Interim condensed standalone financial statements of Silvair, Inc.

as at:

30 June 2018

www.silvair.com

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1.

General information

Parent company

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

Entity's business

Silvair, Inc. is the Group's parent company preparing the financial statements. In addition to the Entity, the Group comprises two subsidiary companies: Silvair Sp. z o.o. with its registered office in Krakow and Sway Sp. z o.o. with its registered office in Krakow.

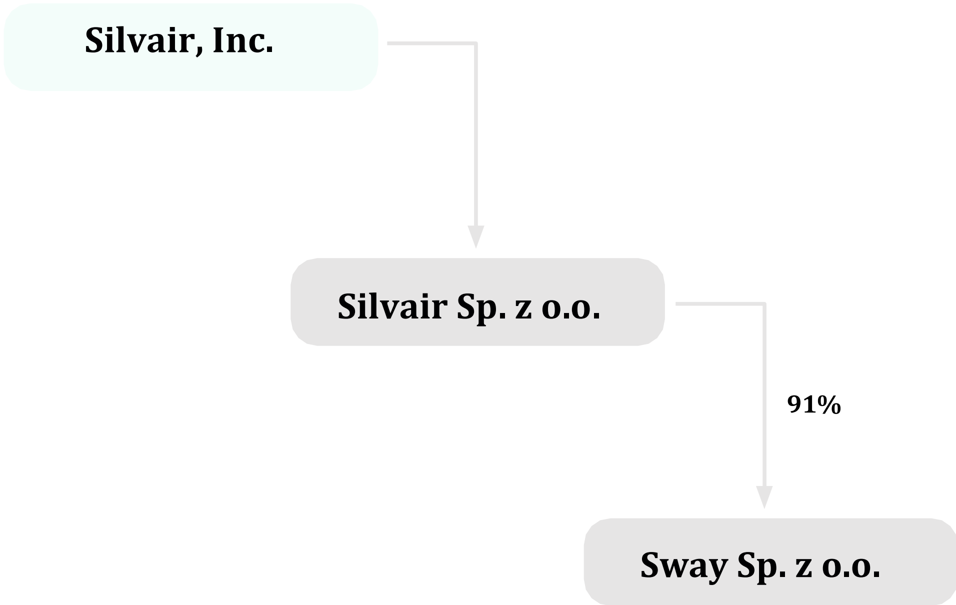
The Entity operates in the field of new technologies focusing on the Internet of Things (IoT). It has developed and is planning the implementation of an innovative product and software used for remote communication of devices, with special consideration of smart lighting systems. Its strategic goal is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

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

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

Silvair, Inc. is an issuer of shares that have been listed on the Warsaw Stock Exchange since July 2018.

Entity



Functional and presentation currency

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

Presentation periods

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

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

Since these are the Entity's first statements prepared in accordance with IFRS, the Entity additionally presents the opening statement of financial position prepared in accordance with IFRS as at 1 January 2017.

For the data presented in the profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement, comparative financial data were presented for the period from 1 January 2017 to 30 June 2017 and for the period from 1 January 2017 to 31 December 2017.

Going concern assumption

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

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

Board of Directors

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

Officers

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

Selected financial data

Selected financial data for the periods: H1 2018 and H1 2017 were translated to EUR and PLN in accordance with the following principles:

The individual items of assets and liabilities and equity in the 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 profit and loss account and the 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.

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

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

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

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

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

Item	USD		EUR		PLN	
	1 January 2018 – 30 June 2018	1 January 2017 – 30 June 2017	1 January 2018 – 30 June 2018	1 January 2017 – 30 June 2017	1 January 2018 – 30 June 2018	1 January 2017 - 30 June 2017
Net revenue on the sale of products, goods and materials	0	0	0	0	0	0
Operating profit (loss)	-291	-276	-238	-252	-1,007	-1,072
Profit (loss) before tax	-326	-292	-267	-267	-1,130	-1,135
Profit (loss) of the period	-328	-296	-268	-271	-1,136	-1,152
Net cash flows from operating activities	1	-332	1	-305	4	-1,296
Net cash flows from investing activities	-1,828	0	-1,517	0	-6,433	0
Net cash flows from financing activities	1,470	87	1,220	80	5,172	339
Total net cash flows	-357	-245	-297	-225	-1,257	-958

Selected items of the statement of financial position

Item	USD		EUR		PLN	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Total assets	13,629	12,341	11,703	10,300	51,044	42,962
Liabilities and provisions for liabilities	69	34	59	28	258	119
Non-current liabilities	69	34	59	28	258	119
Current liabilities	0	0	0	0	0	0
Equity	13,565	12,307	11,644	10,272	50,786	42,844
Share capital	975	973	837	812	3,650	3,388
Number of shares	9,747,495	9,732,495	9,747,495	9,732,495	9,747,495	9,732,495
Weighted average number of shares	9,739,995	9,297,995	9,739,995	9,297,995	9,739,995	9,297,995
Earnings/(loss) per share (in USD and EUR)	-0.03	-0.07	-0.04	-0.06	-0.12	-0.25
Book value per share (in USD and EUR)	1.39	1.32	1.16	1.10	5.21	4.61

Representation of the Board of Directors

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

These interim condensed consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed in the European Union, which have been published and have come into effect as at 31 December 2017 and to the extent required by the Finance Minister's Regulation of 20 April 2018 on the current and periodic information transmitted by securities issuers and the conditions for recognizing the information required by the regulations of a non-member state as equivalent (Journal of Laws of 2018 Item 757).

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

2.

Condensed interim financial statements of Silvair, Inc.

SILVAIR

Condensed interim statement of financial position

			Note No.	30 June 2018 1 January 2017	31 December 2017		30 June 2017
A	**Non-current assets**			**13,601**	**11,956**	**11,955**	**11,956**
	I.	Costs of development work		0	0	0	0
	II.	Property, plant and equipment	**1**	0	5	4	5
	III.	Financial assets		13,601	11,951	11,951	11,951
	IV.	Deferred tax assets	**2**	0	0	0	0
B.	**Current assets**			**28**	**385**	**550**	**795**
	I.	Cash and cash equivalents	**3**	28	385	550	795
Total assets				**13,629**	**12,341**	**12,505**	**12,751**

			Note No.	30 June 2018	31 December 2017	30 June 2017	1 January 2017
A.	**Equity**			**13,560**	**12,307**	**12,489**	**12,751**
	I.	Share capital	**4**	975	973	973	886
	II.	Capital from revaluation of options	**5**	400	287	140	0
	III.	Other capital	**6**	16,415	15,051	15,048	15,241
	IV.	Retained earnings	**7**	-3,902	-3,376	-3,376	-3,025
	V.	Financial result of the current period		-328	-628	-296	-351
B.	**Non-current liabilities**			**69**	**34**	**16**	**0**
	I.	Deferred tax liabilities		0	0	0	0
	II.	Other non-current liabilities	**9**	69	34	16	0
C.	**Current liabilities**			**0**	**0**	**0**	**0**
	I.	Trade liabilities		0	0	0	0
	II.	Other current liabilities		0	0	0	0
	III.	Prepayments and accruals		0	0	0	0
Equity and liabilities				**13,629**	**12,341**	**12,505**	**12,751**

Interim profit and loss account and statement of other comprehensive income

Interim consolidated profit and loss account		Note No.	1 January 2018 – 30 June 2018	1 January 2017 – 31 December 2017	1 January 2017 – 30 June 2017
A.	**Revenue**		**0**	**0**	**0**
B.	**Cost of sales**		**0**	**0**	**0**
C.	**Gross sales result**		**0**	**0**	**0**
	I. Selling and distribution expenses		3	19	8
	II. General and administrative expenses		288	570	267
D.	**Net result on sales**		**-291**	**-589**	**-275**
	I. Other operating income		0	0	0
	II. Other operating expenses		0	1	1
E.	**Operating result**		**-291**	**-590**	**-276**
	I. Financial income		0	0	0
	II. Financial costs	**11**	35	34	16
F.	**Result before tax**		**-326**	**-624**	**-292**
	I. Income tax	**12**	2	4	4
	a) current part		2	4	4
	b) deferred part		0	0	0
G.	**Net profit/(loss) for the period**		**-328**	**-628**	**-296**

Condensed interim statement of other comprehensive income	1 January 2018 – 30 June 2018	1 January 2017 – 31 December 2017	1 January 2017 – 30 June 2017
Profit/(loss) for the period	**-328**	**-628**	**-296**
Other comprehensive income	**0**	**0**	**0**
1. Other comprehensive income to be reclassified to result in the future	147	287	147
Total comprehensive income	**-181**	**-341**	**-149**

Condensed interim statement of changes in equity

Interim statement of changes in equity	Share capital	Capital from revaluation of options	Other capital	Capital from foreign exchange differences from translation of foreign operations	Retained earnings	Financial result	Total equity
At the beginning of the period 1 January 2018	**973**	**287**	**15,051**	**0**	**-4,004**	**0**	**12,307**
Changes in accounting policies	0	0	0	0	0	0	0
At the beginning of the period 1 January 2018, adjusted	**973**	**287**	**15,051**	**0**	**-4,004**	**0**	**12,307**
Exercise of stock options for Company shares	2	-34	34	0	0	0	2
Valuation of stock options under IFRS 2	0	147	0	0	0	0	147
Expenditure incurred in connection with the planned stock issue	0	0	-140	0	0	0	-140
Bonds convertible to shares classified as equity instruments	0	0	1,470	0	102	0	1,572
Result of the period	0	0	0	0	0	-328	-328
At the end of the period 30 June 2018	**975**	**400**	**16,415**	**0**	**-3,902**	**-328**	**13,560**

Interim statement of changes in equity	Share capital	Capital from revaluation of options	Other capital	Capital from foreign exchange differences from translation of foreign operations	Retained earnings	Financial result	Total equity
At the beginning of the period 1 January 2017	**886**	**2,771**	**12,470**	**0**	**-3,376**	**0**	**12,751**
Changes in accounting policies	0	0	0	0	0	0	0
At the beginning of the period 1 January 2017, adjusted	**886**	**2,771**	**12,470**	**0**	**-3,376**	**0**	**12,751**
Exercise of stock options for Company shares	87	-2,778	2,778	0	0	0	87
Valuation of stock options under IFRS 2	0	294	0	0	0	0	294
Expenditure incurred in connection with the planned stock issue	0	0	-327	0	0	0	-327

Bonds convertible to shares classified as equity instruments	0	0	130	0	0	0	130

Foreign exchange translation differences	0	0	0	0	0	0	0
Result of the period	0	0	0	0	0	-628	-628
At the end of the period 31 December 2017	**973**	**287**	**15,051**	**0**	**-3,376**	**-628**	**12,307**

Interim statement of changes in equity	Share capital	Capital from revaluation of options	Other capital	Capital from foreign exchange differences from translation of foreign operations	Retained earnings	Financial result	Total equity
At the beginning of the period 1 January 2017	**886**	**2,771**	**12,470**	**0**	**-3,376**	**0**	**12,751**
Changes in accounting policies	0	0	0	0	0	0	0
At the beginning of the period 1 January 2017, adjusted	**886**	**2,771**	**12,470**	**0**	**-3,376**	**0**	**12,751**
Exercise of stock options for Company shares	87	-2,778	2,778	0	0	0	87
Revaluation of stock options under IFRS 2	0	147	0	0	0	0	147
Expenditure incurred in connection with the planned stock issue	0	0	-200	0	0	0	-200
Result of the period	0	0	0	0	0	-296	-296
At the end of the period 30 June 2017	**973**	**140**	**15,048**	**0**	**-3,376**	**-296**	**12,489**

Condensed interim cash flow statement

	Note No.	1 January 2018 – 30 June 2018	1 January 2017 – 31 December 2017	1 January 2017 – 30 June 2017
Profit (loss) before tax		**-326**	**-624**	**-292**
Adjustments for:		**327**	**-3**	**-40**
1. Depreciation and amortization	**1**	5	1	1
2. Foreign exchange gains (losses)		0	-7	-10
3. Interest and profit sharing (dividends)		35	34	18
4. Change in inventory		0	1	0
5. Change in receivables		0	0	0
6. Change in current liabilities, except for loans and borrowings		0	0	0
7. Tax paid	**12**	2	4	4
8. Change in prepayments and accruals		0	0	0
9. Other adjustments resulting from operating activity		285	-36	-53

Net cash from operating activities	**1**	**-627**	**-332**
Proceeds	0	0	0
1. Disposal of intangible assets and property, plant and equipment	0	0	0
2. From financial assets, including:	0	0	0
a) in related entities	0	0	0
b) in other entities	0	0	0
Expenditures	-1,828	0	0
1. Purchase of intangible assets and property, plant and equipment	0	0	0
2. Expenditures incurred for development work	0	0	0
3. For financial assets, including:	-1,828	0	0
a) in related entities	-1,828	0	0
b) in other entities	0	0	0
Net cash from investing activities	**-1,828**	**0**	**0**
Proceeds	1,470	217	87
1. Net proceeds from issuing shares and additional capital contributions	1,470	217	87
2. Loans and borrowings drawn	0	0	0
3. Interest	0	0	0
Expenditures	0	0	0
1. Repayment of loans and borrowings	0	0	0
2. Interest	0	0	0
Net cash from financing activities	**1,470**	**217**	**87**
Net cash flows	**-357**	**-410**	**-245**
Change in cash	**-357**	**-410**	**-245**
- change in cash on account of foreign exchange differences	0	0	0
Cash at the beginning of the period	**385**	**795**	**795**
Cash and cash equivalents at the end of the period	**28**	**385**	**550**

3.

Explanatory notes to the condensed interim financial statements

Compliance with International Financial Reporting Standards

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

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

Description of accepted accounting policies

Translation of items in foreign currencies

Transactions captured in the ledgers of 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 Group has adopted the following PLN/USD exchange rates for the purposes of balance sheet measurement:

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

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

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

Property, plant and equipment

The Entity recognizes as fixed assets: individual items fit for use that meet the criteria defined for fixed assets in IAS 16, if the purchase price (production cost) is at least USD 1,000. Fixed assets worth less than USD 1,000 are depreciated or written off in full in the month of their purchase, unless, due to the specific nature of the Entity’s operations, they constitute in aggregate a significant asset.

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

Modernization costs are included in the carrying amount of fixed assets when it is probable that the Entity would accrue economic benefits on this account and the costs incurred for modernization can be measured reliably. All other expenses incurred on repair and maintenance of fixed assets are charged to the profit and loss account in the reporting periods in which they were incurred.

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

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

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

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

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

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

Other financial assets (other than investments in subsidiaries)

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

- Financial assets at fair value through profit or loss
- Financial assets at fair value through other comprehensive income
- Financial assets measured at amortized cost

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

Trade and other receivables

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

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

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

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

Prepayments and accruals

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

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

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

Cash and cash equivalents

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

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

Equity

The Entity’s equity is comprised of:

— Share capital,
— Capital from revaluation of options,

— Other capital,
— Retained earnings,
— Financial result of the current period.

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

Capital from revaluation of options (share-based payment)

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

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

Other capital is created from:

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

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

Trade liabilities and other non-financial liabilities

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

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

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

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

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

Financial liabilities

A financial liability is any liability that is:

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

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

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

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

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

Income tax

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

Tax profit (loss) differs from accounting profit (loss) due to the exclusion of taxable revenues and tax-deductible expenses in future years as well as cost and revenue items that will never be taxable.

Current tax liability is calculated on the basis of the tax rates applicable in the given financial year.

Revenues and operating expenses

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

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

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

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

Financial activity revenues and expenses

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

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

4.

Notes and explanations to the condensed interim financial statements

SILVAIR

Note 1.1 Property, plant and equipment

Property, plant and equipment	30 June 2018	31 December 2017	30 June 2017
a) fixed assets, including:	0	5	5
– land	0	0	0
– buildings and structures	0	0	0
– plant and machinery	0	5	5
– vehicles	0	0	0
– other fixed assets	0	0	0
b) fixed assets under construction	0	0	0
Total	**0**	**5**	**5**

The Entity has no property, plant and equipment with restricted property and use rights or subject to a pledge. The Entity has no property, plant and equipment used under finance lease agreements. The Entity has no land in perpetual usufruct.

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

Note 1.2 Changes in property, plant and equipment, by type

No.	Item	Own land	Buildings and structures	Plant and machinery	Vehicles	Other fixed assets	Fixed assets under construction	Total
1.	**Gross value as at 1 January 2018**	**0**	**0**	**13**	**0**	**0**	**0**	**13**
	Additions:	0	0	0	0	0	0	0
	Reductions:	0	0	0	0	0	0	0
2.	**Gross value as at 30 June 2018**	**0**	**0**	**13**	**0**	**0**	**0**	**13**
3.	**Accumulated depreciation as at 1 January 2018**	**0**	**0**	**8**	**0**	**0**	**0**	**8**
	Additions	0	0	5	0	0	0	0
	Reductions	0	0	0	0	0	0	0
4.	**Accumulated depreciation as at 30 June 2018**	**0**	**0**	**13**	**0**	**0**	**0**	**8**
5.	**Net value as at 1 January 2018**	**0**	**0**	**5**	**0**	**0**	**0**	**5**
6.	**Net value as at 30 June 2018**	**0**	**0**	**0**	**0**	**0**	**0**	**5**

No.	Item	Own land	Buildings and structures	Plant and machinery	Vehicles	Other fixed assets	Fixed assets under construction	Total
1.	**Gross value as at 1 January 2017**	**0**	**0**	**13**	**0**	**0**	**0**	**13**
	Additions:	0	0	0	0	0	0	0
	Reductions,	0	0	0	0	0	0	0
2.	**Gross value as at 30 June 2017**	**0**	**0**	**13**	**0**	**0**	**0**	**13**
3.	**Gross value as at 31 December 2017**	**0**	**0**	**13**	**0**	**0**	**0**	**13**
4.	**Accumulated depreciation as at 1 January 2017**	**0**	**0**	**8**	**0**	**0**	**0**	**8**
	Additions	0	0	0	0	0	0	0
	Reductions	0	0	0	0	0	0	0
5.	**Accumulated depreciation as at 30 June 2017**	**0**	**0**	**8**	**0**	**0**	**0**	**8**
6	**Accumulated depreciation as at 31 December 2017**	**0**	**0**	**8**	**0**	**0**	**0**	**8**
7.	**Net value as at 1 January 2017**	**0**	**0**	**5**	**0**	**0**	**0**	**5**
8.	**Net value as at 30 June 2017**	**0**	**0**	**5**	**0**	**0**	**0**	**5**
9.	**Net value as at 31 December 2017**	**0**	**0**	**5**	**0**	**0**	**0**	**5**

Note 2 Financial assets

Financial assets (long-term)	30 June 2018	31 December 2017	30 June 2017
Loans granted	2,300	650	650
Interests in subsidiaries	11,301	11,301	11,301
Total	**13,601**	**11,951**	**11,951**

The line item "Interests in subsidiaries" includes 100% shares in Silvair Sp. z o.o. with its registered office in Krakow.

As described in Note 18, in H1 2018, Silvair Inc. granted four loans in the total amount of USD 1,650 thousand to its subsidiary Silvair Sp. z o.o.

Note 3 Cash and cash equivalents

Cash and cash equivalents	30 June 2018	31 December 2017	30 June 2017
Cash in bank	28	385	550
Total	**28**	**385**	**550**

Note 4 Share capital

Share capital as at 30 June 2018

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

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

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

Share capital as at 31 December 2017

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

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

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

Share capital as at 30 June 2017

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

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

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

Note 5 Capital from revaluation of options

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

Note 6.1 Other capital

Other capital	30 June 2018	31 December 2017	30 June 2017
Supplementary capital	16,415	15,051	15,048
Total	**16,415**	**15,051**	**15,048**

Note 6.2 Changes in other capital

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

Changes in other capital	Other capital
As at 1 January 2018	**15,051**
Exercise of stock options for Company shares	34
Expenditure incurred in connection with the planned stock issue	-140
Issue of bonds convertible to shares	1,470
As at 30 June 2018	**16,415**

In the financial year ended 31 December 2017:

Changes in other capital	Other capital
As at 1 January 2017	**12,470**
Exercise of stock options for Company shares	2,778
Expenditure incurred in connection with the planned stock issue	-327
Issue of bonds convertible to shares	130
As at 31 December 2017	**15,051**

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

Changes in other capital	Other capital
As at 1 January 2017	**12,470**
Exercise of stock options – movement of capital from revaluation of options	2,778
Share issue costs	-200
As at 30 June 2017	**15,048**

Note 7 Retained earnings

Retained earnings	30 June 2018	31 December 2017	30 June 2017
Accumulated losses brought forward	-3,902	-3,376	-3,376
Total	**-3,902**	**-3,376**	**-3,376**

Note 8.1 Earnings (loss) per share

Earnings/(loss) per share are calculated by dividing the net profit/(loss) for the reporting period by the weighted average number of shares outstanding during the financial year.

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

Earnings/(loss) per share in the period covered by the financial statements:

Earnings/(loss) per share in the period covered by the financial statements:	30 June 2018	31 December 2017	30 June 2017
Weighted average number of Parent Company's shares in the period	9,747,495	9,297,995	9,297,995
Earnings/(loss) per share (USD)	-0.03	-0.06	-0.03
Number of diluting options	569,000	584,000	584,000
Weighted average number of Parent Company's shares in the period after diluting options	10,095,495	9,881,995	8,490,778
Diluted earnings/(loss) per share (USD)	**-0.03**	**-0.06**	**-0.03**

Note 8.2 Contingent liabilities, including guarantees and sureties extended by the Entity, including bills of exchange

As at 30 June 2018 and as at 31 December 2017 and 30 June 2017, the Company had no other contingent liabilities.

As at 30 June 2018 and as at 31 December 2017 and 30 June 2017, the Company was not acting as a guarantor or surety and also had not drawn its own or received third party promissory notes as collateral or payment for a transaction.

Note 9 Other liabilities (short-term)

Other liabilities (short-term)	30 June 2018	31 December 2017	30 June 2017
Interest on bonds convertible to shares (*)	69	34	16
Total	**69**	**34**	**16**

(*) Bonds and notes are presented in other capital in the Company's balance sheet.

Note 10 Breakdown of costs

Costs by nature and function	6-month period ended 30 June 2018	Financial year ended 31 December 2017	6-month period ended 30 June 2017
Depreciation and amortization	5	0	0
External services	139	302	128

Payroll, including share-based payments (Note 12)	147	287	147
Total costs by type	**291**	**589**	**275**
Change in inventories of products and production cost of products for own use (development work)	**0**	**0**	**0**
Cost of sales	0	0	0
Selling and distribution expenses	3	19	8
General and administrative expenses	288	570	267
Total costs by function	**291**	**589**	**275**

Note 11 Financial costs

Financial costs	**6-month period ended 30 June 2018**	**Financial year ended 31 December 2017**	**6-month period ended 30 June 2017**
Interest	**35**	34	16
From other entities	35	34	16
interest on bonds convertible to shares	35	34	16
Other	**0**	**0**	**0**
Financial costs	**35**	**34**	**16**

Note 12 Reconciliation of the main items differentiating the income tax basis from the pre-tax financial result

Item	**6-month period ended 30 June 2018**	**Financial year ended 31 December 2017**	**6-month period ended 30 June 2017**
Profit (loss) before tax	**-326**	**-624**	**-292**
Tax	**2**	**4**	**4**
Impact of change in the deferred tax asset	**-**	**-**	**-**
Impact of change in the deferred tax liability	**-**	**-**	**-**
Total charges to profit before tax	**2**	**4**	**4**

The US tax system consists of two tiers. The first tier is the federal tax, which is unified for all the companies operating in the US, while the second tier is a state tax.

Despite the accounting losses it incurs, the Company still pays the state tax.

Note 13 Share-based payment agreements

Description of the agreements:

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

1. The following were to be granted from the “Option Pool”:
 — 132,000 shares to Key Personnel of the Parent Company,
 — 743,000 shares to the Management Board, including: 465,000 options to the CEO, Rafał Han, 172,000 shares to the CTO, Szymon Słupik, and 106,000 shares to the CFO, Adam Gembala,
 — 96,000 shares to Venture FIZ.

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

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

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

2. The following were to be granted from the “Additional Option Pool”:
 — 279,000 of shares to the Key Personnel of the Parent Company,
 — 203,000 shares to the CEO, Rafał Han.

According to the provisions of the KPI Agreement, the Board of Directors has the powers to set the detailed terms and conditions for granting options from the “Additional Option Pool” to the Key Personnel, which requires, in each instance, a consent from the member of the Board of Directors appointed by the Investor (Venture FIZ), while the total number of shares taken up by employees in exercise of such granted options may not exceed 69,750 shares each year.

The Board of Directors has the powers to set the detailed terms and conditions for granting options from the pool to the CEO Rafał Han, while the total number of shares taken up by the beneficiary may not exceed 50,750 shares each year. By 30 June 2018, options for all the shares envisaged for Rafał Han in the pool had already been granted.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 14 Major events after the balance sheet date

The following material events occurred after the balance sheet date:

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

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

On 26 July 2018, common shares of Silvair, Inc. debuted on the Warsaw Stock Exchange.

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

Note 15 Information on joint ventures

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

Note 16 Financial risk management objectives and principles

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

a) credit risk,
b) liquidity risk,
c) market risk:
   - currency risk,
   - interest rate risk,
   - other price risk.

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

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

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

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Because of the global character of the business conducted by Silvair, Inc., in which most of the revenues are generated in USD and EUR, it is not exposed to material risk related to sudden changes in exchange rates.

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 Entity 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.

In 2017-2018, the Entity 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.

The Company issues debt instruments based on fixed interest rates (bonds convertible to shares).

Other price risks are the risks that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market. The Entity does not use financial instruments associated with price risk. The Entity is not exposed to other price risk.

Financial assets by balance sheet item	30 June 2018 fair value	30 June 2018 carrying amount	Classification of financial instruments according to IFRS 9 (carrying amount)			Other
			measured at fair value through profit or loss	measured at fair value with changes through other comprehensive income	measured at amortized cost	
Financial assets						
Interest and shares	11,301	11,301	-	-	-	11,301
Loans	2,300	2,300	-	-	2,300	-
Long-term security deposits and other long-term receivables	-	-	-	-	-	-
Trade receivables	-	-	-	-	-	-
Receivables other than above, which are financial assets	-	-	-	-	-	-
Short-term securities	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Bank deposits	-	-	-	-	-	-
Cash	28	28	-	-	-	28

Financial liabilities by balance sheet item	30 June 2018 fair value	30 June 2018 carrying amount	Classification of financial instruments according to IFRS 9 (carrying amount)		
			measured at fair value through profit or loss	measured at amortized cost	measured at fair value through other comprehensive income
Financial liabilities					
Bank loans	-	-	-	-	-
Long-term	-	-	-	-	-
Short-term	-	-	-	-	-
Loans	-	-	-	-	-
Finance leases	-	-	-	-	-
Long-term security deposits and other non-current liabilities	-	-	-	-	-
Debt securities - bonds convertible into shares presented in other capital in the balance sheet	1,700	1,700	1,700	-	-
Trade liabilities	-	-	-	-	-
Liabilities other than above, which are financial liabilities	69	69	69	-	-

Financial assets by balance sheet item	31 December 2017 fair value	31 December 2017 carrying amount	Classification of financial instruments according to IFRS 9 (carrying amount)			Other
			measured at fair value through profit or loss	measured at fair value with changes through other comprehensive income	measured at amortized cost	
Financial assets						
Interest and shares	11,301	11,301	-	-	-	11,301
Loans	650	650	-	-	650	-
Long-term security deposits and other long-term receivables	-	-	-	-	-	-
Trade receivables	-	-	-	-	-	-
Receivables other than above, which are financial assets	-	-	-	-	-	-
Short-term securities	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Bank deposits	-	-	-	-	-	-
Cash	385	385	-	-	-	385

Financial liabilities by balance sheet item	31 December 2017 fair value	31 December 2017 carrying amount	Classification of financial instruments according to IFRS 9 (carrying amount)		
			measured at fair value through profit or loss	measured at amortized cost	measured at fair value through other comprehensive income
Financial liabilities					
Bank loans	-	-	-	-	-
Long-term	-	-	-	-	-
Short-term	-	-	-	-	-
Loans	-	-	-	-	-
Finance leases	-	-	-	-	-
Long-term security deposits and other non-current liabilities	-	-	-	-	-
Debt securities – bonds convertible into shares presented as other capital in the balance sheet	232	232	232	-	-
Measurement of other instruments – derivatives	-	-	-	-	-
Trade liabilities	-	-	-	-	-
Liabilities other than above, which are financial liabilities	34	34	34	-	-

Financial assets by balance sheet item	30 June 2017 fair value	30 June 2017 carrying amount	Classification of financial instruments according to IFRS 9 (carrying amount)			Other
			measured at fair value through profit or loss	measured at fair value with changes through other comprehensive income	measured at amortized cost	
Financial assets						
Interest and shares	11,301	11,301	-	-	-	11,301
Loans	650	650	-	-	650	-
Long-term security deposits and other long-term receivables	-	-	-	-	-	-
Trade receivables	-	-	-	-	-	-
Receivables other than above, which are financial assets	-	-	-	-	-	-
Short-term securities	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Bank deposits	-	-	-	-	-	-
Cash	550	550	-	-	-	550

Financial liabilities by balance sheet item	30 June 2017 fair value	30 June 2017 carrying amount	Classification of financial instruments according to IFRS 9 (carrying amount)		
			measured at fair value through profit or loss	measured at amortized cost	measured at fair value through other comprehensive income
Financial liabilities					
Bank loans	-	-	-	-	-
Long-term	-	-	-	-	-
Short-term	-	-	-	-	-
Loans	-	-	-	-	-
Finance leases	-	-	-	-	-
Long-term security deposits and other non-current liabilities	-	-	-	-	-
Debt securities – bonds convertible into shares presented as other capital in the balance sheet	100	100	100	-	-
Measurement of other instruments – derivatives	-	-	-	-	-
Trade liabilities	-	-	-	-	-
Liabilities other than above, which are financial liabilities	16	16	16	-	-

Sensitivity analysis
Currency risk 1 January 2018 - 30 June 2018

Financial instruments by balance sheet items	Carrying amount of financial instruments	Effect on pre-tax financial result (10% increase)	Effect on equity (10% increase)	Effect on pre-tax financial result (10% decrease)	Effect on equity (10% decrease)
Financial assets					
Interest and shares	11,301	-1,027	-	1,265	-
Loans	2,300	-	-	-	-
Long-term security deposits and other long-term receivables	-	-	-	-	-
Trade receivables	-	-	-	-	-
Receivables other than above, which are financial assets	-	-	-	-	-
Short-term securities	-	-	-	-	-
Debt securities	-	-	-	-	-
Bank deposits	-	-	-	-	-
Cash	28	-	-	-	-
cash in bank	28	-	-	-	-
Financial liabilities					
Bank loans	-	-	-	-	-
Loans	-	-	-	-	-
Finance leases	-	-	-	-	-
Long-term security deposits and other non-current liabilities	-	-	-	-	-
Debt securities - bonds convertible into shares presented in other capital in the balance sheet	1,700	-	-	-	-
Measurement of other instruments – derivatives					
Trade liabilities	-	-	-	-	-
Liabilities other than above, which are financial liabilities	69	-	-	-	-

Currency risk 1 January 2017 – 31 December 2017

Financial instruments by balance sheet items	Carrying amount of financial instruments	Effect on pre-tax financial result (10% increase)	Effect on equity (10% increase)	Effect on pre-tax financial result (10% decrease)	Effect on equity (10% decrease)
Financial assets					
Interest and shares	11,301	-1,748	-	375	-
Loans	650	-	-	-	-
Long-term security deposits and other long-term receivables	-	-	-	-	-
Trade receivables	-	-	-	-	-
Receivables other than above, which are financial assets	-	-	-	-	-
Short-term securities	-	-	-	-	-
Debt securities	-	-	-	-	-
Bank deposits	-	-	-	-	-
Cash	385	-	-	-	-
cash in bank	385	-	-	-	-
Financial liabilities					
Bank loans	-	-	-	-	-
Loans	-	-	-	-	-
Finance leases	-	-	-	-	-
Long-term security deposits and other non-current liabilities	-	-	-	-	-
Debt securities - bonds convertible into shares presented in other capital in the balance sheet	232	-	-	-	-
Measurement of other instruments – derivatives	-	-	-	-	-
Trade liabilities	-	-	-	-	-
Liabilities other than above, which are financial liabilities	34	-	-	-	-

Currency risk 1 January 2017 - 30 June 2017

Financial instruments by balance sheet items	Carrying amount of financial instruments	Effect on pre-tax financial result (10% increase)	Effect on equity (10% increase)	Effect on pre-tax financial result (10% decrease)	Effect on equity (10% decrease)
Financial assets					
Interest and shares	11,301	-1,027	-	1,265	-
Loans	650	-	-	-	-
Long-term security deposits and other long-term receivables	-	-	-	-	-
Trade receivables	-	-	-	-	-
Receivables other than above, which are financial assets	-	-	-	-	-
Short-term securities	-	-	-	-	-
Debt securities	-	-	-	-	-
Bank deposits	-	-	-	-	-
Cash	550	-	-	-	-
cash in bank	550	-	-	-	-
Financial liabilities					
Bank loans	-	-	-	-	-
Loans	-	-	-	-	-
Finance leases	-	-	-	-	-
Long-term security deposits and other non-current liabilities	-	-	-	-	-
Debt securities - bonds convertible into shares presented in other capital in the balance sheet	100	-	-	-	-
Measurement of other instruments – derivatives	-	-	-	-	-
Trade liabilities	-	-	-	-	-
Liabilities other than above, which are financial liabilities	16	-	-	-	-

Note 17 Compensation of key management personnel

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

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

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

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

Note 6.2 presents the impact of the exercise of stock options. Costs of share-based payment agreements related to the valuation of options from the "Additional Option Pool" referred to in Note 13 are charged directly to the profit and loss account.

Note 18 Related party transactions

Transactions with parties related by equity with the Parent Company:

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

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

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

Loan agreement between Silvair, Inc. (formerly Seed Labs, Inc.) - lender and Silvair Sp. z o.o. (formerly Seed Labs Sp. z o.o.) - borrower:

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

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

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

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

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

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

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

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

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

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

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

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

Entities having personal ties with Group companies:

Transactions between entities with personal ties:

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

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

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

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

Transactions with the key management personnel

Key management personnel:

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

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

Compensation received by the key management personnel in connection with their functions and on account of share-based payments is described in Note 17.

Rafał Han

President, CEO

Szymon Słupik

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

Adam Gembala

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

Paweł Szymański

Director

Marek Kapturkiewicz

Director

Krakow, 1 October 2018

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