously recognized provision for this purpose has been released.

In the period from 1 January 2020 to 30 September 2020, the provision for unused vacation time was partially released.

There were no other reasons for recognizing provisions in the reporting period.

Information on the level of prior charges and provisions is provided in the section "Information and notes on material changes in the amounts of estimates and selected reporting items".

Litigation

In the period from 1 January to 30 September 2020, there were no litigation proceedings other than those referred to in the section "Provisions and charges, including impairment losses".

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

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

As at 30 September 2020, as at 30 September 2019, and as at 31 December 2019, none of the Group's companies had any liabilities on account of purchases of property, plant and equipment.

Changes in the economic situation or business conditions having material effect on the financial statements

Apart from the factors related to the COVID 19 coronavirus pandemic, which are described in these statements, there were no other significant factors that would have material impact on the Group's operations.

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

Since 25 February 2020, the Group does not repay on an ongoing basis the installments of the investment loan from the Polish Agency for Enterprise Development (PARP) which was contracted by Sway in 2013. The Group has requested PARP to postpone repayment of these installments due to the effects of the COVID19 pandemic. The value of unpaid installments as at the date of publication is PLN 306.8 thousand

All figures, unless indicated otherwise, are expressed in thousands of USD.

(USD 77 thousand). Apart from the above-mentioned loan, the Group paid its financial liabilities on a timely basis and did not breach any provisions of any loan agreement.

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

The par value of one share is USD 0.1. The shareholding status of the persons sitting in the issuer’s management and supervisory bodies has not changed in the period from 30 September to the date of publication of this quarterly report due to the purchase of shares in the company by a member of its management.

Number of shares held by persons managing and supervising the issuer	As at 30.09.2020	Acquisition	Disposal	As at 30.11.2020
Szymon Słupik	1 884 711	-	-	1 884 711
Rafał Han	1 832 656		-	1 832 656
Adam Gembala	1 018 760	-	-	1 018 760

Information on changes in classification or valuation of financial instruments

Note 33 of these statements presents the classification of financial instruments according to IFRS 9. No changes in the measurement methods for financial instruments, especially those measured at fair value, were made in the first 9 months of 2020. In the reporting period, no changes were made to the classification of financial assets either. The change in the measurement method for financial instruments in relation to the presentation as at 30 September 2019 is described in the section Corrections of prior period errors.

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

The Silvair Group has not published any projections for 2020, including projections for Q3 2020.

Summary of the Issuer's significant achievements and failures

Signing of an agreement with Lunav AS

On 6 August 2020, Silvair Sp. z o.o. concluded an agreement with Lunav AS based in Oslo, Norway, for the supply, licensing and provision of services, on the basis of which the Company undertook to provide Silvair Firmware with a complete set of tools for its implementation on the production line. Silvair Sp. z o.o. also undertook to grant a license for the use of the Firmware and to provide related services. Lunav focuses on implementing lighting solutions in commercial buildings and providing access to innovative services for all tenants and users.

Silvair awarded for its contribution to the development of Bluetooth technology

Silvair has received an award for its contribution to the development of Bluetooth technology as part of the annual Bluetooth SIG (Special Interest Group) awards. Each year, Bluetooth SIG rewards the hard work and commitment of its working groups, committee members and associates who have been recognized by their colleagues as outstanding contributors to the development of Bluetooth technology. Since 2015, the Silvair team has been awarded as many as 15 times for their contribution and work on the Bluetooth standard, including the development of the Bluetooth Mesh technology. This year, Silvair employees – i.e. Pierguiseppe Di Marco and Piotr Winiarczyk – were again awarded as outstanding knowledge contributors to the development of the standard.

Signing of an agreement with BridgeLux

On 9 September 2020, Silvair, Inc. concluded an agreement with BridgeLux, Inc. based in Fremont, USA, for the supply, licensing and provision of services, on the basis of which the Company undertook to provide Silvair Firmware along with a complete set of tools for its implementation on the production line. Silvair also undertook to grant a license for the use of the Firmware and to provide related services.

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

Information on the issuance, redemption and repayment of non-equity and equity securities is provided in: Note 20.1.1. Liabilities on bonds convertible to shares, Note 30 Share-based payment agreements, and Note 31 Major events after the balance sheet date.

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

The Issuer and its subsidiaries did not enter into related party transactions on non-market terms. Information on related party transactions is presented in Note 38.

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

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

- pace of adoption of the Bluetooth Mesh standard by the market and effectiveness in acquiring new contracts,
- systematic development work supporting the commercialization of new products and increasing the competitive advantage,
- macroeconomic situation in Poland and globally,
- economic and social effects caused by the Covid'19 coronavirus pandemic

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

Paweł Szymański	Christopher Morawski
Director	Director