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

Kraków, 30 September 2020

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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**

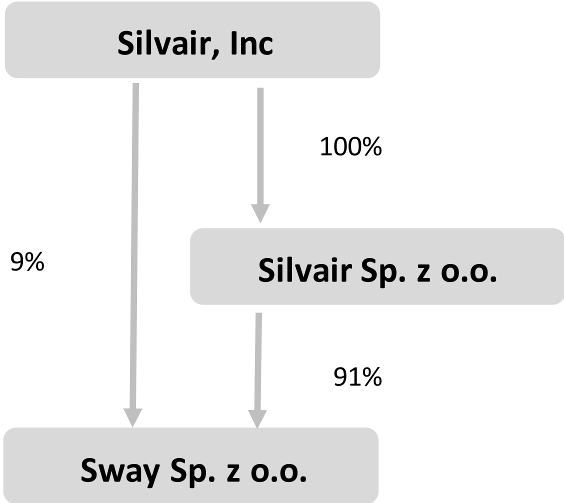
Group's business

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 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 interim condensed consolidated financial statements were prepared as at 30 June 2020 and cover the period of 6 months, i.e. from 1 January 2020 to 30 June 2020.

For the data presented in the interim condensed consolidated statement of financial position and off-balance sheet items, comparative financial data were presented as at 30 June 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 June 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 Management Board identified a risk of disruptions in sales caused by disruptions to the chain of supply of lighting components to the Group's cooperating partners, as well as a risk of postponement of investments associated with replacement of the lighting infrastructure by customers due to the widespread lockdown. In connection with the coronavirus pandemic, the Management Board also notes major difficulties with access to capital which – at this stage of commercialization of the Group's products – is an important source of financing of its day-to-day activity.

Consequently, the Parent Company's Management Board has made a pertinent revision of the 2020 sales assumptions. At the same time, in connection with the reduced sales activity, the Management 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, costs in June 2020 were 33% lower than in March 2020. 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 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 Management 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 Management 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 ratainıng key employees in the Group and maintaining high motivation across all teams.

The described situation indicates the existence of significant uncertainty that may raise considerable concerns regarding the Group continuing as a going concern.

Despite the economic stagnation caused by the COVID 19 coronavirus pandemic, in April and May this year the Group managed to negotiate and conclude several contracts with new partners. Along with the gradual lifting of restrictions (mainly the lockdown), the economic situation of the Group also improved. In June, the Group sold over 10,000 firmware licenses, which is the best monthly result since the commencement of commercialization. In the period from June to August, the Group also managed to obtain funds from investors – in the amount of USD 2.1 million – for financing its operations through the issue of convertible bonds ("Convertible Securities").

From January 2020 to 30 June 2020, Silvair, Inc. acquired USD 700,000 from the issue of Convertible Securities. In the period from July 2020 to August 2020, the Company acquired further USD 1.9 million. From the date of approval of the issue (i.e. 8 August 2019) to the date of preparation of these statements, the Company has issued Convertible Securities with a total nominal value of USD 5.512 million. The Management Board of the Parent Company assumes that the total amount of funds obtained from the issue of Convertible Securities will allow to finance the Group's operations over the next 12 months, however, there is no such certainty.

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

Board of Directors:

Szymon Słupik — President

Adam Gembala — Vice-President, Secretary and Treasurer

Rafał Han — Director

Paweł Szymański — Director

Christopher Morawski — Director

Officers:

Rafał Han — Chief Executive Officer (CEO)

Szymon Słupik — Chief Technology Officer (CTO)

Adam Gembala — Chief Financial Officer (CFO)

Consolidation

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

As at 30 June 2020 and as at 30 June 2019, consolidation encompasses Silvair, Inc. and two subsidiaries: Silvair Sp. z o.o. and Sway Sp. z o.o. As at 30 June 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. IFRS conversion adjustments are made in order to eliminate any discrepancies in the application of accounting policies.

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

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 interim consolidated financial statements are calculated as a quotient of the EUR/PLN and USD/PLN exchange rates published by the National Bank of Poland:

Average USD/EUR exchange rates in the periods covered by the interim 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 – 30.06.2020	1.1044	1.0684	1.1392	1.1219
01.01.2019 – 31.12.2019	1.1190	1.0893	1.1524	1.1213
01.01.2019 – 30.06.2019	1.1303	1.1134	1.1524	1.1388

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

Reporting period	Average exchange rate in the period	Minimum exchange rate in the period	Maximum exchange rate in the period	Exchange rate as at the last day of the period
01.01.2020 – 30.06.2020	0.2487	0.2344	0.2641	0.2512
01.01.2019 – 31.12.2019	0.2601	0.2490	0.2685	0.2633
01.01.2019 – 30.06.2019	0.2636	0.2584	0.2685	0.2678

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

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

Item	USD		EUR		PLN	
	01.01.2020 –30.06.2020	**01.01.2019 –30.06.2019**	**01.01.2020 –30.06.2020**	**01.01.2019 –30.06.2019**	**01.01.2020 –30.06.2020**	**01.01.2019 –30.06.2019**
Net revenue on the sale of products, goods and materials	129	114	117	101	519	432
Operating profit (loss)	-1 193	-1 518	-1 080	-1 343	-4 798	-5 759
Profit (loss) before tax	-1 444	-1 574	-1 308	-1 393	-5 807	-5 971
Profit (loss) of the period	-1 365	-1 576	-1 236	-1 377	-5 489	-5 907
Net cash flows from operating activities	-373	-856	-338	-757	-1 499	-3 247
Net cash flows from investing activities	-1 088	-1 343	-985	-1 188	-4 374	-5 095
Net cash flows from financing activities	650	-106	589	-94	2 615	-402
Total cash flows	-810	-2 305	-734	-2 039	-3 258	-8 744

For items of the statement of financial position

Item	USD		EUR		PLN	
	30.06.2020	**31.12.2019**	**30.06.2020**	**31.12.2019**	**30.06.2020**	**31.12.2019**
Total assets	11 548	12 389	10 293	11 048	45 968	47 050
Liabilities and provisions for liabilities	5 393	4 736	4 807	4 224	21 467	17 986
Non-current liabilities	420	484	374	432	1 672	1 838
Current liabilities	4 973	4 252	4 433	3 792	19 796	16 148
Equity attributable to the shareholders of the parent company	6 155	7 573	5 486	6 754	24 501	28 760
Share capital	1 153	1 143	1 028	1 019	4 590	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, EUR and PLN)	-0.12	-0.34	-0.11	-0.30	-0.48	-1.30
Book value per share (in USD, EUR and PLN)	0.53	0.67	0.48	0.60	2.13	2.55

Representation by the Board of Directors

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

The scope of the interim condensed consolidated financial statements, which are part of the semi-annual report, complies with the Finance Minister's Regulation of 29 March 2018 on the current and periodic information transmitted by securities issuers and the conditions for recognizing the information required by the regulations of a non-member state as equivalent (conslidated text: Journal of Laws of 2018, Item 757) ("Regulation"), and covers the half-year reporting period from 1 January 2020 to 30 June 2020 and the comparative period from 1 January 2019 to 30 June 2019 for the profit and loss account and the cash flow statement, respectively, and the balance sheet data as at 30 June 2020, comparable data as at 31 December 2019 and as at 30 June 2019.

The company informs that the representations by the Board of Directors on the year of preparation and publication of these condensed consolidated financial statements for the period from 1 January 2020 to 30 June 2020 are presented in the Report of the Board of Directors of Silvair, Inc. on the activity of the Silvair, Inc. Group for H1 2020.

Interim condensed consolidated financial statements of Silvair, Inc.

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

Interim consolidated statement of financial position

	Note No.	30 June 2020	31 December 2019	30 June 2019
A. Non-current assets		**10 818**	**10 752**	**10 704**
I. Costs of development work	**1**	9 981	9 896	9 753
II. Other intangible assets	**2**	71	17	16
III. Property, plant and equipment	**3**	20	34	44
IV. Right-of-use assets	**3.7**	24	171	250
V. Financial assets	**4**	7	7	7
VI. Deferred tax assets	**5**	715	627	634
B. Current assets		**730**	**1 637**	**1 298**
I. Inventory	**6**	11	9	18
II. Trade receivables	**7**	71	48	58
III. Other receivables	**8**	144	223	171
IV. Prepayments and accruals	**9**	18	61	23
V. Financial assets	**10**	-	-	-
VI. Cash and cash equivalents	**11**	486	1 296	1 028
Total assets		**11 548**	**12 389**	**12 002**

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

	Note No.	30 June 2020	31 December 2019	30 June 2019
A. Equity		**6 155**	**7 653**	**9 944**
Equity attributable to the shareholders of the parent company		**6 155**	**7 573**	**9 844**
I. Share capital	**12**	1 153	1 143	1 142
II. Capital from revaluation of options	**13**	172	375	273
III. Other capital	**14**	21 611	21 253	21 181
IV. Minority interest transactions	**14.3**	-365	-445	-445
V. Capital from foreign exchange differences from translation of foreign operations		656	954	1 090
VI. Retained earnings	**15**	-15 707	-11 840	-11 840
VII. Financial result of the current period		-1 365	-3 867	-1 557
Equity attributable to non-controlling entities		**-**	**80**	**100**
B. Non-current liabilities		**420**	**484**	**681**
I. Deferred tax liabilities	**17**	22	24	26
II. Lease liabilities	**18.1**	-	-	86
III. Other non-current liabilities	**18**	-	11	79
IV. Prepayments and accruals	**21**	398	449	490
C. Current liabilities		**4 973**	**4 252**	**1 377**
I. Trade liabilities	**19**	173	231	225
II. Liabilities from contracts with customers	**20**	64	36	41
III. Lease liabilities	**18.1**	32	171	166
IV. Liabilities on bonds convertible to shares	**20**	3 735	2 954	-
V. Other current liabilities	**20**	481	345	323
VI. Other short-term provisions	**20**	75	82	75
VII. Prepayments and accruals	**21**	413	433	547
Equity and liabilities		**11 548**	**12 389**	**12 002**

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 –30.06.2020	01.01.2019 –30.06.2019
A. Revenue	**22**	**129**	**114**
B. Cost of sales		**390**	**395**
C. Gross sales result		**-261**	**-281**
I. Selling and distribution expenses		305	237
II. General and administrative expenses		680	1 020
D. Net sales result		**-1 246**	**-1 538**
I. Other operating income	**24**	62	44
II. Other operating expenses	**25**	9	24
E. Operating result		**-1 193**	**-1 518**
I. Financial income	**27**	32	29
II. Financial costs	**28**	283	85
F. Result before tax		**-1 444**	**-1 574**
I. Income tax	**29**	-79	2
a) current part		10	5
b) deferred part		-89	-3
G. Profit/(loss) for the period		**-1 365**	**-1 576**
Profit/(loss) attributable to:			
shareholders of the parent company		-1 365	-1 557
non-controlling interest		-	-19

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

	1 January 2020 – 30 June 2020	1 January 2019 – 30 June 2019
Net earnings/(loss) per share (in USD)	**-0.12**	**-0.14**
Diluted earnings/(loss) per share (in USD)	**-0.09**	**-0.12**

** as at 30 June 2019, the Issuer unnecessarily reported the value of the incentive (option) program in this item*

Interim consolidated statement of other comprehensive income	1 January 2020 – 30 June 2020	1 January 2019 – 30 June 2019
Profit/(loss) for the period	**-1 365**	**-1 576**
Other comprehensive income	**-298**	**174**
1. Other comprehensive income to be reclassified to result in the future	-298	56
– foreign exchange differences from translation of foreign operations	-298	56
2. Other comprehensive income not to be reclassified to result in the future*	-	118
Total comprehensive income	**-1 663**	**-1 402**
Total comprehensive income attributable to:		
shareholders of the parent company	-1 663	-1 383
non-controlling interest	-	-19

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

Interim consolidated statement of changes in equity

Interim consolidated statement of changes in equity	Share capital	Capital from revaluation of options	Other capital	Minority interest transact.	Capital from foreign exchange differences	Retained earnings	Financial result	Total equity	Equity attributable to non-controlling entities	Total equity
At the beginning of the period 1 January 2020	**1 143**	**375**	**21 253**	**-445**	**954**	**-15 707**	**-**	**7 573**	**80**	**7 653**
Correction of errors:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
adjustment associated with the right to acquire shares	-	-	-	-	-	-	-	-	-	-
minority interest adjustment	-	-	-	-	-	-	-	-	-	-
At the beginning of the period 1 January 2020, corrected	**1 143**	**375**	**21 253**	**-445**	**954**	**-15 707**	**-**	**7 573**	**80**	**7 653**
Changes to equity in the period from 1 January to 30 June 2020										
Exercise of stock options for Company shares	10	-	-	-	-	-	-	10	-	10
Issue of new shares as part of the stock plan	-	-358	358	-	-	-	-	-	-	-
Valuation of stock options under IFRS 2	-	155	-	-	-	-	-	155	-	155
Bonds convertible to shares classified as equity instruments	-	-	-	-	-	-	-	-	-	-
Change in the group's structure (transactions with non-controlling entities)	-	-	-	80	-	-	-	80	-80	-
Total transactions with owners	**10**	**-203**	**358**	**80**	**-**	**-**	**-**	**245**	**-80**	**165**
Result of the period	-	-	-	-	-	-	-1 365	-1 365	-	-1 365
Other comprehensive income for the period	-	-	-	-	-298	-	-	-298	-	-298
Total comprehensive income	**-**	**-**	**-**	**-**	**-298**	**-**	**-1 365**	**-1 663**	**-**	**-1 663**
At the end of the period 30 June 2020	**1 153**	**172**	**21 611**	**-365**	**656**	**-15 707**	**-1 365**	**6 155**	**-**	**6 155**

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	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:	**-**	**-**	**-**	**-445**	**-**	**733**	**-**	**288**	**-288**	**-**
adjustment associated with the right to acquire shares				-445		445		-	-	-
minority interest adjustment						288		288	-288	-
At the beginning of the period 1 January 2019, corrected	**1 138**	**155**	**21 147**	**-445**	**1 034**	**-11 840**	**-**	**11 189**	**119**	**11 308**
Changes to equity in the period from 1 January to 31 December 2019										
Exercise of stock options for Company shares	1	-108	104	-	-	-	-	-3	-	-3
Issue of new shares as part of the stock plan	4	-2	2	-	-	-	-	4	-	4
Valuation of stock options under IFRS 2	-	330	-	-	-	-	-	330	-	330
Bonds convertible to shares classified as equity instruments	-	-	-	-	-	-	-	-	-	-
Change in the group's structure (transactions with non-controlling entities)	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	5	220	106	-	-	-	-	331	-	331
Result of the period	-	-	-		-	-	-3 867	-3 867	-39	-3 906
Other comprehensive income for the period	-	-	-		-80	-	-	-80	-	-80
Total comprehensive income	**-**	**-**	**-**		**-80**	**-**	**-3 867**	**-3 947**	**-39**	**-3 986**
At the end of the period 31 December 2019	**1 143**	**375**	**21 253**	**-445**	**954**	**-11 840**	**-3 867**	**7 573**	**80**	**7 653**

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

Interim consolidated statement of changes in equity	Share capital	Capital from revaluation of options	Other capital	Minority interest transactions	Capital from foreign exchange differences from	Retained earnings	Financial result	Total equity	Equity attributable to non-controlling entities	Total equity
At the beginning of the period 1 January 2019	**1 138**	**155**	**21 147**	**-**	**1 034**	**-12 573**	**-**	**10 901**	**407**	**11 308**
Corrections of errors:	**-**	**-**	**-**	**-445**	**-**	**733**	**-**	**288**	**-288**	**-**
adjustment associated with the right to acquire shares				-445		445		-	-	-
minority interest adjustment						288		288	-288	-
At the beginning of the period 1 January 2019, corrected	**1 138**	**155**	**21 147**	**-445**	**1 034**	**-11 840**	**-**	**11 189**	**119**	**11 308**
Changes to equity in the period from 1 January to 30 June 2019										
Exercise of stock options for Company shares	-	-38	34	-	-	-	-	-4	-	-4
Issue of new shares as part of the stock plan	4	-	-	-	-	-	-	4	-	4
Valuation of stock options under IFRS 2	-	156	-	-	-	-	-	156	-	156
Bonds convertible to shares classified as equity instruments	-	-	-	-	-	-	-	-	-	-
Change in the group's structure (transactions with non-controlling entities)	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	**4**	**118**	**34**	**-**	**-**	**-**	**-**	**156**	**-**	**156**
Result of the period	-	-	-		-	-	-1 557	-1 557	-19	-1 576
Other comprehensive income for the period	-	-	-		56	-	-	56	-	56
Total comprehensive income	**-**	**-**	**-**		**56**	**-**	**-1 557**	**-1 501**	**-19**	**-1 520**
At the end of the period 30 June 2019	**1 142**	**273**	**21 181**	**-445**	**1 090**	**-11 840**	**-1 557**	**9 844**	**100**	**9 944**

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

Interim consolidated cash flow statement

	Note No.	01.01.2020 – 30.06.2020	01.01.2019 – 30.06.2019
Profit (loss) before tax		**-1 444**	**-1 574**
Adjustments for:		**1 071**	**718**
1. Depreciation and amortization	**26**	554	594
2. Foreign exchange gains (losses)		445	22
3. Interest and profit sharing (dividends)		78	-11
4. Profits (losses) from investment activities		-6	-
5. Movement in provisions		-7	23
6. Movement in inventory		-2	-5
7. Movement in receivables		56	-69
8. Movement in current liabilities, except for loans and borrowings		208	58
9. Tax paid		-10	5
10. Movement in prepayments and accruals		-116	-17
11. Other adjustments resulting from operating activity	**11.1**	-129	118
Net cash from operating activities		**-373**	**-856**
Proceeds		6	-
1. Disposal of intangible assets and property, plant and equipment		6	-
2. From financial assets, including:		-	-
a) in related entities		-	-
b) in other entities		-	-
Expenditures		1 093	1 343
1. Purchase of intangible assets and property, plant and equipment		70	10
2. Expenditures incurred for development work		1 023	1 333
3. For financial assets, including:		-	-
a) in other entities		-	-

Net cash from investing activities	**-1 088**	**-1 343**
Proceeds	712	67
1. Net proceeds from issuing shares and additional capital contributions	10	38
2. Proceeds from the issue of debt securities	700	-
3. Loans and borrowings drawn	-	-
4. Interest	2	29
Expenditures	62	173
1. Repayment of loans and borrowings	26	75
2. Repayment of lease liabilities	36	80
3. Interest	-	18
Net cash from financing activities	**650**	**-106**
Net cash flows	**-810**	**-2 305**
Movement in cash	**-810**	**-2 305**
- movement in cash on account of foreign exchange differences	-	-
Cash at the beginning of the period	**1 296**	**3 333**
Cash and cash equivalents at the end of the period	**486**	**1 028**

Explanatory notes to the interim condensed 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. The Company did not take into account in 2018 the obtained right to the shares in Sway and the value of the taken up shares was covered with corrections in the results of previous years.

The consequences of the correction are described below.

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

Impact on interim consolidated financial statements

Statement of financial position as at 30 June 2019	
Item	**Amount (in thousands of USD)**
Minority interest transactions	-445
Retained earnings	733
Equity attributable to non-controlling entities	-288

Impact on earnings/(loss) per share

The change had an insignificant impact on the H1 2019 loss and did not affect the loss per share, which amounted to USD -0.14.

Impact of changes on the statement of financial position as at 30 June 2019

Statement of financial position (USD ’000s)	As at 30 June 2019, published	Change	As at 30 June 2019, corrected
A. Non-current assets	**10 704**	**-**	**10 704**
I. Costs of development work	9 753	-	9 753
II. Other intangible assets	16	-	16
III. Property, plant and equipment	44	-	44
IV. Right-of-use assets	250	-	250
V. Financial assets	7	-	7
VI. Deferred tax assets	634	-	634
B. Current assets	**1 298**	**-**	**1 298**
I. Inventory	18	-	18
II. Trade receivables	58	-	58
III. Other receivables	171	-	171
IV. Prepayments and accruals	23	-	23
V. Financial assets	-	-	-
VI. Cash and cash equivalents	1 028	-	1 028
Total assets	**12 002**	**-**	**12 002**

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

	As at 30 June 2019, published	Change	As at 30 June 2019, corrected
A. Equity	**9 944**	**-**	**9 944**
Equity attributable to the shareholders of the parent company	**9 556**	**288**	**9 844**
I. Share capital	1 142	-	1 142
II. Capital from revaluation of options	273	-	273
III. Other capital	21 181	-	21 181
IV. Minority interest transactions	-	-445	-445
V. Capital from foreign exchange differences	1 090	-	1 090
VI. Retained earnings	-12 573	733	-11 840
VII. Financial result of the current period	-1 557	-	-1 557
Equity attributable to non-controlling entities	**388**	**-288**	**100**
B. Non-current liabilities	**191**	**490**	**681**
I. Deferred tax liabilities	26	-	26
II. Lease liabilities	86	-	86
III. Other non-current liabilities	79	-	79
IV. Prepayments and accruals	-	490	490
C. Current liabilities	**1 867**	**-490**	**1 377**
I. Trade liabilities	225	-	225
II. Liabilities from contracts with customers	41	-	41
III. Lease liabilities	166	-	166
IV. Other current liabilities	323	-	323
V. Other short-term provisions	75	-	75
VI. Prepayments and accruals	1 037	-490	547
Equity and liabilities	**12 002**	**-**	**12 002**

The change did not cause changes in the presentation and values of the interim consolidated profit and loss account for the period from 1 January 2019 to 30 June 2019.

Basis for preparation and accounting policies

Basis for preparation of the consolidated financial statements

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

These interim condensed consolidated financial statements of the Group cover the period of 6 months ended on 30 June 2020 and have been prepared in accordance with IAS 34 "Interim Financial Reporting".

For a more complete understanding of the Group's financial and property situation, the interim consolidated statement of financial position prepared as at 30 June 2019 and the consolidated statement of changes in equity for 2019 were additionally included to provide data for comparable periods, despite the lack of such requirements in IAS 34.

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

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

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

  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.

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

- Amendments to References to the Conceptual Framework in IFRS

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

- Amendments to IFRS 9, IAS 39 and IFRS 7

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

- Amendment to IAS 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.

Description of accepted accounting policies

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

Translation of items in foreign currencies

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

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

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

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

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

	30 June 2020	31 December 2019	30 June 2019
PLN/USD	0.2512	0.2633	0.2678

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

	For the period from 1 January 2020 to 30 June 2020	For the period from 1 January 2019 to 31 December 2019	For the period from 1 January 2019 to 30 June 2019
PLN/USD	0.2487	0.2601	0.2636

Uncertainty of estimates

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

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

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

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

Subjective assessments and judgments

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

- impairment of expenditures for development work (see Note 1.1)
- impairment of other intangible assets (see Note 2.1)
- impairment of property, plant and equipment (see Note 3.1)
- term of lease contracts (see Note 3.7 and 18.1)
- 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.

Seasonality of business

The Group's business is not seasonal.

Business combinations and loss of control

In the first 6 months of 2020 there were no business combinations or loss of control in the Group. There were no such events in 2019 either.

Additional notes and explanations to the condensed interim consolidated financial statements

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

Note 1.1 Costs of development work

Costs of development work	30.06.2020	31.12.2019	30.06.2019
Completed development work	7 543	8 425	8 161
Development work not yet completed	2 438	1 471	1 592
Total	**9 981**	**9 896**	**9 753**

In the period from 1 January to 30 June 2020, the Group's capitalized costs of development work amounted to USD 1.03 million, of which: USD 465 thousand – Silvair Platform, USD 404 thousand - Lighting Firmware, USD 165 thousand - Bluetooth Mesh Silvair Protocol, not assigned to the segments (other activity).

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

Bluetooth Mesh protocol:

The aim of the project is to prepare and develop a wireless communication protocol in the mesh topology based on the Bluetooth technology The project is executed in cooperation with other partners in the task force appointed by the Bluetooth Special Interest Group, aiming to prepare the specification and develop the Bluetooth Mesh standard. The project has been developed since 2014 and is of open nature, i.e. individual protocol development work stages are closed (i.e. accepted for use) together with publication of subsequent versions of the Bluetooth Mesh standard. The first stage of the development work under the project was closed in 2017 with publication of the new standard. The second stage started in the same year (2017) and its aim is to develop and publish the next version of the Bluetooth Mesh standard. The second stage was completed on 31 December 2019, and the expenditures incurred for development of this stage of the project increased the value of completed development works. The third stage of works began on 1 January 2020. The expenditures incurred by 30 June 2020 for development of the next project stage increased the value of development work not yet completed.

Silvair Mesh Stack:

The aim of the project is to develop a firmware stack for electronic devices (in particular for electronic lighting components) on the basis of a standardized communication protocol Bluetooth Mesh. The project has been developed since 2015, in parallel with the work on the Bluetooth Mesh protocol, and is of open nature, i.e. individual development work stages are closed (i.e. accepted for use) along with publication of subsequent commercial versions of the software. The first stage of development work was completed in 2017, one day after the publication of the standard, along with the qualification, by the Bluetooth SIG, of the implementation of software released by the Issuer, i.e. the software stack (the so-called Mesh Core) and the application layer (the so-called Model Mesh Core). The second stage of development work was completed by the end of 2018 along with the Issuer releasing the next commercial version of the software (the so-called Silvair Lighting Firmware). The third stage was completed on 31 December 2019, and the expenditures incurred for development of this stage of the project increased the value of completed development works. From the beginning of 2020, the fourth stage of the work has been under way. In the reporting period, the expenditures incurred for development of the next project stage increased the value of development work not yet completed.

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

Silvair Platform:

The aim of the project is to develop a technology and service platform, comprising digital tools for launch, configuration and management of smart lighting networks, and an infrastructure that allows the Company to provide innovative services. The project has been developed since 2015, in parallel with the work on the Bluetooth Mesh protocol and the Silvair Mesh Stack, and is of open nature, i.e. individual development work stages are closed (i.e. accepted for use) along with delivery of subsequent commercial versions of digital tools and expansion of the scope of services provided by the Issuer. The first stage of development work was completed by the end of 2018 along with the Issuer releasing the commercial version of digital tools (the so-called Commissioning Tool). From the beginning of 2019, the second stage of the work has been under way. The expenditures incurred from 1 January 2019 to 30 June 2020 for development of the next project stage increased the value of development work not yet completed.

Amortization of costs of development work	Period ended 30 June 2020	Period ended 30 June 2019
Completed development work	541	493
Development work not yet completed	-	-
Total	**541**	**493**

From 1 January 2019, amortization of completed development work has been charged to cost of sales, which is dictated by the commencement of sale of the products subject to completed development work. In previous years, amortization was charged to general and administrative expenses, while amortization of other intangible assets used to carry out R&D projects was capitalized as the value of development work.

Estimates:

As at each balance sheet date, the Group analyzes whether or not objective grounds exist that might imply an impairment of expenditures on completed development work, as well as expenditures on ongoing development work. Due to the specific nature of the business, which covers comprehensive development and implementation of innovative technology, the Issuer conducts tests for impairment in relation to a set of assets which are collectively referred to as cash generating units. When conducting tests for the impairment of unfinished and completed development works, the Issuer is guided by two major factors, i.e.:

- Pace of adoption, scale of dissemination and commercial implementation of the Bluetooth Mesh standard. The Issuer carries out, among others, observations to assess the current behavior of market participants, analyzes market trends, participates in industry events, monitors market activity with regard to implementations of technology based on the Bluetooth Mesh standard, tracks the involvement of new entities in the work of the Bluetooth SIG's working group, and observes the behavior of competitors.

- The scale of market interest in the products and services offered by the Group. In this respect, the Issuer assesses the dynamics of the process of acquiring and contracting partners and customers, as well as the dynamics and scale of sales of the Group's products covered by these contracts.

The issuer also assesses the following:

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

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

The adopted 10-year amortization period is justified by the innovative nature of the developed technology and its market potential, backed up by the global Bluetooth Mesh standard. The amortization period has been estimated taking into account the useful life of the technology and the possibility of deriving benefits from individual development works.

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

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

Note 1.2 Changes in costs of development work

No.	Costs of development work (*)	In period from 1 January 2020 to 30 June 2020	In period from 1 January 2019 to 31 December 2019	In period from 1 January 2019 to 30 June 2019
1.	**Gross value at the beginning of the period**	**12 912**	**10 186**	**10 186**
	Additions, including:	1 023	2 792	1 409
	– expenditures incurred	1 023	2 792	1 333
	– foreign exchange differences from measurement in presentation currency	-	-	76
	Reductions, including:	445	66	-
	– liquidation and sale	-	-	-
	– foreign exchange differences from measurement in presentation currency	445	66	-
2.	**Gross value at the end of the period**	**13 490**	**12 912**	**11 595**
3.	**Accumulated depreciation at the beginning of the period**	**2 323**	**1 349**	**1 349**
	Additions	541	974	493
	Reductions	-	-	-
4.	**Accumulated depreciation at the end of the period**	**2 864**	**2 323**	**1 842**
5.	**Impairment losses at the beginning of the period**	**693**	**-**	**-**
	Additions	-	693	-
	Reductions	48	-	-
6.	**Impairment losses at the end of the period**	**645**	**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**	**9 981**	**9 896**	**9 753**

(*) 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 June 2020, there are no unfinished development works with limited right-of-use in the Group.

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

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 June 2020	Recoverable amount *
Bluetooth Mesh Protocol and Silvair Mesh Stack	4 685	17 306
Silvair Platform and Multi ALS	4 200	103 727
Wi-Home	1 003	2 296
Total	**9 888**	**123 329**

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

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

Note 2.1 Other intangible assets

Other intangible assets	30.06.2020	31.12.2019	30.06.2019
Other intangible assets (computer software)	71	17	16
Total	**71**	**17**	**16**

Estimates:

As at each balance sheet date, the Group analyzes whether or not objective grounds exist that might imply an impairment of other intangible assets.

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

The amortization rates are determined on the basis of the anticipated useful life of other intangible assets.

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

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

Note 2.2 Changes in other intangible assets, by type

No.	Other intangible assets	In the period from 1 January 2020 to 30 June 2020	In the period from 1 January 2019 to 31 December 2019	In the period from 1 January 2019 to 30 June 2019
1.	**Gross value at the beginning of the period**	**581**	**578**	**578**
	Additions	60	4	-
	Reductions	1	1	-
2.	**Gross value at the end of the period**	**640**	**581**	**578**
3.	**Accumulated depreciation at the beginning of the period**	**564**	**560**	**560**
	Additions	5	4	2
	Reductions	-	-	-
4	**Accumulated depreciation at the end of the period**	**569**	**564**	**562**
5	**Net value at the beginning of the period**	**17**	**18**	**18**
6	**Net value at the end of the period**	**71**	**17**	**16**

The Group has no intangible assets used under lease agreements.

The Group has no intangible assets with restricted use rights.

The Group has no bank loans that would be secured with intangible assets.

As at 30 June 2020 and 30 June 2019, there were no contractual obligations related to the purchase of intangible assets.

Note 2.3 Ownership structure of other intangible assets

Intangible assets	30.06.2020	31.12.2019	30.06.2019
Owned	71	17	16
Third party	-	-	-
Total	**71**	**17**	**16**

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

Note 3.1 Property, plant and equipment

Property, plant and equipment	30.06.2020	31.12.2019	30.06.2019
a) fixed assets, including:	20	34	44
land	-	-	-
buildings and structures	7	8	9
plant and machinery	12	26	33
means of transport	-	-	-
other fixed assets	1	-	2
b) fixed assets under construction	-	-	-
Total	**20**	**34**	**44**

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 June 2020 and 30 June 2019, there were no contractual obligations related to the purchase of property, plant and equipment.

As at 30 June 2020 and 30 June 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.

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

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

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

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

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:	-	-	-	-	2	-	2
	acquisition	-	-	-	-	-	-	-
	foreign exchange differences from measurement in presentation currency	-	-	-	-	2	-	2
	Reductions, including:	-	1	14	-	1	-	16
	liquidation and sale	-	-	14	-	-	-	14
	foreign exchange differences from measurement in presentation currency	-	1	-	-	1	-	2
2.	**Gross value as at 30.06.2020**	**-**	**23**	**238**	**-**	**33**	**-**	**294**
3.	**Accumulated depreciation as at 01.01.2020**	**-**	**16**	**226**	**-**	**32**	**-**	**274**
	Additions	-	-	12	-	-	-	12
	Reductions	-	-	12	-	-	-	12
4.	**Accumulated depreciation as at 30.06.2020**	**-**	**16**	**226**	**-**	**32**	**-**	**274**
5.	**Net value as at 01.01.2020**	**-**	**8**	**26**	**-**	**-**	**-**	**34**
6.	**Net value as at 30.06.2020**	**-**	**7**	**12**	**-**	**1**	**-**	**20**

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	9	-	1	-	11
	acquisition	-	-	9	-	1	-	10
	foreign exchange differences from measurement in presentation currency	-	1	-	-	-	-	1
	Reductions, including:	-	-	5	-	5	-	10
	liquidation and sale	-	-	3	-	-	-	3
	foreign exchange differences from measurement in presentation currency	-	-	2	-	5	-	7
2.	**Gross value as at 30.06.2019**	**-**	**23**	**234**	**-**	**34**	**-**	**291**
3.	**Accumulated depreciation as at 01.01.2019**	**-**	**14**	**187**	**-**	**32**	**-**	**233**
	Additions	-	-	17	-	-	-	17
	Reductions	-	-	3	-	-	-	3
4.	**Accumulated depreciation as at 30.06.2019**	**-**	**14**	**201**	**-**	**32**	**-**	**247**
5.	**Net value as at 01.01.2019**	**-**	**8**	**43**	**-**	**6**	**-**	**57**
6.	**Net value as at 30.06.2019**	**-**	**9**	**33**	**-**	**2**	**-**	**44**

Note 3.3 Ownership structure of property, plant and equipment

Property, plant and equipment	30.06.2020	31.12.2019	30.06.2019
Owned	20	34	44
Third party	-	-	-
Total	**20**	**34**	**44**

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

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

In the period from 1 January to 30 June 2020 and in the comparable period of 2019, the Group did not incur costs for the production of fixed assets for its own use.

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

Item	Value in the period of 01.01.2020 – 30.06.2020	Value in the period of 01.01.2019 – 31.12.2019	Value in the period of 01.01.2019 – 30.06.2019
Expenditures incurred on property, plant and equipment	1	28	10
Expenditures incurred on intangible assets	1 083	2 796	1 333
Total	**1 084**	**2 824**	**1 343**

Due to the coronavirus pandemic, the Group expects a decrease in expenditures (expenses) on intangible assets in 2020 by approximately 25% compared to 2019. In the period from 1 January to 30 June 2020 and in the comparable period of 2019, the Group did not incur any environmental protection expenditures. The Group does not intend to make any environmental protection expenditures in 2020.

Note 3.7 Right-of-use assets

Right-of-use assets	30.06.2020	31.12.2019	30.06.2019
Real estate right-of-use asset	24	171	250
Other assets	-	-	-
Total	**24**	**171**	**250**

Since the entire right-of-use asset pertains to one category (lease of premises), the changes are presented without a category breakdown. The Group does not have perpetual usufruct of real estate.

As at 30 June 2020 and 30 June 2019, the subsidiaries, i.e. Silvair Sp. z o.o. and Sway Sp. z o.o, were parties to a lease agreement for a property in Kraków at ul. Jasnogórska. As at the date of preparation of the Group's consolidated financial statements as of 1 January 2019, the agreement did not fulfill the criteria of IAS 16 for recognizing it in the Group's statement of financial position as a lease. On 29 June 2019, the Issuer extended the agreements to the end of 2020 and thus changed the balance sheet classification of the agreements and presented them pursuant to IFRS 16. The information about the change of the presentation is described in the section *Basis for preparation and accounting policies* of the annual consolidated statements. The information about the agreements is presented in Note 38 - Related party transactions.

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

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.

No.	Item	01.01.2020 – 30.06.2020	01.01.2019 – 31.12.2019	01.01.2019 – 30.06.2019
1.	**Gross value at the beginning of the period**	**332**	**-**	**-**
	Additions, including:	-	332	-
	acquisition	-	-	-
	internal relocation	-	332	332
	Reductions, including:	100	-	-
	revaluation (change of contract terms)	107	-	-
	foreign exchange differences from measurement in presentation currency	-7	-	-
2.	**Gross value at the end of the period**	**232**	**332**	**332**
3.	**Accumulated depreciation at the beginning of the period**	**161**	**-**	**-**
	Additions	47	161	82
	Reductions	-	-	-
4.	**Accumulated depreciation at the end of the period**	**208**	**161**	**82**
5.	**Net value at the beginning of the period**	**171**	**-**	**-**
6.	**Net value at the end of the period**	**24**	**171**	**250**

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

Note 4 Financial assets (long-term)

Financial assets (long-term)	**30.06.2020**	**31.12.2019**	**30.06.2019**
In related entities	-	-	-
In other entities	7	7	7
Total	**7**	**7**	**7**

Silvair Sp. z o.o. holds a stake in S-Labs Sp. z o.o. with its registered office in Kraków.

Note 5 Deferred tax assets

Deferred tax assets	**30.06.2020**	**31.12.2019**	**30.06.2019**
Deferred tax assets at the beginning of the period, including:	**627**	**620**	**620**
through profit or loss	614	620	620
through equity	13	-	-
Additions	**88**	**395**	**196**
through profit or loss	87	382	196
through equity	1	13	-
Reductions	**-**	**388**	**182**
through profit or loss	-	388	182
through equity	-	-	-
Deferred tax assets at the end of the period, including:	**715**	**627**	**634**
through profit or loss	701	614	634
through equity	14	13	-

Deferred tax assets arising from temporary differences resulting from:	**30.06.2020**	**31.12.2019**	**30.06.2019**
Accumulated tax losses to be used	9 452	9 263	9 106
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)	-5 691	-5 965	-5 767
Total	**3 761**	**3 298**	**3 339**
Deferred tax assets (19%)	**715**	**627**	**634**

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

Deferred tax assets are treated in entirety as non-current assets and are not subject to discounting. Deferred tax assets are calculated using tax rates that are expected to be effective at the time of realization of particular asset or release of provisions, based on tax rates (and tax legislation) enacted or substantively enacted at the balance sheet date.

Estimates:

The 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 conducted analysis of anticipated tax revenues has shown a limited possibility of settling the tax loss for 2017 and partially for 2018. Therefore, the Group has made a decision to recognize an additional impairment loss for the deferred tax assets as at 31 December 2019. The recognized deferred tax assets cover the loss from 2020, 2019 and partly from 2018. As at 30 June 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 the tax authorities.

Note 6 Inventory

Inventory	30.06.2020	31.12.2019	30.06.2019
Materials in processing (own entrusted for testing)	-	-	5
Goods for resale	48	47	47
Impairment loss on merchandise	-37	-38	-34
Total	**11**	**9**	**18**

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

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

Note 7 Trade receivables

Trade receivables	30.06.2020	31.12.2019	30.06.2019
From related entities	-	-	-
From other entities	99	74	87
Impairment losses	-28	-26	-29
Total	**71**	**48**	**58**

Note 7.1 Impairment losses on trade receivables

As at 30 June 2020, impairment losses on trade receivables amounted to USD 28 thousand. As at 31 December 2019, impairment losses on trade receivables amounted to USD 26 thousand, and as at 30 June 2019, they amounted to USD 29 thousand.

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 7.2 Aging of trade receivables

Trade receivables	30.06.2020	31.12.2019	30.06.2019
Not overdue	38	17	56
Overdue, including:	33	31	2
up to one month	4	4	-
over 1 month to 3 months	17	4	1
over 3 months to 6 months	8	21	1
over 6 months to 1 year	3	2	3
over 1 year	29	26	26
impairment losses on receivables	-28	-26	-29
Trade receivables	**71**	**48**	**58**
of which overdue (gross)	61	57	31

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

Note 8.1 Other receivables

Other receivables	30.06.2020	31.12.2019	30.06.2019
On taxes and other public benefits	144	223	156
Other receivables	-	-	15
Impairment losses	-	-	-
Total	**144**	**223**	**171**

Note 8.2 Impairment losses on other receivables

As at 30 June 2020, 31 December 2019 and 30 June 2019, the Group did not recognize any impairment losses on other short-term receivables.

Note 9 Prepayments and accruals

Prepayments and accruals	30.06.2020	31.12.2019	30.06.2019
Fees for fairs and conferences	8	40	13
IT services	6	12	5
Other	4	9	5
Total	**18**	**61**	**23**

In prepayments and accruals, the Group presents expenditures which pertain to future periods and were incurred before the balance sheet date. Prepayments as at 30 June 2020 and as at the end of the comparable period comprised mainly the costs of prepaid participation in fairs and conferences associated with presentation of the Group's activity and license fees to be incurred in the profit and loss account successively in future periods.

Note 10 Financial assets (short-term)

Financial assets (short-term)	30.06.2020	31.12.2019	30.06.2019
in related entities	-	-	-
in other entities	-	-	-
Total	**-**	**-**	**-**

Note 11 Cash and cash equivalents

Cash and cash equivalents	30.06.2020	31.12.2019	30.06.2019
Cash on hand	1	1	1
Cash in bank	485	1 295	1 027
Bank deposits	-	-	-
Total	**486**	**1 296**	**1 028**

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

The line item *Other adjustments resulting from operating activity* shows the value charged to the general and administrative expenses which corresponds to the value of accrued option capital reduced by exercise of options and changes in equity attributable to non-controlling entities, which amounted to: USD -129 thousand for the period from 1 January to 30 June 2020, and USD 118 thousand for the period from 1 January to 30 June 2019.

Note 12 Share capital

Share capital of the Parent Company as at 30 June 2020

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	20 780	19 723
Preferred Stock	960 000	96	125	29
Total	**11 527 170**	**1 153**	**20 905**	**19 752**

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

Share capital ownership structure	Number of shares	% of shares	Number of votes (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
Ipopema TFI(2)	1 381 077	11.98	1 381 077	8.46
Other shareholders holding less than 5% of shares	5 409 966	46.93	5 806 046	35.56
Total	**11 527 170**	**100.00**	**16 327 170**	**100.00**

([1]) In accordance with the Certificate of Incorporation:

- a holder of a Common Share holds one vote at the Shareholder Meeting,

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

([2]) The share of IPOPEMA TFI SA in accordance with the information sent to the Company on 27 April 2020. Current Report No. 12/2020 Notification of a change in the percentage of all votes at the shareholder meeting of Silvair, Inc.

On 27 April 2020, Ipopema TFI SA informed that as a result of the sale of shares of the Silvair, Inc. company with a registered office in San Francisco ("Company") by investment funds managed by Ipopema TFI SA, in a transaction carried out on the regulated market on 21 April 2020 and settled on 23 April 2020, the total share of investment funds managed by Ipopema TFI SA in the total number of votes in the Company fell below the 10% threshold.

On 8 March 2019, the Company issued 40,250 Common Restricted Shares with a par value of USD 0.10 each ("Issue") to the Company's consultant as part of the 2016 Stock Plan described in the Company's Prospectus approved by the Polish Financial Supervision Authority on 25 June 2018 ("Stock Plan"). In the first half of 2020, a key employee exchanged options for 101,500 shares, and key employees acquired 753,060 common shares.

Following the Issue and the exchange, the Company's share capital amounted to USD 1,152,170 and consisted of 11,527,170 shares with a par value of USD 0.10 each, including 10,567,170 Common Shares and 960,000 shares of the Founders Preferred Stock, representing 16,327,170 votes at the Company's shareholder meeting, of which 10,567,170 are votes attaching to the Common Shares and 5,760,000 are votes attaching to the Founders Preferred Stock.

After the Issue, the total number of the Company's common shares remaining to be issued under the Stock Plan amounted to 575,885 shares. On 7 May 2020, an annex to the Agreement between the Company and its consultant was signed. The annex states that in April 2020 the consultant did not provide services to the Company, changes the terms of awarding shares, and – starting from 7 May 2020 – provides for the granting of 575 shares on each 7th day of the month following 7 May 2020 up until 7 July 2020, as well as 1,150 shares on 30 July 2020, as long as the consultant maintains the Continuous Service Status within the meaning of the Agreement as at the date of granting the shares in question. By 30 June 2020, 31,625 shares were allocated to the Consultant. In 2020, there was no redemption or repayment of non-equity and equity securities. On 1 August 2020, the agreement with the consultant was changed. Information about the changes is included in Note 31.

As at 30 June 2020, out of the 11,527,170 issued shares, 11,517,395 shares were paid up in full, and 8,625 shares were not paid up.

Share capital of the Parent Company as at 31 December 2019

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

Share capital ownership structure	Number of shares	% of shares	Number of votes (1)	% of votes
Ipopema TFI(2)	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 a 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.
(2) Ipopema TFI took over the management of the investment funds managed previously by Lirtiq TFI in connection with the decision of the Polish Financial Supervision Authority ("KNF") of 5 November 2019, pursuant to which the permit to conduct business by Lartiq TFI was withdrawn.

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 as at 30 June 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	20 261	19 218
Preferred Stock	960 000	96	125	29
Total	**11 420 670**	**1 142**	**20 386**	**19 247**

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
Funds managed by Lartiq TFI	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**

As at 30 June 2019, out of the 11,420,670 issued shares, 11,389,620 shares were paid up in full, and 31,050 shares were not paid up.

Note 13 Capital from revaluation of options

Capital from revaluation of options	30.06.2020	31.12.2019	30.06.2019
Valuation of stock options under IFRS 2	172	375	273
Total	**172**	**375**	**273**

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

Note 14.1 Other capital

Other capital	30.06.2020	31.12.2019	30.06.2019
Supplementary capital	21 611	21 253	21 181
Total	**21 611**	**21 253**	**21 181**

Note 14.2 Changes in other capital

Changes in other capital	01.01.2020 -30.06.2020	01.01.2019 -31.12.2019	01.01.2019 -30.06.2019
At the beginning of the period	**21 253**	**21 147**	**21 147**
Exercise of stock options for Company shares	358	108	38
Unpaid capital which has been called up	-	-2	-4
At the end of the period	**21 611**	**21 253**	**21 181**

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

Note 14.3 Minority interest transactions

The use of this balance sheet item is the consequence of the transactions that took place in 2018, and pertains to issue of bonds and their coversion into shares of the Parent Company in return for the right to shares in the subsidiary Sway. This event was described in detail in the chapter *Corrections of prior period errors*.

In the assets of the Standalone Financial Statements, the Issuer presents Rights to shares in the amount of USD 445 thousand, corresponding to the value of the bonds as at the date of their exchange for shares. This amount adjusted the value of capital in the Retained earnings line item.

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

Converted value of minority interest:

Minority interest transactions	01.01.2020 -30.06.2020	01.01.2019 -31.12.2019	01.01.2019 -31.03.2019
At the beginning of the period	**-445**	**-445**	**-445**
Additions	80	-	-
Reductions	0	-	-
At the end of the period	**-365**	**-445**	**-445**

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

As at 30 June 2020, the value of equity attributable to non-controlling entities was adjusted to zero in correspondence with the item Minority interest transactions. As at 30 June 2020, the value of the item Minority interest transactions amounts to USD -365,000.

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

Note 15 Retained earnings

Retained earnings	30.06.2020	31.12.2019	30.06.2019
Accumulated losses brought forward	-15 707	-11 840	-11 840
Total	**-15 707**	**-11 840**	**-11 840**

The changes in the retained earnings as at 30 June 2019 result from the recognition of the right to shares in the Sway company. Information about the restatements is presented in the section *Corrections of prior period errors*.

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.

Earnings/(loss) per share in the period covered by the financial statements:	30.06.2020	31.12.2019	30.06.2019
Weighted average number of Parent Company's shares in the period	11 476 420	11 403 045	11 400 545
Number of diluting options	4 549 775	2 118 665	528 750
Weighted average number of Parent Company's shares in the period after diluting options	14 810 640	12 323 584	1 527 377
Continued operations			
Earnings/(loss) per share (USD)	**-0.12**	**-0.34**	**-0.14**
Diluted earnings/(loss) per share (USD)	**-0.09**	**-0.31**	**-0.14**
Discontinued operations			
Earnings/(loss) per share (USD)	-	-	-
Diluted earnings/(loss) per share (USD)	-	-	-
Continued and discontinued operations			
Earnings/(loss) per share (USD)	**-0.12**	**-0.34**	**-0.14**
Diluted earnings/(loss) per share (USD)	**-0.09**	**-0.31**	**-0.14**

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

Note 17 Deferred tax liabilities

Deferred tax liability	30.06.2020	31.12.2019	30.06.2019
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:	**2**	**4**	**2**
through profit or loss	2	4	2
through equity	-	-	-
Deferred tax liabilities at the end of the period, including:	**22**	**24**	**26**
through profit or loss	22	24	26
through equity	-	-	-

Deferred tax liabilities arising from temporary differences resulting from:	30.06.2020	31.12.2019	30.06.2019
Difference between the tax value and carrying amount of completed development work	116	126	137
Total	**116**	**126**	**137**
Deferred tax liabilities (19%)	**22**	**24**	**26**

Note 18 Other liabilities (non-current)

Other liabilities	30.06.2020	31.12.2019	30.06.2019
PARP loan	-	11	79
Other loans from other entities	-	-	-
Total	**-**	**11**	**79**

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

Note 18.1 Liabilities under leases

Lease liabilities	30.06.2020	31.12.2019	30.06.2019
non-current	-	-	86
current	32	171	166
Total	**32**	**171**	**252**

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 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 19.1 Trade liabilities

Other liabilities	30.06.2020	31.12.2019	30.06.2019
To related entities	-	-	-
To other entities	173	231	225
Total	**173**	**231**	**225**

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

Note 19.2 Aging of trade liabilities

Trade liabilities	30.06.2020	31.12.2019	30.06.2019
up to one month	172	224	123
over 1 month to 3 months	-	-	-
over 3 months to 6 months	-	-	26
over 6 months to 1 year	-	-	-
over 1 year	-	-	-
Overdue, including:	1	7	76
up to one month	-	6	26
over 1 month to 3 months	-	-	19
over 3 months to 6 months	-	-	6
over 6 months to 1 year	-	1	25
over 1 year	1	-	-
Total	**173**	**231**	**225**

Note 20.1 Other liabilities (current)

Other current liabilities	30.06.2020	31.12.2019	30.06.2019
To related entities	-	-	-
To other entities, including:	481	345	323
on loans	118	133	135
on taxes and other public benefits	308	113	103
on payroll	55	92	80
other	-	7	5
Total	**481**	**345**	**323**

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

Note 20.1.1 Liabilities on bonds convertible to shares

Current liabilities on account of issue of bonds convertible to shares	01.01.2020 – 30.06.2020	01.01.2019 – 31.12.2019	01.01.2019 – 30.06.2019
As at the beginning of the period	2 954	-	-
additions	781	2 954	-
reductions	-	-	-
Total	**3 735**	**2 954**	**-**

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

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

As at 30 June 2020, the terms of the Convertible Securities defined a mechanism for conversion of claims following from the Convertible Securities, comprising a claim for payment of the par value of the Convertible Securities and accrued interest ("Conversion Amount"), to the Company's common shares of a new issue in the case: (i) the Company effects a new share issue in one or several related transactions bringing gross receipts for the Company in the amount of at least USD 5.0 million ("New Equity Financing") or (ii) change of control over the Company occurs in accordance with the definition laid down in the terms of the Convertible Securities, including, among others, sale of essentially all assets of the Company, merger, consolidation, capital reorganization or other similar transaction, subject to the specific provisions of the terms of the Convertible Securities ("Change of Control"). In the case of New Equity Financing or in the case of Change of Control, the Company will issue – for the holders of Convertible Securities – the Company's common shares in the number following from dividing the Conversion Amount by the lower of: (i) price per share paid for most of the Company's shares in return for a cash contribution as part of New Equity Financing (in the case of New Equity Financing) multiplied by the discount rate of 80%, or the price per the Company's common share paid in connection with the Change of Control (in the case of Change of Control); and (ii) the quotient of USD 37.0 million and the Company's capitalization (within the meaning of the terms of the Convertible Securities). The terms of the Convertible Securities contain provisions prohibiting the disposal of the Company's securities in the case of effecting an initial public offering of the Company's securities pursuant to the United States Securities Act. The Convertible Securities are subject to the laws of the state of California. Note 31 on significant events after the balance sheet date presents changes to the above-mentioned terms.

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

By 30 June 2020, the Company has issued Convertible Securities with a total par value of USD 3.612 million.

Bonds convertible to shares	**30.06.2020**	**31.12.2019**
Par value of issued bonds	3 612	2 912
Interest expense	123	42
Interest paid	-	-
Bond liability	**3 735**	**2 954**

On 10 August 2020, the Board of Directors adopted resolutions on significant changes to the terms of the 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;
- 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 the issue of Convertible Securities adopted by the Board of

Directors, the Company issued the 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 the date of preparation ot these statements, the Company has issued Revised Convertible Securities with a total par value of USD 5.512 million.

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 June 2020 amounted to PLN 471 thousand (USD 118 thousand) and as at 30 June 2019 - 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 repays 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 (USD 77 thousand).

As at 30 June 2020, 31 December 2019 and 30 June 2019, the Group had no other contingent liabilities. As at 30 June 2020, 31 December 2019 and 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

The Group recognizes a provision for unused vacation time which pertains to periods preceding the balance sheet date and will be used in the future for all Company employees, because in the Polish system unused vacation time constitutes cumulative paid absences (the entitlement to such absences passes on to future periods and can be used if it has not been used in the current period). The amount of the provision depends on the average monthly salary and the number of unused days of vacation time to which the employee is entitled as at the balance sheet date.

The Company recognizes the costs of unused vacation time on the accrual basis, based on estimated values, and presents them in the profit and loss account in the payroll line item (in accordance with the place where they occur). The provision for unused vacation time is a short-term provision and is not subject to discounting.

As at 30 June 2020, the Company had a provision for liabilities resulting from disputed claims, which was established as at 31 December 2019. On 10 August 2020, the claims case was closed, as described in Note 31 - Major events after the balance sheet date.

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 JQSD's patent. Nonetheless, considering the time and potential costs of the litigation in the case, if any, or the necessity to enter into such a license agreement, the Company has made a decision to recognize a provision.

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

As at 30 June 2019, the Issuer recognized 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.

Other short-term provisions	**30.06.2020**	**31.12.2019**	**30.06.2019**
Provisions for unused vacation time	55	62	65
Provisions for disputes	20	20	10
Total	**75**	**82**	**75**

Provisions for unused vacation time	**30.06.2020**	**31.12.2019**	**30.06.2019**
As at the beginning of the period	**62**	**52**	**52**
Additions	-	13	13
Reductions	7	3	-
As at the end of the period	**55**	**62**	**65**

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 30.06.2020
Maintenance services for the Silvair Platform	29	62	37	54
Maintenance services for the Silvair Mesh Stack	7	16	13	10
Total	**36**	**78**	**50**	**64**

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 30.06.2019
Maintenance services for the Silvair Platform	-	50	10	40
Maintenance services for the Silvair Mesh Stack	-	2	1	1
Total	**-**	**52**	**11**	**41**

Liabilities from contracts with customers by maturity:

Maturity periods	30.06.2020	31.12.2019	30.06.2019
up to one month	8	4	4
over 1 month to 3 months	13	8	9
over 3 months to 6 months	17	11	13
over 6 months to 1 year	9	5	15
over 1 year to 3 years	10	4	-
over 3 years to 5 years	7	4	-
Total	**64**	**36**	**41**

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

As at 30 June 2020, the Group identified liabilities associated with maintenance agreements (maintenance services) in accordance with the agreements described in the item *Operating income* in the Explanatory information to the financial statements and in Note 23. The payment terms specified in the agreements do not exceed 60 days. Elements such as obligations to accept returns or to refund the fees and other similar obligations, as well as warranties and related obligations, do not apply to liabilities from contracts with customers. The Group settles the identified performance obligations using the straight-line method, spread evenly over time, as the activities are performed evenly throughout the entire period of performance.

Note 21 Prepayments and accruals

Prepayments and accruals	Value as at 01.01.2020	Additions	Reductions	Value as at 30.06.2020
Financing under the Smart Growth Operational Program	343	9*	-	352
NCBiR subsidy for fixed assets	539	-	80	459
Total	**882**	**9**	**80**	**811**

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 30.06.2019
Financing under the Smart Growth Operational Program	448	34*	-	482
NCBiR subsidy for fixed assets	614	0	59	555
Total	**1 062**	**34**	**59**	**1 037**

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

Note 22.1 Sales revenues

Sales revenues	Financial period ended 30.06.2020	Financial period ended 30.06.2019
Revenues from sales of products	78	52
Revenues from sales of goods and services	51	62
Total	**129**	**114**

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 firmware, and firmware service and maintenance.

Under **Commissioning Service Agreements (CSA)**, the Group delivers, maintains and operates applications for activation and control of the lighting management software for and on behalf of the Partner. Under these services it is also possible to provide the Silvair platform for lighting 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 segment and description of the segments are presented in Note 23.

Estimates:

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

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

Breakdown of revenues from contracts with customers:

As at 30 June 2020

Contract type					
Product/service type	**Fee type**	**CSA agreements**	**SLS agreements**	**Other revenues from contracts**	**Total**
Firmware license	one-off	-	60	-	60
Activation	one-off	18	-	-	18
Development	one-off	4	-	-	4
Maintenance	periodic	31	7	-	38
Other	one-off	1	8	-	9
Total		**54**	**75**	**-**	**129**
Delivery date:					
At the time	-	21	65	-	86
Over time	-	33	10	-	43
Total	**-**	**54**	**75**	**-**	**129**

As at 30 June 2019

Contract type					
Product/service type	**Fee type**	**CSA agreements**	**SLS agreements**	**Other revenues from contracts**	**Total**
Firmware license	one-off	-	28	1	29
Activation	one-off	23	-	-	23
Development	one-off	46	-	-	46
Maintenance	periodic	13	3	-	16
Total	**-**	**82**	**31**	**1**	**114**
Delivery date:	-				
At the time	-	69	28	1	98
Over time	-	13	3	-	16
Total	**-**	**82**	**31**	**1**	**114**

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

Note 22.2 Sales revenues – geographic structure

Sales revenues	Period ended 30.06.2020	Period ended 30.06.2019
Revenues from sales of products	**77**	**52**
domestically	-	1
within the European Union	17	39
in third countries	60	12
Revenues from the sale of services and goods	**52**	**62**
domestically	-	-
within the European Union	25	28
in third countries	27	34
Total	**129**	**114**

Information on sales revenues in 2020 – main buyers

In H1 2020, the Group generated sales exceeding 10% of consolidated revenues in cooperation with five buyers:

- buyer A: 22.64% of the Group's total consolidated sales revenues,
- buyer B: 22.63% of the Group's total consolidated sales revenues,
- buyer C: 13.39% of the Group's total consolidated sales revenues.
- buyer D: 11.33% of the Group's total consolidated sales revenues.
- buyer E: 11.08% of the Group's total consolidated sales revenues.

The buyers listed above are not affiliates or subsidiaries of Silvair, Inc.

As predicted by the Issuer, the shares are becoming increasingly dispersed.

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

Information on sales revenues – geographic structure

Country	Sales to external customers	01.01.2020 – 30.06.2020	01.01.2019 – 30.06.2019
European Union including Poland	USD	42	67
	%	33%	59%
Other countries	USD	87	46
	%	67%	41%
Total revenues	**USD**	**129**	**114**
	%	**100%**	**100%**

Note 23 Operating segments

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

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

- Silvair Platform
- Silvair Mesh Stack

In connection with the directions of development and strategy adopted by the Group, the Management Board made a decision to change the presentation of the operating segments, 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 revenues from Other activities item includes revenues from former Wi-Home and Proxi segments which are discontinued.

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

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

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

Segment type	Lighting Control	Other activity	Total
Revenues and expenses			
Sales to external customers	129	-	129
Inter-segment sales	-	-	-
Cost of sales	390	-	390
Income and expenses (operating and other operating)	-	-932	-932
EBIT	**-261**	**-932**	**-1 193**
Net financial income (costs)	-	-251	-251
Share in profits of associates	-	-	-
Gross profit	**-261**	**-1 183**	**-1 444**
Income tax (current and deferred)	-	-79	-79
Net profit for the reporting period	**-261**	**-1 262**	**-1 365**
Assets			
Costs of development work (carrying amount of assets)	8 396	1 585	9 981
Receivables	71	144	215
Unallocated assets	-	1 352	1 352
Total assets			**11 548**
Liabilities			
Financial liabilities	-	3 885	3 885
Liabilities from contracts with customers	64	-	64
Unallocated liabilities		**1 444**	**1 444**
Total liabilities			**5 393**
Other information			
Depreciation and amortization	390	211	601

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

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

Segment type	Lighting Control	Other activity	Total
Revenues and expenses			
Sales to external customers	113	1	114
Inter-segment sales	-	-	-
Cost of sales	343	52	395
Income and expenses (operating and other operating)	-	-1 237	-1 237
EBIT	**-230**	**-1 288**	**-1 518**
Net financial income (costs)	-	-56	-56
Share in profits of associates	-	-	-
Gross profit	**-230**	**-1 344**	**-1 574**
Income tax (current and deferred)	-	2	2
Net profit for the reporting period	**-230**	**-1 346**	**-1 576**
Assets			
Costs of development work (carrying amount of assets)	7 307	2 446	9 753
Receivables	56	2	58
Unallocated assets	-	2 191	2 191
Total assets			**12 002**
Liabilities			
Financial liabilities	-	214	214
Liabilities from contracts with customers	41	-	41
Unallocated liabilities		**1 803**	**1 803**
Total liabilities			**2 058**
Other information			
Depreciation and amortization	343	251	594

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 region, product lines and recognition time.

Segment type			**01.01.2020 – 30.06.2020**
	Lighting Control	**Other activity**	**Total**
REGION			
European Union	42	-	42
Other countries	87	-	87
Poland	-	-	-
Total	**129**	**-**	**129**
Product/service type			
Firmware license	60	-	60
Activation	18	-	18
Development	4	-	4
Maintenance	38	-	38
Components	5	-	5
Other	4	-	4
Total	**129**	**-**	**129**
Delivery date			
At the time	86	-	86
Over time	43	-	43
Total	**129**	**-**	**129**

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

Segment type			01.01.2019 – 30.06.2019
	Silvair Platform	Other activity	Total
REGION			
European Union	67	-	67
Other countries	46	-	46
Poland	-	1	1
Total	**113**	**1**	114
Product/service type			
Firmware license	28	1	29
Activation	23	-	23
Development	46	-	46
Maintenance	16	-	16
Total	**113**	**1**	**114**
Delivery date	-	-	-
At the time	97	1	98
Over time	16	-	16
Total	**113**	**1**	**114**

Note 24 Other operating income

Other operating income	Period from 01.01.2020 to 30.06.2020	Period from 01.01.2019 to 30.06.2019
Profit on the sale of non-financial non-current assets	-	-
Revaluation of non-financial assets	-	1
Other operating income	62	43
Total	**62**	**44**

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

Note 25 Other operating expenses

Other operating expenses	Period from 01.01.2020 to 30.06.2020	Period from 01.01.2019 to 30.06.2019
Revaluation of non-financial assets	-	-
Other operating expenses	9	24
Total	**9**	**24**

Out of the USD 24 thousand reported in H1, 2019, USD 10 thousand are the costs of the provision recognized for the disputes described in Note 20.3.

Note 26 Breakdown of costs

Breakdown of costs	Period from 01.01.2020 to 30.06.2020	Period from 01.01.2019 to 30.06.2019
Depreciation and amortization	554	594
Consumption of materials and energy	41	32
External services	946	1 232
Taxes and fees	7	8
Payroll	650	720
Social security and other benefits	128	165
Other costs by nature	31	106
Cost of products and materials sold	-	-
Total costs by type	**2 357**	**2 857**
Movement in inventory of products and production cost of products for own use (development work)	**982**	**1 205**
Cost of sales	390	395
Selling and distribution expenses	305	237
General and administrative expenses	680	1 020
Total costs by function	**1 375**	**1 652**

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

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

Note 27 Financial income

Financial income	Period from 01.01.2020 to 30.06.2020	Period from 01.01.2019 to 30.06.2019
Interest, including:	**2**	**24**
Interest on bank deposits and accounts	-	24
Other financial income	30	5
Total financial income	**32**	**29**

Note 28 Financial costs

Financial costs	Period from 01.01.2020 to 30.06.2020	Period from 01.01.2019 to 30.06.2019
Interest	**91**	**15**
To other entities	91	15
Interest on received loans	9	10
Interest on financial liabilities	81	-
Interest on lease agreements	1	5
Foreign exchange differences	192	70
Total financial costs	**283**	**85**

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

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

Item	Period from 01.01.2020 to 30.06.2020	Period from 01.01.2019 to 30.06.2019
Profit before tax	**-1 444**	**-1 574**
Costs not classified as tax-deductible expenses, including:	**373**	**269**
Depreciation and amortization	85	40
PFRON disability fund tax	7	6
Unpaid interest	-51	-
Unpaid payroll and social security contributions	204	59
Foreign exchange differences in the balance sheet	-35	8
Impairment losses	3	-
Other costs	160	156
– including valuation of stock options (Note 30)	155	118
Costs of the previous year recognized as tax-deductible expenses in the current year	**42**	**47**
ZUS (social security) from June 2020, paid in July 2020	3	40
Other	39	7
Revenues that are not tax revenues	**104**	**54**
Unpaid interest	-	-
Foreign exchange differences in the balance sheet	4	22
Subsidy	30	32
Previous year revenues subject to taxation in the current year	70	-
Additions to income (income settled over time)	30	40
Income / loss	- 1 187	-1 366
Deductions from income (*)	-	-
Taxation base	-1 187	-1 366
Tax – Parent Company	10	5
Impact of change in the deferred tax asset	87	14
Impact of movement in the deferred tax liability	-2	2
Total charges to profit before tax	**79**	**11**

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 Management Board, including: 465,000 shares 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 June 2020, options have been granted from the “Option Pool” for all the shares for the Management Board and Venture FIZ, as well as 90,000 out of 132,000 shares for the Key Personnel.

By 30 June 2020, all the options granted to the Management Board members and Venture FIZ have been exercised, and in the Key Personnel pool, options for 50,000 shares have been exercised by 30 June 2020. No further options have been exercised in 2020.

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 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 June 2020, options have been granted from the “Additional Option Pool” for all the shares for Rafał Han, and options have been granted for 32,575 out of 279,000 shares for the Key Personnel. By 30 June 2020, options for 101,500 shares have been exercised from the pool for Rafał Han.

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 June 2020, options for 31,625 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.

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

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 Management Board to reduce the Group's operating costs in connection with the coronavirus pandemic and its economic impact, including among others reduction of employment and changes in the remuneration conditions of key employees and associates of the Group. As part of the Option Plan increase of 31 March 2020, option contracts for a total of 401,865 shares have been signed as at 30 June 2020.

Number of options and strike price:

	from 01.01.2020 to 30.06.2020	from 01.01.2019 to 31.12.2019	from 01.01.2019 to 30.06.2019
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	110 125	28 000	9 200
Number of shares available to be taken up in subsequent periods under option agreements	541 990	250 250	309 050
Number of shares released upon expiration of options	0	140 000	100 000
Number of shares available to be granted under further option agreements at the end of the period	**435 885**	**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 securities 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 30.06.2020	Period from 01.01.2019 to 30.06.2019
Administrative expenses	155	166
Capital from revaluation of options	155	166

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

	Period from 01.01.2020 to 30.06.2020	Period from 01.01.2019 to 30.06.2019
Other capital	358	34
Capital from revaluation of options	-358	-34

The change in capital from revaluation of options in the period from 1 January 2019 to 30 June 2019 resulted from the exercise of 9,200 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 0.9 thousand.

The change in capital from revaluation of options in the period from 1 January 2020 to 30 June 2020 resulted from the exercise of 110,125 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 June 2020 was USD 10 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:

On 1 July 2020, Silvair, Inc. ("Company") received – from Rafał Han, member of the Board of Directors and CEO of the Company – a notification on a transaction relating to shares, which is referred to in Article 19 Section 1 of the MAR Regulation. The content of the notification was made public by the Company in Current Report No. 15/2020.

On 13 July 2020, with reference to the current reports of Silvair, Inc. ("Company") No. 8 of 4 March 2020, No. 16 of 28 October 2019; No. 15 of 8 August 2019, and No. 10 of 26 June 2019, the Company announced that it has issued new convertible promissory notes ("Convertible Securities") with a total par value of USD 0.3 million under the limit of liabilities and on the terms approved by the resolution of the Company's Board of Directors of 8 August 2019. The company made the information public in its Current Report No. 16/2020.

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 certain patents. Based on the facts, the Company is of the opinion that its products and services do not infringe JSDQ patents. In the Company's opinion, this case is an example of the so-called patent trolling. 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 established provision for this purpose will be released in the third quarter of 2020.

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.

On 10 August 2020, with reference to the current report of Silvair, Inc. ("Company") No. 15 of 8 August 2019, the Company announced that on 10 August 2020 its Board of Directors adopted resolutions on significant changes to the terms of the issue of convertible promissory notes issued pursuant to the decision of the Company's Board of Directors of 8 August 2019 ("Revised Convertible Securities"). Expressions that are highlighted in this report with a capital letter but are not defined therein have the meaning assigned to them in the Company's current report no.15 of 8 August 2019.

By the decision of the Board of Directors, 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;
- 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). Due to the regulatory limit regarding the number of new shares admitted to trading on a regulated market (i.e. in the period of the next 12 months, the number of shares admitted to trading may not exceed 20% of the total number of shares already admitted to trading), the Conversion schedule provides for the issue of new shares in the numbers not exceeding: 1,073,757 shares in 2020, 1,168,928 shares in 2021, and 1,423,178 shares in 2022.

- 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 the issue of Convertible Securities adopted by the Board of Directors, the Company issued the 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.

The remaining terms of the Convertible Securities described in the company's current report no. 15 of 8 August 2019 remain unchanged. The changes of the Revised Convertible Securities are subject to the laws of the State of California, and become effective and binding for the holders of the Convertible Securities upon the written consent of the holders of the Revised Convertible Securities holding at least a majority of the total outstanding amount of the Revised Convertible Securities. The company made the information public in its Current Report No. 17/2020.

On 14 August 2020, the Company received – from Christopher Morawski, a member of the Company's Board of Directors – a notification regarding financial instruments concerning the stock in the share capital of the Company. The content of the notification was made public by the Company in Current Report No. 18/2020.

On 28 August 2020, the Company received – from Krzysztof Januszkiewicz – a notification regarding financial instruments concerning the stock in the share capital of the Company. The content of the notification was made public by the Company in Current Report No. 19/2020.

On 28 August 2020, with reference to the current reports of Silvair, Inc. ("Company") No. 17 of 10 August 2020, No. 16 of 13 July 2020, No. 8 of 4 March 2020, No. 16 of 28 October 2019, No. 15 of 8 August 2019, and No. 10 of 26 June 2019, the Company announced that it has issued new convertible promissory notes ("Convertible Securities") with a total par value of USD 1.8 million under the limit of liabilities and on the terms approved by the resolutions of the Company's Board of Directors of 10 August 2020 and 8 August 2019. The company made the information public in its Current Report No. 20/2020.

On 1 September 2020, the Company received – from Rafał Han, member of the Board of Directors and CEO of the Company – a notification regarding financial instruments concerning the stock in the share capital of the Company. The content of the notification was made public by the Company in Current Report No. 21/2020.

Note 32 Information on joint ventures

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

Note 33 Financial risk management objectives and principles

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

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

Credit risk is the risk that one party to a financial instrument fails to discharge its 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.

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

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

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

On 26 June 2019, the Company informed that it had decided to start preparations to raise funding for the needs of current operations through the issue of new shares within the limit of authorized capital, convertible notes or other financial instruments. The issue of the Securities is to be carried out in the form of a private placement addressed to non-US institutional investors on the basis of Regulation S under the US Securities Act of 1933. The Company appointed Trigon Dom Maklerski S.A. with its registered office in Kraków as its Financial Advisor in connection with the Transaction.

Interim condensed consolidated financial statements of the Silvair, Inc. Group for the period from 1 January to 30 June 2020. All figures, unless indicated otherwise, are expressed in thousands of USD.

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

By the balance sheet date, the Company has issued Convertible Securities with a total par value of USD 3.612 million.

On 10 August 2020, the Board of Directors adopted resolutions on significant changes to the terms of the 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 Company expects that as a result of the Conversion of the Revised Convertible Securities, it will issue: (i) 1,073,757 common shares by the end of 2020; (ii) 1,168,928 common shares by the end of 2021; and (iii) 1,423,178 common shares by the end of 2022.

By the date of preparation ot these statements, the Company has issued Revised Convertible Securities with a total par value of USD 5.512 million.

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

Financial liabilities by maturity date as at 30 June 2020

	On demand	**Under 3 months**	**From 3 to 12 months**	**From 1 year to 5 years**	**Over 5 years**
Bank loans	43	31	44	-	-
Bond liabilities	-	1 475	2 260	-	-
Trade liabilities	1	172	-	-	-
Lease liabilities	-	15	17	-	-
Total	**44**	**1 693**	**2 231**		-

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

Financial liabilities by maturity date as at 30 June 2019

	On demand	Under 3 months	From 3 to 12 months	From 1 year to 5 years	Over 5 years
Bank loans	-	34	101	79	-
Bond liabilities	-	-	-	-	-
Trade liabilities	76	149	-	-	-
Lease liabilities	-	42	124	86	-
Total	**76**	**225**	**225**	**165**	**-**

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 the 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 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 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, foreign currencies, markets and debt instruments as low.

Classification of financial instruments according to IFRS 9

Financial assets by balance sheet item	30.06.2020 fair value	30.06.2020 carrying amount	Classification of financial instruments according to IFRS 9 (carrying amount)			Other
			Measured at fair value through profit or loss	Measured at fair value with changes through other comprehensive income	Measured at amortized cost	
Financial assets						
Interest and shares	7	7	-	-	-	7
Loans	-	-	-	-	-	-
Long-term security deposits and other long-term receivables	-	-	-	-	-	-
Trade receivables	71	71	-	-	71	-
Receivables other than above, which are financial assets	-	-	-	-	-	-
Short-term securities	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Bank deposits	-	-	-	-	-	-
Cash	486	486	-	-	-	486

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

Financial liabilities by balance sheet item	**30.06.2020 fair value**	**30.06.2020 carrying amount**	**Classification of financial instruments according to IFRS 9 (carrying amount)**		
			Measured at fair value through profit or loss	**Measured at amortized cost**	**Measured at fair value through other comprehensive income**
Financial liabilities					
Bank loans	-	-	-	-	-
Long-term	-	-	-	-	-
Short-term	-	-	-	-	-
Loans	118	118	-	118	-
Finance leases	-	-	-	-	-
Long-term security deposits and other non-current liabilities	-	-	-	-	-
Debt securities	3 735	3 735	-	3 735	-
Measurement of other instruments - derivatives	-	-	-	-	-
Trade liabilities	173	173	-	173	-
Liabilities other than above, which are financial liabilities	-	-	-	-	-

Financial assets by balance sheet item	30.06.2019 fair value	30.06.2019 carrying amount	Classification of financial instruments according to IFRS 9 (carrying amount)			Other
			Measured at fair value through profit or loss	Measured at fair value with changes through other comprehensive income	Measured at amortized cost	
Financial assets						
Interest and shares	7	7	-	-	-	7
Loans	-	-	-	-	-	-
Long-term security deposits and other long-term receivables	-	-	-	-	-	-
Trade receivables	58	58	-	-	58	-
Receivables other than above, which are financial assets	-	-	-	-	-	-
Short-term securities	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Bank deposits	-	-	-	-	-	-
Cash	1 028	1 028	-	-	-	1 028

Financial liabilities by balance sheet item	30.06.2019 fair value	30.06.2019 carrying amount	Classification of financial instruments according to IFRS 9 (carrying amount)		
			Measured at fair value through profit or loss	Measured at amortized cost	Measured at fair value through other comprehensive income
Financial liabilities					
Bank loans	-	-	-	-	-
Long-term	-	-	-	-	-
Short-term	-	-	-	-	-
Loans	214	214	-	214	-
Finance leases	-	-	-	-	-
Long-term security deposits and other non-current liabilities	-	-	-	-	-
Debt securities	-	-	-	-	-
Measurement of other instruments - derivatives	-	-	-	-	-
Trade liabilities	225	225	-	225	-
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

Year ended 30 June 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	-	7	-	-	7
Cash and cash equivalents	C	-	-27	-	-	-27
Total		**-**	**-20**	**-**	**-**	**-20**

Financial liabilities	Category under IFRS 9	Interest income / (expense)	Foreign exchange gains / (losses)	Reversal / (recognition) of impairment losses	Gains / (losses) on measurement	Total
Bank loans	F	-9	-174	-	-	-183
Finance leases	F	-	-	-	-	-
Bond liabilities	F	-81	-	-	-	-81
Trade liabilities	F	-	2	-	-	2
Other liabilities which are financial liabilities	F	-	-	-	-	-
Total		**-90**	**-172**	**-**	**-**	**-262**

Year ended 30 June 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	-	14	-	-	14
Cash and cash equivalents	C	6	-92	-	-	-86
Total		**6**	**-78**	**-**	**-**	**-72**

Financial liabilities	Category under IFRS 9	Interest income / (expense)	Foreign exchange gains / (losses)	Reversal / (recognition) of impairment losses	Gains / (losses) on measurement	Total
Bank loans	F	-10	-	-	-	-10
Finance leases	F	-5	-	-	-	-5
Bond liabilities	F	-	-	-	-	-
Trade liabilities	F	-	8	-	-	8
Other liabilities which are financial liabilities	F	-	-	-	-	-
Total		**-15**	**8**	**-**	**-**	**-7**

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

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 June 2020 and as at 30 June 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 June 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	-
Loans	-	-	-	-	-
Long-term security deposits and other long-term receivables	-	-	-	-	-
Trade receivables	71	-2	-	2	-
Receivables other than above, which are financial assets	-	-	-	-	-
Short-term securities	-	-	-	-	-
Debt securities	-	-	-	-	-
Bank deposits	-	-	-	-	-
Cash	486	-7	-	9	-
cash in bank	485	-7	-	9	-
Financial liabilities					
Bank loans	-	-	-	-	-
Long-term	-	-	-	-	-

Short-term	-	-	-	-	-
Loans	118	-11	-	13	-
Finance leases	-	-	-	-	-
Long-term security deposits and other non-current liabilities	-	-	-	-	-
Debt securities	3 735	-	-	-	-
Trade liabilities	173	-5	-	6	-
Liabilities other than above, which are financial liabilities	-	-	-	-	-

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

Currency risk 1 January 2019 – 30 June 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	-
Loans	0	-	-	-	-
Long-term security deposits and other long-term receivables	-	-	-	-	-
Trade receivables	58	-	-	-	-
Receivables other than above, which are financial assets	-	-	-	-	-
Short-term securities	-	-	-	-	-
Debt securities	-	-	-	-	-
Bank deposits	-	-	-	-	-
Cash	1 028	-90	-	110	-
cash in bank	1 028	-90	-	110	-
Financial liabilities					
Bank loans	-	-	-	-	-
Long-term	-	-	-	-	-
Short-term	-	-	-	-	-
Loans	214	19	-	-24	-
Finance leases	-	-	-	-	-
Long-term security deposits and other non-current liabilities	-	-	-	-	-
Debt securities	-	-	-	-	-
Trade liabilities	193	11	-	-14	-
Liabilities other than above, which are financial liabilities	-	-	-	-	-

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

Financial instruments by currency

As at 30 June 2020

Financial assets	**USD**	**PLN**	**EUR**	**Total**
Interest and shares	-	7	-	7
Trade receivables	55	-	16	71
Cash and cash equivalents	403	75	8	486
Cash in bank	403	74	8	485
Financial liabilities	**USD**	**PLN**	**EUR**	**Total**
Bank loans	-	118	-	118
Long-term	-	-	-	-
Short-term	-	118	-	118
Finance leases	-	32	-	32
Bond liabilities	3 735	-	-	3 735
Trade liabilities	107	65	1	173
Other financial liabilities	-	-	-	-

As at 30 June 2019

Financial assets	**USD**	**PLN**	**EUR**	**Total**
Interest and shares	-	7	-	7
Trade receivables	57	1	-	58
Cash and cash equivalents	38	932	58	1 028
Cash in bank	37	932	58	1 027
Financial liabilities	**USD**	**PLN**	**EUR**	**Total**
Bank loans	-	214	-	214
Long-term	-	79	-	79
Short-term	-	135	-	135
Finance leases	-	166	-	166
Bond liabilities	-	-	-	-
Trade liabilities	104	121	-	225
Other financial liabilities	-	-	-	-

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

Note 33.2 Capital risk management

The Group manages capital to maintain its capacity to continue its activity, taking into account the planned capital expenditures, so that it can generate returns for shareholders and bring benefits to other stakeholders, and also to maintain the optimum capital structure to reduce its cost. In line with the market practices, the Group is monitoring capital, among others on the basis of the debt to equity ratio. The debt to equity ratio is calculated as the ratio of debt to financial capital. Debt is calculated as the sum of financial liabilities (loans, borrowings, bonds), while financial capital is the sum of equity and financial liabilities.

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

Item	30.06.2020	31.12.2019	30.06.2019
Debt	3 885	315	214
Equity	6 155	7 653	9 556
Reserve capital, total	10 040	10 751	9 770
Debt to equity ratio	38.70%	3.95%	2.2%

Note 34 Employment in the Group

Item	Average headcount in the period from 01.01.2020 to 30.06.2020		
(persons)	**total**	**white-collar employees**	**blue-collar employees**
Silvair, Inc.	-	-	-
Silvair Sp. z o. o.	36	36	-
Sway Sp. z o. o.	-	-	-
Total	**36**	**36**	**-**

Item	Average headcount in the period from 01.01.2019 to 30.06.2019		
(persons)	**total**	**white-collar employees**	**blue-collar employees**
Silvair, Inc.	-	-	-
Silvair Sp. z o. o.	35	35	-
Sway Sp. z o. o.	6	6	-
Total	**41**	**41**	**-**

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

Note 35 Entity authorized to audit financial statements

The annual consolidated financial statements prepared as at 31 December 2019 were audited and the interim condensed consolidated financial statements as at 30 June 2020 and as at 30 June 2019 were reviewed by Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością Spółka komandytowa with its registered office in Poznań at ul. Abpa Antoniego Baraniaka 88E.

The net amount of the contractor's fee for reviewing the interim condensed consolidated financial statements as at 30 June 2020 is PLN 23,000. The net amount that the contractor received for reviewing the interim condensed consolidated financial statements as at 30 June 2019 was PLN 22,000.

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

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

Note 37 Compensation of key management personnel

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

Item	01.01.2020 –30.06.2020	01.01.2019 – 30.06.2019
Szymon Słupik	31	40
Adam Gembala	31	40
Rafał Han	31	40
Gross compensation paid	**93**	**120**

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

Item	01.01.2020 –30.06.2020	01.01.2019 – 30.06.2019
Szymon Słupik	-	-
Adam Gembala	-	-
Rafał Han	82	82
Gross compensation paid	**82**	**82**

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

Total compensation of key personnel

Total compensation of key management	01.01.2020 –30.06.2020	01.01.2019 – 30.06.2019
Rafał Han	113	122
Szymon Słupik	31	40
Adam Gembala	31	40
Total compensation	**175**	**202**

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

Note 38 Related party transactions

Transactions with parties related by equity with the Parent Company:

Parties related by equity with the Parent Company:

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

The 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 June 2020, in connection with this loan, Silvair Sp. z o.o. posted a liability under the loan from Silvair, Inc. in the amount of USD 9,588 thousand; as at 31 December 2019, it posted a liability in the total amount of USD 8,521 thousand, and as at 30 June 2019, it posted a liability in the total amount of USD 6,334 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 June 2020, in connection with this loan, Sway Sp. z o. o. posted a liability under the loan from Silvair Sp. z o. o. in the amount of USD 314 thousand; as at 31 December 2019, the liability amounted to USD 290 thousand, and as at 30 June 2019, Sway Sp. z o. o. posted a liability under the loan from Silvair Sp. z o. o. 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 financial statements.

Trade settlements within the Group

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

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

Transactions between the companies and mutual liabilities and receivables were excluded from these 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 June 2020 and as at 30 June 2019, the subsidiaries Silvair Sp. z o.o. and Sway Sp. z o.o. were parties to a lease agreement for a property in Kraków at ul. Jasnogórska, where the head offices of both companies are located.

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

In the financial year 2019 and in the first half of 2020, the Group leased space from Centrum Jasnogórska 44 Spółka z o.o. where the total cost amounted to USD 45 thousand in the period from 1 January to 30 June 2020, and USD 84 thousand in the period from 1 January to 30 June 2019, and USD 268 thousand for the entire 2019.

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 June 2020, as at balance sheet date of 31 December 2019, and as at 30 June 2019, the Group had no liabilities due to that Company under the lease agreement.

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

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

Transactions with the key management personnel and shareholders

Key management personnel:

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

Rafał Han – Chief Executive Officer

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

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

Paweł Szymański – Non-executive Director

Christopher Morawski – Non-executive Director

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

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

As at 30 June 2020, Silvair, Inc. had a liability to Rafał Han on account of convertible bonds for the amount of USD 116 thousand; as at the balance sheet date of 31 December 2019, Silvair, inc. had a liability to Rafał Han on account of convertible bonds for the amount of USD 113 thousand; and as at 30 June 2019, 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.

As at 30 June 2020, Silvair, Inc. had a liability to Morawski Family Trust on account of convertible bonds for the amount of USD 1,551 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 for the amount of USD 1,514 thousand; as of 30 June 2019, Silvair, Inc. had no liability to Morawski Family Trust on account of convertible bonds.

Note 39 Minority interest

Movement in non-controlling interest	01.01.2020 – 30.06.2020	01.01.2019 – 31.12.2019	01.01.2019 – 30.06.2019
As at the beginning of the financial year	**80**	**119**	**119**
Contributions to capital of Sway	-	-	-
Result for the year attributable to non-controlling interest	-	-39	-19
Reduction of the rights to shares for non-controlling interest	-80	-	-
As at the end of the financial year	**-**	**80**	**100**

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

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

Note 40 Subsidiaries with non-controlling interest

As at 30 June 2020, the Group had no subsidiaries with non-controlling interests.

As at 31 December 2019 and as at 30 June 2019, non-controlling interest existed in the subsidiary SWAY Spółka z ograniczoną odpowiedzialnością with its registered office in Kraków at ul. Jasnogórska 44. The company is entered in the National Court Register kept by the District Court for Kraków-Śródmieście, 11th Commercial Division, under file no. KRS 0000464535. ASI Bridge Alfa Bitspiration Booster Sp. z o.o. Sp.k. with its registered office in Kraków, KRS 000068796 (ASI, Fund) became a shareholder in Sway Sp. z o.o. on the basis of the Notarial Deed entered in the Register of Deeds A under file number 1125/2018, prepared by Notary Monika Suchecka in the Notary's Office in Kraków at ul. Ogrodowa 1/1.

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. The new shares were acquired 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.

The transaction was a consequence of the the Grant Agreement and the Investment Agreement of 28 March 2018. The Investment Agreement provided for the establishment of cooperation under which ASI would provide Sway with funding for the execution of an R&D Project in exchange for the granting of rights to ASI in respect of both the company and its Founder. The agreement provided for a total investment of PLN 5 million, of which:

- 20% of the funding provided by the Fund from its own resources would cover a contribution to the increased share capital of Sway in connection with the creation of Shares acquired by the Fund,
- 80% of the funding would be a non-returnable grant provided by the National Center for Research and Development to the Company under the Grant Agreement, with the Fund acting as the intermediary.

Share ownership structure as at 30.06.2020	Number of shares	% of shares	Value of shares (PLN 000s)	Number of votes	% of votes
Silvair Sp. z o.o.	62 000	90.91	3 100	62 000	90.91
Silvair, Inc	6 200	9.09	310	6 200	9.09
Total	**68 200**	**100.00**	**3 410**	**68 200**	**100.00**

Share ownership structure as at 31.12.2019	Number of shares	% of shares	Value of shares (PLN 000s)	Number of votes	% of votes
Silvair Sp. z o.o.	62 000	90.91	3 100	62 000	90.91
ASI Alfa Bridge	6 200	9.09	310	6 200	9.09
Total	**68 200**	**100.00**	**3 410**	**68 200**	**100.00**

Share ownership structure as at 30.06.2019	Number of shares	% of shares	Value of shares (PLN 000s)	Number of votes	% of votes
Silvair Sp. z o.o.	62 000	90.91	3 100	62 000	90.91
ASI Alfa Bridge	6 200	9.09	310	6 200	9.09
Total	**68 200**	**100.00**	**3 410**	**68 200**	**100.00**

The Grant Agreement contains provisions under which the National Center for Research and Development or an entity indicated by it has the priority right to:

- acquire each time up to 50% of new Share Rights at every increase in the share capital of Sway, including before the Company's shareholders. Sway Sp. z o.o. is required to enable the National Center for Research and Development or the entity indicated by it to exercise its priority right.
- Acquire, before other entities, all intellectual property rights and rights related to confidential information, in particular titles to:
  - all patents and patent applications, protection rights, industrial designs, any economic copyrights, works protected by copyright laws, and all related rights;
  - topographies of integrated circuits, topography registration rights, registrations or applications related thereto and all related rights;
  - all packaging and trade names, logos, addresses and internet domains, trademarks and service brands with related registrations and applications, all other designations of commercial origin and goodwill associated with any of the foregoing;

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

- all inventions, designs, marks, recipes, know-how (whether or not subject to patenting, notification or registration, whether or not actually implemented, and regardless of their form and manner of recording or lack thereof),
- all confidential information related to the execution of the grant program under which the Agreement was entered into, including that related to the conduct of business activity by the Grantee, the execution of the R&D Project, improvement projects, standards, quality requirements, technical plans, quality control methods, utility and industrial designs, patentable inventions, information related to marketing activities and organization of the sales market, information related to the organizational structure, job descriptions, internal regulations concerning determination of the scope of responsibility, rules governing the funding of operations, compensations of employees and persons hired under civil law contracts, technologies, technical data, trade secrets, confidential information, production and manufacturing processes and technologies, information on research and development, financial, marketing and business data, information on pricing and costs, business and marketing plans and any other information related to the conduct of business activity by the Grantee or its execution of the R&D Project, whether or not the confidentiality has been explicitly stated and regardless of their form and manner of recording or lack thereof;
- software (including source code and object code), firmware, programming tools, algorithms, files, records, technical drawings and related documentation, data and manuals;
- all databases and data sets; and
- all reproductions, copies and records of the foregoing (in any form and on any carrier).

The carrying amount in the consolidated financial statements of the assets to which the restrictions apply is USD 489 thousand as at 30 June 2020, USD 529 thousand as at 31 December 2019, and USD 730 thousand as at 30 June 2019.

Condensed financial information for the subsidiary with non-controlling interests as at 31 December 2019 and as at 30 June 2019:

	30 June 2020	31 December 2019	30 June 2019
A. Non-current assets	**1 469**	**1 640**	**1 669**
including costs of development work	1 453	1 617	1 637
B. Current assets	**13**	**58**	**431**
Total assets	**1 482**	**1 698**	**2 100**

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

	30 June 2020	31 December 2019	30 June 2019
A. Equity	698	855	1 120
B. Non-current liabilities	-	301	325
C. Current liabilities	784	542	655
Equity and liabilities	**1 482**	**1 698**	**2 100**

Statement of profit or loss	**01.01.2020–30.06.2020**	**01.01.2019–30.06.2019**
A. Income	-	-
B. Cost of sales	-	-
C. Gross sales result	-	-
D. Net sales result	-108	-174
E. Profit/(loss) for the period	-116	-187
Total comprehensive income	**-116**	**-187**

Cash flow statement	**01.01.2020–30.06.2020**	**01.01.2019–30.06.2019**
A. Net cash from operating activities	-24	-92
B. Net cash from investing activities	1	-162
C. Net cash from financing activities	-11	-13
D. Total net cash flows (A.+B.+C.)	-34	-267
E. Movement in balance sheet cash	-34	-267
F. Cash at the beginning of the period	**36**	**660**
G. Cash and cash equivalents at the end of the period	**2**	**393**

The interim condensed consolidated financial statements for the period from 1 January to 30 June 2020 (including comparative data) were approved for publication by the Board of Directors on 30 September 2020.

Rafał Han

Chief Executive Officer (CEO)

Szymon Słupik

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

Adam Gembala

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

Paweł Szymański

Director

Christopher Morawski

Director