Consolidated quarterly report of the Silvair, Inc. Group

as at ***31 March 2019***

Kraków, 30 May 2019

Table of contents

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

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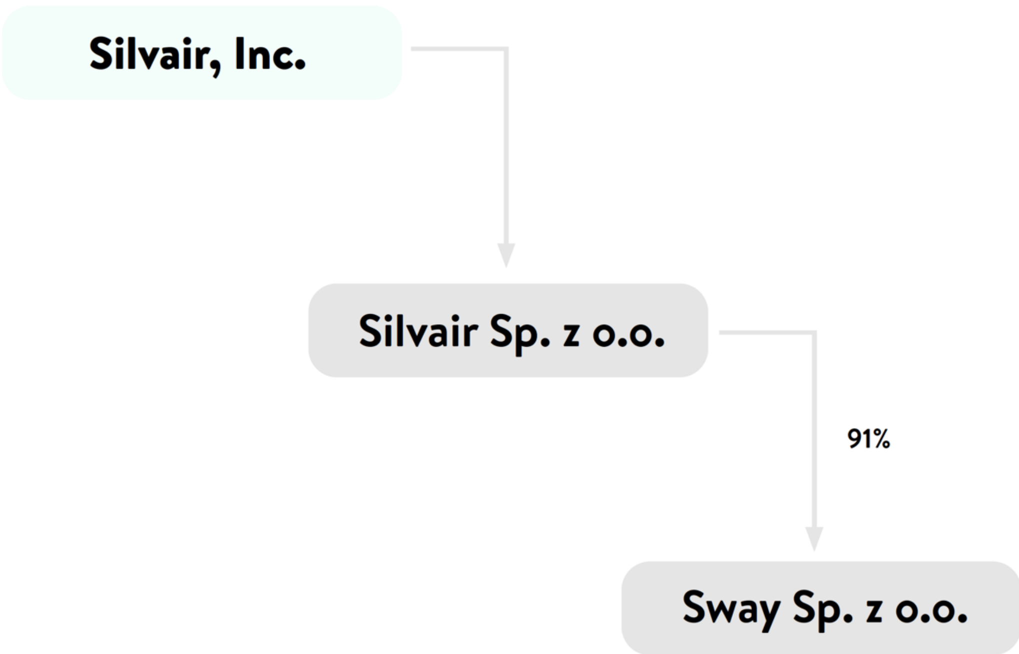
General information

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**

The Group



No changes were recorded in the organization of the Group in the reporting period. In particular, there was no merger with another entity, control was not lost over a subsidiary or any of the Group's long-term investments. No Group company carried out a demerger, restructuring or discontinued any part of its operations.

Group's business

The Group operates in the field of new technologies focusing on the Internet of Things (IoT). It has developed and is planning the implementation of an innovative product and software used for remote communication of devices, with special consideration of smart lighting systems. Its strategic goal is to achieve a leading position on the market of modern technology solution suppliers in the smart lighting sector using technology based on the Bluetooth Mesh standard.

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

The Group has business presence on the global market, especially on the North American market and in Europe.

Composition of the corporate bodies of the Parent Company as at 31 March 2019

Board of Directors:

Szymon Słupik — President

Adam Gembala — Vice-President,
Secretary and Treasurer

Rafał Han — Director

Paweł Szymański — Director

Marek Kapturkiewicz — Director

Officers:

Rafał Han — Chief Executive Officer

Szymon Słupik — Chief Technology Officer (CTO)

Adam Gembala — Chief Financial Officer (CFO)

Functional and presentation currency

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

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

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

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

Presentation periods

The consolidated condensed interim financial statements were prepared as at 31 March 2019 and cover the period of 3 months, i.e. from 1 January 2019 to 31 March 2019.

For the data presented in the consolidated statement of financial position and off-balance sheet items, comparative financial data were presented as at 31 December 2018 and as at 31 March 2018.

For the data presented in the consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement, comparative financial data were presented for the period from 1 January 2018 to 31 March 2018.

Going concern assumption

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

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 have already generated the first revenue flows and the Silvair Group's intention is to keep expanding the scale of commercialization of its products in 2019 and beyond.

At the same time, the Board of Directors, in collaboration with its financial advisor, is involved in activities aimed at evaluating and selecting the most favorable funding arrangement for the Group. The scenarios of possible funding deals for the Group's operations that have been reviewed by the Board of Directors include a new series of common shares that might potentially be issued within the limit of authorized capital as part of an offering targeted at selected eligible investors. In particular, in compliance with the regulations defining exemptions from the obligation to publish a prospectus for the purpose of offering shares and applying for the listing of its shares on a regulated market, Silvair, Inc. may effect a private placement or a public offering of common shares targeted, for instance, at a group of eligible investors and, subsequently, introduce to trading on a regulated market a total of up to 20% of shares listed on the Warsaw Stock Exchange (WSE).

The amendments to corporate documents of Silvair, Inc. made in 2018 before the launch of the IPO project included the introduction of the possibility for the Company to issue, within the limit of its authorized capital, up to 2.6 million common shares solely by virtue of a decision of the Board of Directors, that is without the requirement to obtain any additional approval from the Company's shareholders. Under the IPO project, Silvair, Inc. placed 1,184,910 shares. As a consequence, after the completion of the IPO project, the share pool available within the limit of authorized capital currently contains approx. 1.4 million common shares that may be issued on a relatively short notice without the requirement to obtain any additional corporate approvals from the Company's shareholders or the conduct of any complex administrative procedures.

Accordingly, the Group retains the ability to issue and apply for the listing of approx. 1.4 million common shares without the need to publish a new prospectus, the approval of which would require the conduct of separate proceedings before the Polish Financial Supervision Authority (KNF). Taking into account the current market valuation of the Silvair, Inc. stock listed on the WSE, making an additional assumption that all shares available under the authorized capital are placed at the current market price, the Group may count on raising approx. USD 5-6 million in new equity, subject to market conditions and the Group's current valuation at the time of such a transaction. It should be noted that the valuation of stock in such a transaction would take into account the valuation of both Silvair, Inc. and the Group as at the date of its execution, which may fluctuate along with the development of commercialization of the Group's products, and a possible discount to the market price, which is impossible to estimate as at the date of provision of this information. As at the date of this information, the Board of Directors has not made any decisions regarding the date, structure or possible boundary conditions of any funding transaction.

In parallel with analytical work on the implementation of the above scenario, the Board of Directors has been reviewing the possibility of issuing the 4th Series of Convertible Notes with a value of at least USD 3 million as part of a bridge funding arrangement in the event that unsatisfactory market conditions prevail and thus adversely affect the possibility of the successful application of the said scenario or the risk emerges of postponement of its implementation in relation to the adopted assumptions. The analytical work conducted by the Board of Directors in this area taps into, in particular, the Group's experience in carrying out a funding transaction based on the same instrument in previous years, including during the preparations for the IPO project.

Consolidation

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

As at 31 March 2019, as at 31 December 2018 and as at 31 March 2018, the consolidated companies include Silvair, Inc. and two subsidiaries: Silvair Sp. z o.o. and Sway Sp. z o.o. As at 31 March 2019, Silvair, Inc. held directly 100% shares in Silvair Sp. z o.o. and, indirectly through Silvair Sp. z o.o., 91% shares in Sway Sp. z o.o.

As at 31 March 2018, Silvair, Inc. held directly 100% shares in Silvair Sp. z o.o. and, indirectly through Silvair Sp. z o.o., 100% shares in Sway Sp. z o.o. The financial statements of the subsidiaries, after taking into consideration adjustments introduced to make them compliant with IFRS, are prepared for the same reporting period as the statements of the Parent Company, applying consistent accounting principles, based on uniform accounting principles applied for transactions and similar economic events. Adjustments are made in order to eliminate any discrepancies in the application of accounting policies. The Company reviews whether or not it has control over other entities if an event occurs that indicates a change of one or more of the above conditions of control. Any significant balances and transactions between the Group companies, including unrealized profit from intra-Group transactions, have been fully eliminated.

Selected financial data

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

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

Reporting period	Average exchange rate in the period	Minimum rate in the period	Maximum exchange rate in the period	Exchange rate as at the last day of the period
01.01.2019 – 31.03.2019	1.1361	1.1212	1.1524	1.1212
01.01.2018 – 31.03.2018	1.2286	1.1939	1.2528	1.2328
01.01.2018 – 31.12.2018	1.1798	1.1235	1.2528	1.1437

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

Reporting period	Average exchange rate in the period	Minimum rate in the period	Maximum exchange rate in the period	Exchange rate as at the last day of the period
01.01.2019 – 31.03.2019	0.2327	0.2596	0.2685	0.2607
01.01.2018 – 31.03.2018	0.2940	0.2857	0.3015	0.2929
01.01.2018 – 31.12.2018	0.2762	0.2613	0.3014	0.2660

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

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

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		
	01.01.2019 –31.03.2019	01.01.2018 –31.03.2018	01.01.2018 –31.12.2018	01.01.2019 –31.03.2019	01.01.2018 –31.03.2018	01.01.2018 –31.12.2018	01.01.2019 –31.03.2019	01.01.2018 –31.03.2018	01.01.2018 –31.12.2018
Net revenue on the sale of products, goods and materials	47	-	21	41	-	18	202	-	76
Operating profit (loss)	-616	-735	-3,103	-542	-598	-2,630	-2,647	-2,500	-11,235
Profit (loss) before tax	-675	-562	-3,204	-594	-457	-2,716	-2,901	-1,911	-11,600
Profit (loss) of the period	-627	-562	-2,779	-552	-457	-2,355	-2,695	-1,911	-10,062
Net cash flows from operating activities	-455	-675	-2,649	-400	-549	-2,245	-1,955	-2,296	-9,589
Net cash flows from investing activities	-700	-275	-2,204	-616	-224	-1,868	-3,008	-935	-7,980
Net cash flows from financing activities	-16	363	7,167	-14	295	6,075	-69	1,235	25,949
Total net cash flows	-1,171	-587	2,315	-1,030	-478	1,962	-5,033	-1,996	8,380

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

For items of the statement of financial position:

Item	USD			EUR			PLN		
	31.03.2019	31.03.2018	31.12.2018	31.03.2019	31.03.2018	31.12.2018	31.03.2019	31.03.2018	31.12.2018
Total assets	12,311	9,206	13,077	10,981	7,468	11,434	47,231	31,428	49,162
Liabilities and provisions for liabilities	1,724	1,374	1,769	1,538	1,115	1,547	6,614	4,691	6,650
Non-current liabilities	158	355	165	141	288	144	606	1,212	620
Current liabilities	1,566	1,019	1,604	1,397	827	1,402	6,008	3,479	6,030
Equity	10,183	7,832	10,901	9,083	6,353	9,531	39,067	26,738	40,981
Share capital	1,142	973	1,138	1,019	789	995	4,381	3,322	4,278
Number of shares	11,420,670	9,732,490	11,380,420	11,420,670	9,732,490	11,380,420	11,420,670	9,732,490	11,380,420
Weighted average number of shares	10,556,548	9,297,995	10,556,458	10,556,548	9,297,995	10,556,458	10,556,548	9,297,995	10,556,458
Earnings/(loss) per share (in USD and EUR)	-0.05	-0.06	-0.26	-0.05	-0.05	-0.22	-0.21	-0.20	-0.94
Book value per share (in USD and EUR)	0.96	0.84	1.03	0.86	0.68	0.90	3.70	2.88	3.88

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

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

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed in the European Union, which have been published and have come into effect as at 31 December 2018 and to the extent required by the Finance Minister's Regulation of 29 March 2018 on the current and periodic information transmitted by securities issuers and the conditions for recognizing the information required by the regulations of a non-member state as equivalent (Journal of Laws of 20 April 2018 Item 757).

These consolidated condensed financial statements as at 31 March 2019 have not been audited or reviewed by an entity authorized to audit financial statements.

The entity authorized to audit the financial statements, which audited the consolidated financial statements for 2018 had been selected in accordance with the law and that entity and the auditors who audited the statements satisfied the requirements for expressing an impartial and independent opinion on the audited annual consolidated financial statements in accordance with the applicable law and professional standards.

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

Consolidated statement of financial position

	Note No.	31 March 2019	31 December 2018	31 March 2018
A. Non-current assets		**9,896**	**9,540**	**8,447**
I. Costs of development work	**1**	9,140	8,838	8,192
II. Other intangible assets		17	18	-
III. Property, plant and equipment		49	57	62
IV. Financial assets		7	7	8
V. Deferred tax assets	**5**	683	620	185
B. Current assets		**2,415**	**3,537**	**759**
I. Inventory	**6**	12	13	52
II. Trade receivables	**7**	40	20	130
III. Other receivables		184	140	115
IV. Prepayments and accruals		17	31	31
V. Financial assets		-	-	-
VI. Cash and cash equivalents		2,162	3,333	431
Total assets		**12,311**	**13,077**	**9,206**

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

	Note No.	31 March 2019	31 December 2018	31 March 2018
A. Equity		**10,183**	**10,901**	**7,832**
I. Share capital	**12**	1,142	1,138	973
II. Capital from revaluation of options	**13**	215	155	44
III. Other capital	**14**	21,152	21,147	15,709
IV. Capital from foreign exchange differences from translation of foreign operations		874	1,034	1,499
V. Retained earnings		-12,573	-9,814	-9,831
VI. Financial result of the current period		-627	-2,759	-562
B. Minority interest		**405**	**407**	**-**
C. Non-current liabilities		**158**	**165**	**355**
I. Deferred tax liabilities	**17**	27	28	32
II. Other non-current liabilities		131	137	323
D. Current liabilities		**1,566**	**1,604**	**1,019**
I. Trade liabilities		168	172	50
II. Other current liabilities		307	318	341
III. Other short-term provisions	**20**	51	52	-
IV. Prepayments and accruals		1,039	1,062	628
Equity and liabilities		**12,311**	**13,077**	**9,206**

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

Consolidated profit and loss account with consolidated statement of comprehensive income

Consolidated profit and loss account	Note No.	1 January 2019 –31 March 2019	1 January 2018 –31 March 2018
A. Revenue		**47**	-
B. Cost of sales		**198**	-
C. Gross sales result		**-151**	-
I. Selling and distribution expenses		120	58
II. General and administrative expenses		359	682
D. Net sales result		**-630**	**-740**
I. Other operating income		21	6
II. Other operating expenses		7	1
E. Operating result		**-616**	**-735**
I. Financial income		6	173
II. Financial costs		65	0
F. Result before tax		**-675**	**-562**
I. Income tax		-46	-
a) current part		5	1
b) deferred part		-51	-1
G. Profit/(loss) for the period		**-629**	**-562**
Profit/(loss) attributable to:			
shareholders of the parent company		-627	-562
non-controlling interest		-2	-

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

	1 January 2019 –31 March 2019	1 January 2018 –31 March 2018
Profit/(loss) for the period	**-0.05**	**-0.06**
Diluted earnings/(loss) per share (in USD)	**-0.05**	**-0.06**

Annual consolidated statement of other comprehensive income	1 January 2019 –31 March 2019	1 January 2018 –31 March 2018
Profit/(loss) for the period	**-629**	**-562**
Other comprehensive income	**-101**	**22**
1. Other comprehensive income to be reclassified to result in the future	-160	1
– foreign exchange differences from translation of foreign operations	-160	1
2. Other comprehensive income not to be reclassified to result in the future	59	21
Total comprehensive income	**-730**	**-539**
Total comprehensive income attributable to:		
shareholders of the parent company	-728	-539
non-controlling interest	-2	-

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

Consolidated statement of changes in equity

Consolidated statement of changes in equity	Share capital	Capital from revaluation of options	Other capital	Capital from foreign exchange differences from translation of foreign operations	Retained earnings	Financial result	Total equity	Equity attributable to non-controlling entities	Total equity
At the beginning of the period 1 January 2019	**1,138**	**155**	**21,147**	**1,034**	**-12,573**	**-**	**10,901**	**407**	**11,308**
Correction of errors	-	-	-	-	-	-	-	-	-
At the beginning of the period 1 January 2019	**1,138**	**155**	**21,147**	**1,034**	**-12,573**	**-**	**10,901**	**407**	**11,308**
Exercise of stock options for Company shares	-	-	-	-	-	-	-	-	-
Issue of new shares	4	-	5	-	-	-	9	-	9
Valuation of stock options under IFRS 2	-	60	-	-	-	-	60	-	60
Expenditures incurred in connection with the planned stock issue	-	-	-	-	-	-	-	-	-
Bonds convertible to shares classified as equity instruments	-	-	-	-	-	-	-	-	-
Foreign exchange translation differences	-	-	-	-160	-	-	-160	-	-160
Change in the group's structure (transactions with non-controlling entities)	-	-	-	-	-	-	-	-	-
Result of the period	-	-	-	-	-	-627	-627	-2	-629
At the end of the period 31 March 2019	**1,142**	**215**	**21,152**	**874**	**-12,573**	**-627**	**10,183**	**405**	**10,588**

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

Consolidated statement of changes in equity	Share capital	Capital from revaluation of options	Other capital	Capital from foreign exchange differences from translation of foreign operations	Retained earnings	Financial result	Total equity	Equity attributable to non-controlling entities	Total equity
At the beginning of the period 1 January 2018	**973**	**287**	**15,286**	**1,498**	**-10,095**	**-**	**7,949**	**-**	**7,949**
Correction of errors	-	-264	-	-	264	-	-	-	-
At the beginning of the period 1 January 2018 corrected	**973**	**23**	**15,286**	**1,498**	**-9,831**	**-**	**7,949**	**-**	**7,949**
Exercise of stock options for Company shares	-	-	-	-	-	-	-	-	-
Valuation of stock options under IFRS 2	-	21	423	-	-	-	444	-	444
Expenditures incurred in connection with the planned stock issue	-	-	-	-	-	-	-	-	-
Bonds convertible to shares classified as equity instruments	-	-	-	-	-	-	-	-	-
Foreign exchange translation differences	-	-	-	1	-	-	1	-	1
Result of the period	-	-	-	-	-	-562	-562	-	-562
At the end of the period 31 March 2018	**973**	**44**	**15,709**	**1,499**	**-9,831**	**-562**	**7,832**	**-**	**7,832**

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

Consolidated cash flow statement

	Note No.	1 January 2019 – 31 March 2019	1 January 2018 – 31 March 2018
Profit (loss) before tax		-675	-562
Adjustments for:		**220**	**-113**
1. Depreciation and amortization		220	177
2. Foreign exchange gains (losses)		82	-76
3. Interest and profit sharing (dividends)		1	8
4. Movement in provisions		-1	-
5. Movement in inventory		1	-2
6. Movement in receivables		-64	-116
7. Movement in current liabilities, except for loans and borrowings		-15	-120
8. Tax paid		5	1
9. Movement in prepayments and accruals		-9	15
10. Other adjustments resulting from operating activity		-	-
Net cash from operating activities		-455	**-675**
Proceeds		-	-
1. Disposal of intangible assets and property, plant and equipment		-	-
2. From financial assets, including:		-	-
a) in related entities		-	-
b) in other entities		-	-
Expenditures		-700	-275
1. Purchase of intangible assets and property, plant and equipment		-	-
2. Expenditures incurred for development work		-700	-275
3. For financial assets, including:		-	-

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

a) in other entities	-	-
Net cash from investing activities	**-700**	**-275**
Proceeds	15	423
1. Net proceeds from issuing shares and additional capital contributions	9	423
2. Loans and borrowings drawn	-	-
3. Interest	6	-
Expenditures	-	-60
1. Repayment of loans and borrowings	-38	-53
2. Interest	-7	-7
Net cash from financing activities	**-16**	**363**
Net cash flows	**-1,171**	**-587**
Movement in cash	**-1,171**	**-587**
- movement in cash on account of foreign exchange differences	-	-
Cash at the beginning of the period	**3,333**	**1,018**
Cash and cash equivalents at the end of the period	**2,162**	**431**

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

Explanatory notes to the interim consolidated financial statements

Compliance with International Financial Reporting Standards

These interim condensed consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board approved by the European Union under IFRS Regulation (European Commission 1606/2002), hereinafter referred to as "EU IFRS" applicable to interim financial reporting in effect as at 31 March 2019.

The comparative financial data for the period of 3 months ended 31 March 2018 were prepared on the same basis of preparation of the financial statements.

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

New and amended standards and interpretations

After the publication date of the latest full annual financial statements for 2018 (i.e. after 30 April 2019), no new or amended standards and interpretations were published that apply to annual periods beginning after 1 January 2019. The standards and interpretations, which have been issued but are not applicable since they had not been approved by the European Union or had been approved but not applied by the Group earlier were presented in the annual consolidated financial statements for 2018.

Amendments to standards or interpretations applied by the Group since 2019

New or amended standards and interpretations that have been in force since 1 January 2019 and their impact on the Group's consolidated financial statements:

- New IFRS 16 "Leases"

  The new standard governing leases (including lease and rental agreements) contains a new definition of a lease. The standard requires that the balance sheet recognizes, for every lease contract, the value of the "right-of-use asset" and a corresponding financial liability. The right-of-use asset is then amortized, while the liability is measured at amortized cost. In specific situations identified in the standard, the lease liability is subject to remeasurement, whose effects are in general recognizes as an adjustment to the right-of-use asset. IFRS 16 requires a greater scope of disclosures as compared to the IAS 17 requirements (this applies to both a lessee and a lessor). The new standard provides for the possibility of applying a modified retrospective approach and certain practical solutions as part of transitional regulations. The new standard was published on 13 January 2016 and applies to annual periods beginning on or after 1 January 2019.The standard replaces the previous regulations governing the approach to leases (including IAS 17) and completely changes the approach to lease contracts of different nature, expecting lessors to identify in their balance sheets the assets and liabilities on account of the concluded lease contracts, regardless of their type.The Group has implemented the standard by identifying all the contracts, in which it acts as a lessor, also taking into account the simplifications allowed by the standard. The Group has not yet concluded any significant contracts classified as operating leases under IAS 17 and, following an analysis of its rental, lease and other contracts of a similar nature, it identified a short-term lease contract. Accordingly, these contracts do not need to be disclosed in the consolidated statement of financial position as a right-of-use asset and a corresponding financial liability.

- Amendments to IFRS 9 "Financial Instruments"

  This amendment enabled the entity to account as "assets measured at amortized cost" some prepayable instruments with so-called negative compensation (meaning that upon prepayment the entity would receive less than the sum of principal and accrued interest). Amendment of this standard does not affect to the Group's consolidated financial statements since there were no transactions affected by these changes.

- New IFRIC 23 "Uncertainty over Income Tax Treatments"

  This interpretation for IAS 12 "Income Tax" unifies the approach to situations in which interpretation of income tax regulations is not clear and there is no definitive answer whether taxation authorities or courts accept the company's tax treatment The management should first assess whether its interpretation is likely to be accepted by tax authorities. If it is then such an interpretation should be adopted for the preparation of the financial statements. If it is not then uncertainty associated with the income tax-related amounts should be taken into account using the most likely amount or the expected value. The entity should reassess the assumed amount if facts and circumstances affecting it change. If the amount is adjusted then it is treated as a change in an accounting estimate in accordance with IAS 8.

  The interpretation did not affect the Group's consolidated financial statements because there were no transactions that caused doubts regarding interpretation and caused uncertainty of amounts related to income tax.

- Amendment to IAS 28 "Investments in Associates and Joint Ventures"

  These amendments to the standard clarify that IFRS 9 should be applied to financial instruments other than those measured using the equity method in affiliates and joint ventures, even if such instruments are a component of net investment in such entities.

  The Group has no investments in associates and accordingly the amendment did not affect the Group's consolidated financial statements.

- Amendments to IAS 19 "Employee Benefits"

  In accordance with the amendment, if a net asset or liability under a defined benefit program is remeasured as a result of an amendment, curtailment or settlement, the entity should determine the current service cost and the net interest for the period after the remeasurement using the assumptions used for the remeasurement and determine net interest for the remaining period based on the remeasured net asset or liability.

  The new standard did not affect the Group's consolidated financial statements because the Group does not offer defined benefit plans to employees for the post-employment period.

- Amendments to IAS 12 "Income Taxes", IAS 23 "Borrowing Costs", IFRS 3 "Business Combinations" and IFRS 11 "Joint Arrangements".

  Minor amendments to standards, introduced as part of annual changes in standards (2015-2017 improvement cycle):

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

- IAS 12: The International Accounting Standards Board clarified the manner of recognition of income tax charged on dividends. The tax is recognized upon recognition of the obligation to pay the dividend as a charge on the result or other comprehensive income or equity, depending on where the past transactions that generated the result were recognized.
- IAS 23: It was clarified that debt originally allocated to the financing of an asset that has already been completed is included in general debt, the cost of which may be capitalized later in the value of other assets.
- IFRS 3: The International Accounting Standards Board clarified that the rules regarding the settlement of mergers between undertakings implemented in stages, including the need to value shares, apply also to shares previously held in joint businesses.
- IFRS 11: The Board clarified that a shareholder in a joint venture that does not exercise joint control is not required, in a situation where such shareholder assumes joint control over the joint venture, to revalue the shares in such joint venture.

The new standards did not affect the Group's consolidated financial statements, because:

- The Group is not a party to transactions subject to the amendment to IAS 12,
- all adjustments of an assets of a significant value are financed by the Group using funds acquired externally especially for that purpose.
- The Group does not conduct any joint activities within the meaning of IFRS 11.

Standards not yet applicable (New standards and interpretations):

For these consolidated financial statements, the Group decided **not to apply in advance any published standards or interpretations before their effective date.** Until the date of preparation of these consolidated financial statements, certain new or amended standards and interpretations have been published as applicable to annual periods following 2019.

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

  The amendment entails the introduction of a new definition of the term "material" (in respect to an omission or misstatement in the financial statements). The previous definition included in IAS 1 and IAS 8 differed from the one included in the Conceptual Framework for Financial Reporting, which could cause difficulty in judgments made by the entity preparing the financial statements. The amendment will cause unification of definitions in all the applicable IASs and IFRSs.

  The Group estimates that the new standard will not affect its consolidated financial statements because the previous judgments regarding materiality were consistent with the ones that would have be made using the new definition.

- Amendments 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 a material process that together significantly contribute to the ability to create outputs;
  - narrows the definitions 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;
  - removes the assessment of whether it is possible to replace any missing inputs or processes and continue to operate a business in order to produce outputs; and
  - adds an optional possibility of conducting a simplified assessment of whether an acquired set of activities and assets is not a business.

  These amendments apply to business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and for acquisitions of assets effected in or after this reporting period. Accordingly, the amendments in question will not affect the Group's financial statements.

  The Group estimates that the above standards, interpretations and amendments to standards would have had no material influence on the annual consolidated financial statements, had they been applied by the Group as at the balance sheet date. The Group intends to apply the said regulations on the dates set as the dates of application for the respective standards or interpretations.

- New IFRS 17 "Insurance Contracts"

  This standard is effective for annual periods beginning on or after 1 January 2021.

  The new standard regulates the recognition, measurement, presentation and disclosure of insurance and reinsurance contracts. The standard replaces the IFRS 4 applied previously.

  The Group estimates that the new standard will not affect its consolidated financial statements because it does not conduct insurance activity.

Accounting policies

Description of the applied accounting policies

These interim condensed consolidated financial statements have been prepared in accordance with the same accounting policies as the annual consolidated financial statements of the Silvair, Inc. Group for the year 2018.

Changes in accounting policies and methods used to prepare financial statements compared to the previous financial year, their reasons, titles and impact of the resulting financial effects on assets, financial standing, liquidity and financial results.

In 2019, the Group introduced changes to its accounting policies as compared to the rules applied in the previous financial year, which resulted from the application of the IFRS 16 guidelines for the periods beginning on 1 January 2019.

In connection with the application of IFRS 16, the Group has not identified any right-of-use assets and lease liabilities to be recognized and accounted and presented in the consolidated financial statements as at the first application date, i.e. 1 January 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 *Functional and presentation currency* section.

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

	31 March 2019	31 December 2018	31 March 2018
PLN/USD	0.2607	0.2769	0.2929

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

	From 1 January to 31 March 2019	From 1 January to 31 December 2018	From 1 January to 31 March 2018
PLN/USD	0.2327	0.2671	0.2940

Corrections of prior period errors

No corrections of errors of previous periods occurred in the current reporting period.

At the end of 2018, the Group made a retrospective correction of an error included in the data presented for 2017. As a result of this correction, the error was presented in the Consolidated Financial Statements for 2018. This error concerned the share-based payment agreements. As at 31 December 2017, the Group incorrectly calculated the balance of capital from revaluation of management options. The impact of the correction will be presented in the H1 2019 report since the first published interim report in 2018 was the report for the 6 months of 2018.

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

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

Note 1.2 Changes in costs of development work

No.	Item	1 January 2019 – 31 March 2019	1 January 2018 – 31 December 2018	1 January 2018 –31 March 2018
1.	**Gross value at the beginning of the period**	**10,235**	**8,656**	**8,656**
	Additions, including:	700	2,117	431
	– expenditures incurred	700	2,117	275
	– foreign exchange differences from measurement in presentation currency	-	-	156
	Reductions, including:	234	587	-
	– liquidation and sale	-	-	-
	– foreign exchange differences from measurement in presentation currency	234	587	-
2.	**Gross value at the end of the period**	**10,701**	**10,186**	**9,087**
3.	**Accumulated depreciation at the beginning of the period**	**1,349**	**732**	**732**
	Additions	212	617	163
	Reductions	-	-	-
4	**Accumulated depreciation at the end of the period**	**1,561**	**1,349**	**895**
5	**Net value at the beginning of the period**	**8,886**	**7,924**	**7,924**
6	**Net value at the end of the period**	**9,140**	**8,838**	**8,192**

(*) 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.

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

Note 5 Deferred tax assets

Deferred tax assets	31 March 2019	31 December 2018	31 March 2018
Deferred tax assets – at the beginning of the period, including:	**620**	**185**	**185**
through profit or loss	620	185	185
through equity	-	-	-
Additions	**63**	**435**	**-**
through profit or loss	63	435	-
through equity	-	-	-
Reductions	**-**	**-**	**-**
through profit or loss	-	-	-
through equity	-	-	-
Deferred tax assets at the end of the period, including:	**683**	**620**	**185**
through profit or loss	683	620	185
through equity	-	-	-

Deferred tax assets arising from temporary differences resulting from:	31 March 2019	31 December 2018	31 March 2018
Accumulated tax losses to be used	8,324	8,084	6,185
Impairment losses on deferred tax assets up to the amount of tax losses available for use in the future (calculation based on the financial budget)	-4,730	-4,823	-5,209
Total	**3,594**	**3,261**	**976**
Deferred tax assets (19%)	**683**	**620**	**185**

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

Note 6 Inventory

Inventory	31 March 2019	31 December 2018	31 March 2018
Materials in processing (own entrusted for testing)	5	5	5
Goods for resale	41	42	47
Impairment loss on merchandise	-34	-34	-
Total	**12**	**13**	**52**

In the reporting period, there were no indications for changing the impairment losses on inventories. In 2018, USD 34 thousand worth of inventory was covered in full by an impairment loss. The total amount of impairment losses on inventory in 2018 was USD 34 thousand. As at 31 March 2018, there were no impairment losses for the Group's inventory.

Note 7 Trade receivables

Trade receivables	31 March 2019	31 December 2018	31 March 2018
From related entities	-	-	-
From other entities	68	49	159
Impairment losses	-28	-29	-29
Total	**40**	**20**	**130**

Note 7.1 Impairment losses on trade receivables

As at 31 March 2019, impairment losses on trade receivables amounted to USD 28 thousand and as at 31 December 2018 and 31 March 2018 it was USD 29 thousand.

The impairment loss pertains to receivables from a single business partner of the Group, which has not changed for the entire period.

In the reporting period, there were no indications that would require recognition or reversal of the impairment losses on receivables.

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

Note 12 Share capital

Share capital of the Parent Company as at 31 March 2019.

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

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

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

On 8 March 2019, the Company issued 40,250 Common Restricted Shares with a par value of USD 0.1 each ("Issue") to a consultant as part of the 2016 Stock Plan described in the Company's Prospectus approved by the Polish Financial Supervision Authority on 25 June 2018 ("Stock Plan"). As a result of the Issue, the Company's share capital is PLN 1,142,067 and consists of 11,420,670 shares with a par value of USD 0.1 each, including 10,460,670 Common Shares and 960,000 shares of the Founders Preferred Stock, representing 16,220,670 votes at the Company's shareholder meeting, of which 10,460,670 are votes attaching to the Common Shares and 5,760,000 are votes attaching to the Preference Founder Shares. After the Issue, the total number of the Company's common shares remaining to be issued under the Stock Plan is 250,750 shares. The contract between the Company and its consultant provides for the granting of 2,300 shares on each 18th day of the month following 18 February 2019 up until and inclusive of 18 July 2020 as well as 1,150 shares on 30 July 2020 if the consultant maintains the Continuous Service Status within the meaning of the contract as at the date of granting the shares in question. In Q1 2019 there was no issue, redemption or repayment of non-equity and equity securities.

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

Share capital of the Parent Company as at 31 December 2018.

Type	Number of shares	Par value (USD '000s)	Share subscription price (USD '000s)	Share premium account (USD '000s)
Common Stock	10,420,420	1,042	20,223	19,181
Preferred Stock	960,000	96	125	29
Total	**11,380,420**	**1,138**	**20,348**	**19,210**

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

Share capital ownership structure	Number of shares	% of shares	Number of votes	% of votes
Funds managed by Trigon	2,213,781	19.45	2,213,781	13.68
Szymon Słupik	1,884,711	16.56	3,529,871	21.82
Rafał Han	1,296,441	11.39	2,928,441	18.10
Adam Gembala	1,018,760	8.95	2,145,520	13.26
Other shareholders holding less than 5% of shares	4,966,727	43.65	5,362,807	33.14
Total	**11,380,420**	**100.00**	**16,180,420**	**100.00**

Share capital as at 31 March 2018

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

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

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

Share capital ownership structure	Number of shares	% of shares	Number of votes	% of votes
Szymon Słupik	1,884,711	19.36	3,529,871	24.30
Rafał Han	1,296,441	13.32	2,928,441	20.15
Funds managed by Trigon	1,248,243	12.83	1,248,243	8.59
Adam Gembala	1,018,760	10.47	2,145,520	14.76
Onico S.A.	574,712	5.90	574,712	3.95
Other shareholders holding less than 5% of shares	3,709,628	38.12	4,105,708	28.25
Total	**9,732,495**	**100.00**	**14,532,495**	**100.00**

Note 13 Capital from revaluation of options

Capital from revaluation of options	31 March 2019	31 December 2018	31 March 2018
Valuation of stock options under IFRS 2	215	155	44
Total	**215**	**155**	**44**

Note 14.1 Other capital

Other capital	31 March 2019	31 December 2018	31 March 2018
Supplementary capital	21,152	21,147	15,709
Total	**21,152**	**21,147**	**15,709**

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

Note 14.2 Changes in other capital

Changes in other capital	1 January 2019 – 31 March 2019	1 January 2018 –31 December 2018	1 January 2018 – 31 March 2018
At the beginning of the period	**21,147**	**15,286**	**15,286**
Exercise of stock options for Company shares	-	34	34
Expenditures incurred in connection with the stock issue	-	-924	-138
Issue of new shares	9	5,325	-
Unpaid capital which has been called up	-4		
Issue of bonds convertible to shares	-	1,426	527
At the end of the period	**21,152**	**21,147**	**15,709**

On 8 March 2019, the Company issued 40,250 Common Restricted Shares with a par value of USD 0.1 each ("Issue") to a consultant as part of the 2016 Stock Plan described in the Company's Prospectus approved by the Polish Financial Supervision Authority on 25 June 2018 ("Stock Plan"). The issued shares have not been paid for. The contract between the Company and its consultant provides for the granting of 2,300 shares on each 18th day of the month following 18 February 2019 up until and inclusive of 18 July 2020 as well as 1,150 shares on 30 July 2020 if the consultant maintains the Continuous Service Status within the meaning of the contract as at the date of granting the shares in question. In Q1 2019, 2,300 shares were granted to the Company's consultant. The consultant's services for the Company settled by the share-based payment transaction were measured by reference to the fair value of the equity instruments on the date they were granted. Shares issued and not paid were recognized as a reduction of other capital.

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 period, adjusted by the effect of diluting options.

Earnings/(loss) per share in the period covered by the financial statements:	31 March 2019	31 December 2018	31 March 2018
Weighted average number of Parent Company's shares in the period	11,400,545	10,556,458	9,732,495
Earnings/(loss) per share (USD)	-0.05	-0.26	-0.06
Number of diluting options	528,750	569,000	584,000
Weighted average number of Parent Company's shares in the period after diluting options	11,527,377	10,503,726	10,099,245
Diluted earnings/(loss) per share (USD)	**-0.05**	**-0.26**	**-0.06**

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

Note 17 Deferred tax liabilities

Earnings/(loss) per share in the period covered by the financial statements:	31 March 2019	31 December 2018	31 March 2018
Deferred tax liabilities at the beginning of the period, including:	**28**	**33**	**33**
through profit or loss	28	33	33
through equity	-	-	-
Additions:	**-**	**-**	**-**
through profit or loss	-	-	-
through equity	-	-	-
Reductions:	**1**	**5**	**1**
through profit or loss	1	5	1
through equity	-	-	-
Deferred tax liabilities at the end of the period, including:	**27**	**28**	**32**
through profit or loss	27	28	32
through equity	-	-	-

Deferred tax liabilities arising from temporary differences resulting from:	31 March 2019	31 December 2018	31 March 2018
Difference between the tax value and carrying amount of completed development work	142	147	168
Total	**142**	**147**	**168**
Deferred tax liabilities (19%)	**27**	**28**	**32**

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 PARP in the amount of PLN 2.0 million with the outstanding balance of:

- PLN 924 million (USD 241 thousand) as at 31 March 2019,

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

- PLN 1.05 million (USD 279 thousand) as at 31 December 2018,
- PLN 1.43 million (USD 418 thousand) as at 31 March 2018,

Sway Sp. z o.o. issued a blank promissory note.

Except for that promissory note, as at 31 March 2019, as at 31 December 2018 and as at 31 March 2018, the Group had no other contingent liabilities.

As at 31 March 2019, as at 31 December 2018 and as at 31 March 2018, Group Companies were not acting as guarantors or sureties and also had not drawn their own or received third party promissory notes as collateral or payment for transactions.

Note 20.3 Other short-term provisions

The Group creates a provision for the costs of accumulated payable absences which it will have to disburse to cover the unexercised right of employees in the amount accrued as at the balance sheet date, that is provisions for holiday leaves that were not used by employees. The provision for unused vacation time is a short-term provision and is not subject to discounting.

Other short-term provisions	31 March 2019	31 December 2018	31 March 2018
Provision for unused vacation time	51	52	-
Total	**51**	**52**	**-**

Movements in short-term provisions	1 January 2019 - 31 March 2019	1 January 2018 - 31 December 2018	1 January 2018 – 31 March 2018
At the beginning of the period	**52**	**-**	**-**
Additions	-	52	-
Reductions	1	-	-
At the end of the period	**51**	**52**	**-**

Note 23 Operating segments

The Silvair Inc. Group identifies the following 2 operating segments in its business activity:

- Silvair Platform
- Silvair Mesh Stack

The **Silvair Mesh Stack** segment consists of universal firmware based on the Bluetooth Mesh standard, intended primarily for installation in electronic components of lighting products and in sensory devices.

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

The firmware is versioned depending on the type of device, its functionality and supported communication protocol. In this segment the Company also classifies the above firmware that is modified or upgraded based on the clients' individual requirements (custom firmware). The Company earns revenues in this segment from sales of firmware licenses.

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

In the reporting period covered by these statements, the Group generated the first revenues in both of the above segments. In general, the revenue originated from: sales of Silvair Lighting Firmware (in the Silvair Mesh Stack segment) and sales of licenses to use network configuration tools and lighting scenarios offered as part of the Silvair Platform. These revenues are recognized directly on the billing date and are presented in the Group's statements in the full amount. Technical support services in the Silvair Platform constitute additional revenue components. Fees for these services are usually regular and are generally charged every year in advance. A proportionate part of these revenues is allocated to the period revenues, while the remaining part is recognized as assets in the prepaid expenses item.

The Group does not develop the Wi-Home and Proxy segments, which are based on older technologies. Nevertheless, these segments still generate some revenues and therefore are included in the Group's statements as "Other activities".

Operating segments from 1 January 2019 to 31 March 2019, USD '000s

Segment type				
	Silvair Platform	**Silvair Mesh Stack**	**Other activities**	**Total**
Revenues and expenses				
Sales to external customers	38	8	1	47
Inter-segment sales				
Cost of sales	62	110	26	198
Income and expenses (operating and other operating)			-465	-465
EBIT				**-616**
Net financial income (costs)	-	-	-59	-59
Share in profits of associates	-	-	-	-

Profit before tax				**-675**
Income tax (current and deferred)	-	-	-46	-46
Net profit for the reporting period	-	-	-	-629
Assets				
Costs of development work	2,586	4,217	2,337	9,140
Receivables	16	17	7	40
Unallocated assets	-	-	3,131	3,131
Total assets				**12,311**
Liabilities				
Financial liabilities	-	-	241	241
Unallocated liabilities			**1,351**	**1,351**
Total liabilities				**1,592**
Depreciation and amortization	62	110	48	220

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

Operating segments from 1 January 2018 to 31 March 2018, USD '000s

Segment type	Silvair Platform	Silvair Mesh Stack	Other activities	Total
Revenues and expenses				
Sales to external customers	-	-	-	-
Inter-segment sales	-	-	-	-
Income and expenses (operating and other operating)	-	-	-735	-735
EBIT				**-735**
Net financial income (costs)	-	-	173	173
Share in profits of associates	-	-	-	-
Profit before tax				**-562**
Income tax (current and deferred)	-	-	-	-
Net profit for the reporting period				-562
Assets				
Costs of development work	1,350	4,235	2,607	8,192
Receivables	-	-	130	130
Unallocated assets	-	-	884	884
Total assets				**9,206**
Liabilities				
Financial liabilities	-	-	418	418
Unallocated liabilities	-	-	956	956
Total liabilities				**1,374**
Depreciation and amortization	4	75	98	177

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

Sales revenues from 1 January 2019 to 31 March 2019 – main buyers

In the first quarter of 2019, the Group generated sales within the Silvair Platform, Silvair Mesh Stack and Proxi segments, which is presented in the Segments table. The Group generated sales exceeding 10% of its consolidated revenues in its cooperation with two buyers:

- buyer A: 55.78% of the Group's total consolidated sales revenues,
- buyer B: 30.69% of the Group's total consolidated sales revenues,

The buyers listed above are not affiliates or subsidiaries of Silvair, Inc. Other revenues are not directly related to the Group's core business.

Sales revenues from 1 January 2019 to 31 March 2019 – geographic structure

Country	Sales to externalcustomers	1 January 2019 - 31 March 2019
European Union of which Poland	USD	28
	%	59.05%
Other countries	USD	19
	%	40.95%
Total revenues	**USD**	**47**
	%	**100%**

Sales revenues from 1 January 2018 to 31 March 2018.

In the first quarter of 2018, the Group issued 1 invoice for a buyer in Poland for an amount of less than USD 1 thousand.

Note 30 Share-based payment agreements

Description of the agreements:

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

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

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

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

- 96,000 shares to Venture FIZ.

According to the KPI Agreement, the Board of Directors has the powers to set the detailed terms and conditions for granting options in the "Option Pool" to the beneficiaries.

By 31 December 2017, options have been granted from the "Option Pool" for all the shares for the Management Board and Venture FIZ, as well as 70,000 out of 132,000 shares for the Key Personnel.

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

In 2018, as part of the Option Pool, 20,000 options and 333,000 options from the Additional Option Pool were granted.

By 31 December 2018, options for further 15,000 shares had been exercised.

In the period from 1 January to 31 March 2019, no stock options were exercised in the Option Pool.

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

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

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

By 30 June 2018, options for all the shares envisaged for Rafał Han in the pool had already been granted.

On 8 March 2019, the Company issued 40,250 Common Restricted Shares with a par value of USD 0.1 each ("Issue") to a consultant as part of the Option Plan. By 31 March 2019, options for 2,300 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.

Number of options and strike price:

	1 January 2019 - 31 March 2019	1 January 2018 - 31 December 2018
Pool of shares under the Option Plan	1,453,000	1,453,000
Number of shares available under the Option Plan at the beginning of the period	**191,000**	**544,000**
Number of shares granted under option agreements	40,250	353,000
Number of shares taken up in exercise of the options	2,300	15,000
Number of shares available to be taken up in subsequent periods under option agreements	315,950	378,000
Number of shares released upon expiration of options	100,000	-
Number of shares available under the Option Plan at the end of the period	**250,750**	**191,000**

The Group has measured the fair value of services received as consideration for equity instruments of the entity indirectly, by reference to the fair value of the equity instruments granted. The fair value of awarded options was estimated by an independent expert using modern financial engineering methods. The Hull-White model was used to measure the fair value of the options granted, with the following assumptions:

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

For the options granted after the public issue of the parent company's shares, the services received in exchange for equity securities were valued using the fair value determined indirectly, by reference to the fair value of 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:

	1 January 2019 - 31 March 2019	1 January 2018 - 31 December 2018	1 January 2018 - 31 March 2018
Management cost	60	166	21
Capital from revaluation of options	60	166	21

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

	1 January 2019 - 31 March 2019	1 January 2018 - 31 December 2018	1 January 2018 - 31 March 2018
Other capital	-	34	-
Capital from revaluation of options	-	-34	-

The change in capital from revaluation of options in 2018, by 31 December 2018, resulted from the exercise of 15,000 stock options and revaluation of the remaining options in the vesting period. The total amount of shares taken up in the performance of option contracts in the period from 1 January to 31 December 2018 was USD 1.5 thousand.

Note 31 Major events after the balance sheet date

The following material events occurred after the balance sheet date:

In the period from 1 April 2019 to the date of this report, Silvair, Inc. granted another tranche of the loan to its subsidiary Silvair Sp. z o.o. in the total amount of PLN 1,500,000. According to the Agreement between the Company and its consultant presented in its current report no. 4/2019 of 8 March 2019, subsequent awards of the company shares occurred: 2,300 shares on 18 April and 2,300 more shares on 18 May 2019.

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,

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

- market risk:
- currency risk,
- interest rate risk,
- other price risk.

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

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

Liquidity risk is the risk that arises when the Group meets difficulties in fulfilling is obligations related to financial liabilities. The Group makes sure that liquidity is maintained at an appropriate and safe level.

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Because of the global character of the business conducted by the Silvair, Inc. Group, in which most of the revenues are generated in USD and EUR, while most expenses are incurred in PLN, the Group is exposed to risk related to sudden changes in exchange rates, including in particular appreciation of PLN and depreciation of EUR vs. USD.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group does not invest any surplus funds in interest-bearing assets based on floating interest rates and accordingly it is not exposed to the risk related to changes in interest rates.The principal risk of changes in interest rates is related to debt instruments. In 2018 and 2017, the Group did not use any external debt instruments (loans and bonds) with a floating interest rate, the interest rate on which would depend on changes in interest rates. Accordingly, it was not exposed to changes in cash flows resulting from changes in interest rates.

Other price risks are the risks that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market. The Group does not use financial instruments associated with price risk. The Group is not exposed to other price risk.The Group's financial risk management is coordinated by the Parent Company in close collaboration with the Management Boards of the subsidiaries. In the risk management process, these are the most important goals:

- 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 bank loans, cash and short-term deposits. The Group also holds various 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.

Classification of financial instruments according to IFRS 9

Financial assets by balance sheet item as at 31 March 2019	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	40	40	-	-	40	-
Receivables other than above, which are financial assets	-	-	-	-	-	-
Short-term securities	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Bank deposits	-	-	-	-	-	-
Cash	2,162	2,162	-	-	-	2,162

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

Financial liabilities by balance sheet item as at 31 March 2019	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	241	241	-	241	-
Finance leases	-	-	-	-	-
Long-term security deposits and other non-current liabilities	-	-	-	-	-
Debt securities	-	-	-	-	-
Measurement of other instruments - derivatives	-	-	-	-	-
Trade liabilities	168	168	-	168	-
Liabilities other than above that are financial liabilities	-	-	-	-	-

Financial assets by balance sheet item as at 31 December 2018	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	45	45	-	-	45	-
Receivables other than above that are financial assets	-	-	-	-	-	-
Short-term securities	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Bank deposits	-	-	-	-	-	-
Cash	3,387	3,387	-	-	-	1,367

Financial liabilities by balance sheet item as at 31 December 2018	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	279	279	-	279	-
Finance leases	-	-	-	-	-
Long-term security deposits and other non-current liabilities	-	-	-	-	-
Debt securities	-	-	-	-	-
Measurement of other instruments - derivatives	-	-	-	-	-
Trade liabilities	189	189	-	189	-
Liabilities other than above that are financial liabilities	-	-	-	-	-

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

Financial assets by balance sheet item as at 31 March 2018	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	8	8	-	-	-	8
Loans	-	-	-	-	-	-
Long-term security deposits and other long-term receivables	-	-	-	-	-	-
Trade receivables	130	130	-	-	130	-
Receivables other than above that are financial assets	-	-	-	-	-	-
Short-term securities	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Bank deposits	-	-	-	-	-	-
Cash	431	431	-	-	-	431

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

Financial liabilities by balance sheet item as at 31 March 2018	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	418	418	-	418	-
Finance leases	-	-	-	-	-
Long-term security deposits and other non-current liabilities	-	-	-	-	-
Debt securities	-	-	-	-	-
Measurement of other instruments - derivatives	-	-	-	-	-
Trade liabilities	50	50	-	50	-
Liabilities other than above that are financial liabilities	-	-	-	-	-

Note 38 Related party transactions

Transactions with parties related by equity with the Parent Company:

Parties related by equity with the Parent Company:

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

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

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

Loan agreement between Silvair, Inc. as the lender and Silvair Sp. z o.o. as the borrower. In the first quarter of 2019, Silvair, Inc. granted an additional loan tranche to Silvair Sp. z o.o. in the amount of PLN 3.5 million. As at 31 March 2019, in connection with this loan, Silvair Sp. z o.o. posted a liability under the loan from Silvair, Inc. in the amount of USD 5,430 thousand (principal) and as at 31 December 2018, it posted a receivable in the total amount of USD 4,454 thousand including accrued interest.

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

In the first quarter of 2019, Silvair Sp. z o.o. granted an additional loan tranche of PLN 120 thousand to Sway Sp. z o.o., as a result of which as at 31 March 2019 the balance of liabilities on account of loans received from Silvair Sp. z o.o. is USD 216 thousand including accrued interest.

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

As at 31 March 2018, Sway Sp. z o.o. showed a liability on account of loans received from Silvair Sp. z o.o. in the amount of USD 53 thousand.

As at 31 December 2018, the balance of liabilities on account of loans received from Silvair Sp. z o.o. was USD 186 thousand.

Trade liabilities and receivables between Group companies.

As at 31 March 2019 and 31 March 2018, both Silvair Sp. z o.o. and Sway Sp. z o.o. reported no mutual receivables or other liabilities. As at 31 December 2018, Sway Sp. z o.o. had a trade liability toward Silvair Sp. z o.o. in the amount of PLN 61.5 thousand. As at 31 December 2018, Silvair Sp. z o.o. reported trade receivables from Silvair, Inc. in the amount of PLN 205 thousand (USD 54 thousand). As at 31 March 2018, both Silvair Sp. z o.o. and Silvair, Inc. reported no mutual receivables or other liabilities.

Transactions between the companies and mutual liabilities and receivables were excluded from the consolidated statements. Transactions between companies are effected on an arm's length basis.

Entities having personal ties with Group companies:

Transactions between entities with personal ties:

As at 31 March 2019, as at 31 December 2018 and as at 31 March 2018, the subsidiaries Silvair Sp. z o.o. and Sway Sp. z o.o. were parties to a lease agreement for a property in Krakow at ul. Jasnogórska, where the headquarters of both companies were located.

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

The Group leased space from Centrum Jasnogórska 44 where the total cost of the transactions was USD 66 thousand in Q1 2019 and USD 66 thousand in Q1 2018. The total cost in Q1 2018 was USD 55 thousand and in Q1 2018 it was also USD 55 thousand.

As regards the recognition of the above lease agreement in the statement of financial position, the Group applied the exemption provided for in IFRS 16 for short-term contracts.

As at 31 March 2019, as at 31 March 2018 and as at 31 December 2018, the Group had no liabilities toward the lessor under the lease agreement.

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

Note 39 Minority interest

Movement in non-controlling interest	1 January 2019 - 31 March 2019	1 January 2018 - 31 December 2018	1 January 2018 - 31 March 2018
As at the beginning of the financial year	**407**	**-**	**-**
Contributions to capital of Sway	-	427	-
Result for the year attributable to non-controlling interest	-2	-20	-
As at the end of the financial year	**405**	**407**	**-**

In accordance with a resolution adopted by the Extraordinary Shareholder Meeting, on 18 May 2018 the share capital of Sway was increased by PLN 310,000 from PLN 3,100,000 to PLN 3,410,000 by creating 6,200 new, equal and indivisible shares with a par value of PLN 50 each.

In accordance with the Notarial Deed entered in the Register of Deeds A under file number 1125/2018, prepared by Notary Monika Sucheta, the new shares were acquired by ASI Bridge Alfa Bitspiration Booster Sp. z o.o. Sp.k. with its registered office in Kraków in exchange for a cash contribution of PLN 1,600,000, of which PLN 310,000 was allocated to the share capital and the remaining amount constituting a premium over the total par value was allocated to the company's supplementary capital.

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

Supplementary notes to the interim (quarterly) consolidated financial statements

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

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

Seasonality or cyclicality of the Group's operations

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

Provisions and charges, including impairment losses

In the period from 1 January to 31 March 2019, there were no indications for recognizing new impairment losses for assets or for reversing the existing ones.

In Q1 2019 there were also no indications for recognizing provisions for liabilities. Information on the level of prior charges and provisions is provided in the section entitled "Information and notes on material changes in the amounts of estimates and selected reporting items".

Litigation

No new litigation was launched in the period from 1 January to 31 March 2019.

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

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

As at 31 March 2019, as at 31 March 2018 and as at 31 December 2018, the Group had no liabilities on account of purchases of property, plant and equipment.

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

In the reporting period and in the corresponding period of the previous year no changes occurred in the economic situation and business conditions that would materially affect the fair value, financial assets and financial liabilities presented in the Group's consolidated financial statements.

No other information was received that could materially affect the assessment of its assets, financial position and financial result.

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

The Group paid its financial liabilities on a timely basis and did not default on 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 the shares is USD 0.1. Property status of the persons sitting in the issuer's management and supervisory bodies did not change in the period from 1 January to 31 March 2019. The slight changes in % are a result of the issue of new shares to be subscribed by the consultant of the Silvair, Inc. Group. It was allocated to the "Other shareholders" group.

Share capital ownership structure	Number of shares	% of shares	Number of votes	% of votes
Funds managed by Trigon	2,213,781	19.45	2,213,781	13.65
Szymon Słupik	1,884,711	16.56	3,529,871	21.76
Rafał Han	1,296,441	11.39	2,928,441	18.05
Adam Gembala	1,018,760	8.95	2,145,520	13.23
Other shareholders holding less than 5% of shares	5,006,977	43.65	5,403,057	33.31
Total	**11,420,670**	**100.00**	**16,220,670**	**100.00**

Information on changes in classification or valuation of financial instruments

Note 33 of this report presents the classification of financial instruments according to IFRS 9.

No changes in measurement methods for financial instruments, especially those measured at fair value, were made in Q1 2019. In the reporting period, no changes were also made to the classification of financial assets.

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

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

The Silvair Group has not published any projections for 2019, including projections for Q1 2019.

Summary of the Issuer's achievements and failures

First revenues from sales of Silvair products.

The first quarter of 2019 has proved to be exceptionally important for the Group. After several years of work on the Bluetooth Mesh standard and product development, the Group entered the phase of commercialization and earned the first revenues. Even thought the first contracts with partners were concluded as early as in the first quarters of 2018, the process of developing new products, testing and launching mass production took the partners almost a year. This period, which could extend for more than a year in some instances, is typical for the industry and expected by the Group. What we are most happy with is the fact that products based on the Silvair technology appeared in the global distribution and the first complete implementations ultimately confirmed the assumptions made for the products.

Signing of a letter of intent and start of negotiations with OSRAM GmbH

On 28 March 2019, Silvair Sp. z o.o. and OSRAM GmbH signed a letter of intent under which the parties commenced negotiations with a view to entering into one or several agreements on privileged technical and commercial cooperation to facilitate the introduction, to the professional lighting market in the EMEA region, of Bluetooth low energy mesh wireless systems ("BLE") offered by OSRAM, based on the customized BLE network ecosystem developed by the Company. As at 30 May 2019, the negotiations have not been completed. The Company is continuing the negotiations with the intention to finalize them within the shortest possible timeframe. The commencement of negotiations with OSRAM does not mean that any contracts will be entered into with OSRAM or that any final decisions or binding commitments have been made in this respect. The Company will inform the public on the execution, if any, of a contract with OSRAM or on any other outcome of the negotiations in a separate current report.

Execution of a contract with Linmore LED

On 21 March 2019, Silvair, Inc. signed a contract for the sale of Silvair Commissioning tools (parts of the Silvair platform) with Linmore LED Labs, Inc., a U.S.-based manufacturer of lighting fixtures. The contract pertains to the provision of tools to configure a smart lighting network based on the Bluetooth mesh technology, in the Lighting Control as a Service (LCaaS) model. Linmore LED Labs will be responsible for comprehensive cooperation with customers, that is for sales and marketing of setup tools for smart lighting networks along with after-sales support. Linmore sells its products in the United States. The contract was entered into for an indefinite term.

New partnership of Silvair with LA Lighting

In February 2019, Silvair established cooperation with a new partner: LA Lighting, a leading U.S.-based manufacturer of lighting fixtures. LA Lighting, owing to its more than 30 years of experience in the manufacture of commercial and industrial lighting fixtures, is a leader in the market for wireless control integration solutions with the whole product line.

Silvair strengthens its North American team

In March 2019, Jim Sekinger joined the sales division as Sales Executive for the United States. Jim Sekinger has worked in the lighting industry for more than 25 years, focusing on innovation, sales and business development (development of products, markets and business models) related to smart lighting technologies. He headed the development and commercialization of several groundbreaking lighting technologies, including wireless lighting communication and cloud data architecture. For over 10 years, he worked for Philips Lighting, where his most recent position was CEO of the division responsible for lighting control solutions. During his career, he has held a number of managerial positions in companies involved in the creation of smart lighting technologies, including as VP Business Development for Adura Technologies, a company dealing with wireless lighting control, SVP Sales & Business Development for Redwood Systems, a leader in LED solutions for building management, VP Channel for Enlighted, Inc., a leading company in wireless solutions for LED lighting control systems (acquired by Siemens).

Szymon Słupik elected again Chairman of the Mesh Working Group within the Bluetooth SIG

Close cooperation with the Bluetooth SIG brings additional image-boosting benefits to Silvair. By chairing the Mesh Working Group, Szymon Słupik (Silvair founder) keeps building the Group's renown and strong position on the international stage. Szymon is currently an industry expert in wireless technologies and a Bluetooth mesh expert. Both Szymon and other Silvair representatives are regularly invited to Bluetooth World conferences, Bluetooth Media Events and webinars, where they have the opportunity to share their expert knowledge and disseminate their publications. A portion of the Bluetooth SIG's marketing activities focuses on the promotion of its active members, including Silvair, both in the media and in presentations forming part of various types of reports and rankings.

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

No such transactions were concluded in the reporting period.

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

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

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

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

- Rate of adoption of the Bluetooth Mesh standard by the market and effectiveness in acquiring new business.
- Systematic development work supporting the commercialization of new products and increase of the competitive advantage.
- Macroeconomic situation in Poland and globally.

Rafał Han

Chief Executive Officer (CEO)

Szymon Słupik

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

Adam Gembala

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

Paweł Szymański

Director

Marek Kapturkiewicz

Director