Extended consolidated quarterly report of the Silvair, Inc. Group

as at:

30 September 2018

www.silvair.com

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

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

1.

General information

Parent company

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

Group's business

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

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

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

Functional and presentation currency

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

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

The Group uses the average USD/PLN exchange rate of the National Bank of Poland as the immediate exchange rate.

The results and the financial position of all the Group entities, whose functional currencies differ from the presentation currency, are translated into the presentation currency as follows:

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

Presentation periods

The condensed consolidated financial statements were prepared as at 30 September 2018 and cover the period of 9 months, i.e. from 1 January 2018 to 30 September 2018.

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

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

Going concern assumption

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

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

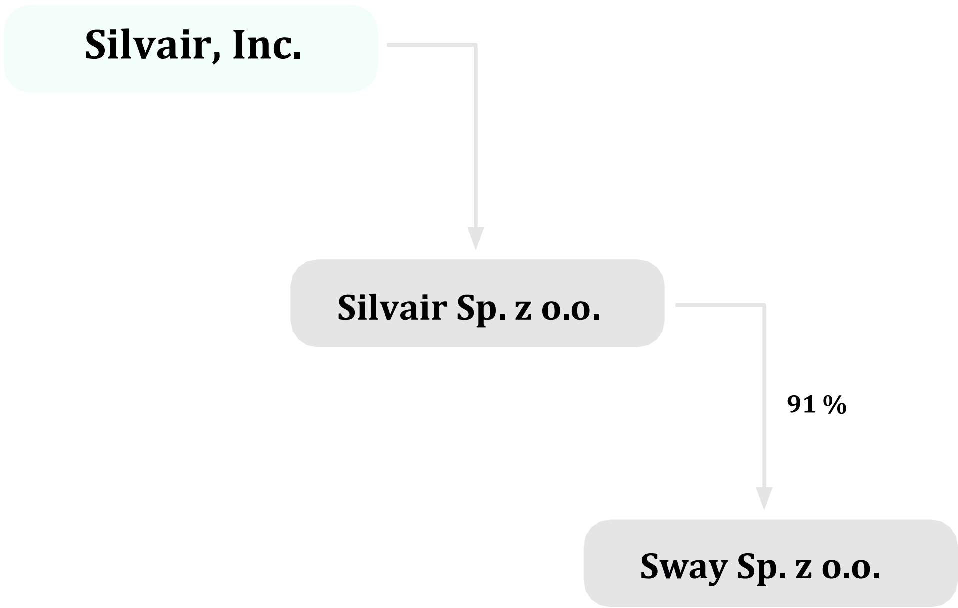
Board of Directors

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

Officers

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

Silvair, Inc. Group



No changes were recorded in the organization of the issuer's Group from 2017 to 2018. In particular, there was no merger with another entity, control was not lost over a subsidiary or any of the Group's long-term investments. There was no demerger, restructuring or discontinuation of a portion of operations by the Company.

Consolidation

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

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

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

As at 30 September 2018 and as at 31 December 2017, Silvair, Inc. held directly 100% shares in Silvair Sp. z o.o. and indirectly, through Silvair Sp. z o.o., 100% shares in Sway Sp. z o.o.

The financial statements of the subsidiaries, after taking into consideration adjustments introduced to make them compliant with IFRS, are prepared for the same reporting period as the statements of the Parent Company, applying consistent accounting principles, based on uniform accounting principles applied for transactions and similar economic events. Adjustments are made in order to eliminate any discrepancies in the application of accounting policies.

The Company reviews whether or not it has control over other entities if an event occurs that indicates a change of one or more of the above conditions of control.

Any significant balances and transactions between the Group companies, including unrealized profit from intra-Group transactions, have been fully eliminated.

Selected financial data

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

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 September 2018	1.1931	1.1382	1.2528	1.1622
1 January 2017 – 31 December 2017	1.1362	1.0410	1.2064	1.1981
1 January 2017 - 30 September 2017	1.1210	1.0410	1.2064	1.1800

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 September 2018	0.2802	0.2641	0.3014	0.2721
1 January 2017 – 31 December 2017	0.2671	0.2366	0.2872	0.2872
1 January 2017 - 30 September 2017	0.2629	0.2366	0.2838	0.2738

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

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

Selected financial data translated as at the balance sheet date:

- for line items of the profit and loss account and the cash flow statement

Item (thous.)	USD		EUR		PLN	
	1 January 2018 – 30 September 2018	1 January 2017 – 30 September 2017	1 January 2018 – 30 September 2018	1 January 2017 – 30 September 2017	1 January 2018 – 30 September 2018	1 January 2017 – 30 September 2017
Net revenues from sales of products, goods and materials	2	34	2	30	7	129
Operating profit (loss)	-2,609	-1,448	-2,187	-1,292	-9,312	-5,510
Profit (loss) before tax	-2,662	-1,613	-2,231	-1,439	-9,499	-6,138
Profit (loss) of the period	-2,266	-2,220	-1,899	-1,980	-8,086	-8,446
Net cash flows from operating activities	-2,378	-1,096	-1,993	-978	-8,488	-4,170
Net cash flows from investing activities	-1,348	-364	-1,130	-325	-4,812	-1,385
Net cash flows from financing activities	7,267	-30	6,091	-27	25,936	-113
Total net cash flows	3,540	-1,490	2,967	-1,329	12,635	-5,668

- for items of the statement of financial position

Item (thous.)	USD		EUR		PLN	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Total assets	13,805	9,410	11,879	7,854	50,740	32,760
Liabilities and provisions	1,751	1,461	1,507	1,219	6,437	5,086
Non-current liabilities	206	334	177	279	758	1,164
Current liabilities	1,545	1,127	1,329	940	5,679	3,922
Equity	11,637	7,949	10,013	6,635	42,771	27,674
Share capital	1,138	973	979	812	4,183	3,388
Number of shares	11,380,420	9,732,495	11,380,420	9,732,495	11,380,420	9,732,495
Weighted average number of shares	10,556,458	9,297,995	10,556,458	9,297,995	10,556,458	9,297,995
Earnings/(loss) per share (in USD and EUR)	-0.21	-0.32	-0.18	-0.28	-0.77	-1.21
Book value per share	1.10	0.85	0.95	0.71	4.05	2.98

Representation of the Board of Directors

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

These 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 19 February 2009 on the current and periodic information transmitted by securities issuers and the conditions for recognizing the information required by the regulations of a non-member state as equivalent (Journal of Laws of 2014 Item 133).

The Board of Directors of Silvair, Inc. additionally represents that the entity authorized to audit the financial statements, which audited the consolidated financial statements as at 31 December 2017 and the consolidated interim financial statements as at 30 June 2018, had been selected in accordance with the law and such entity and the auditors who audited the statements satisfied the requirements for expressing an impartial and independent opinion on the audited annual consolidated financial statements in accordance with the applicable law and professional standards.

The consolidated condensed financial statements as at 30 September 2018 has not been audited or reviewed by an entity authorized to audit financial statements.

2.

Interim condensed consolidated financial statements of Silvair, Inc.

Interim consolidated statement of financial position

			Note No.	30 September 2018	September 2017	31 December 2017	30 31 December 2016
A	**Non-current assets**			**8,946**	**8,179**	**7,399**	**5,582**
	I.	Costs of development work	**1**	8,279	7,924	7,232	4,840
	II.	Other intangible assets		0	0	0	35
	III.	Property, plant and equipment	**3**	69	62	51	31
	IV.	Financial assets		7	8	7	6
	V.	Deferred tax assets	**5**	592	185	109	670
B.	**Current assets**			**4,859**	**1,231**	**1,637**	**4,465**
	I.	Inventory		48	50	45	46
	II.	Trade receivables		29	14	81	40
	III.	Other receivables		169	115	88	63
	IV.	Prepayments and accruals		55	34	8	7
	V.	Financial assets		0	0	0	1,437
	VI.	Cash and cash equivalents	**11**	4,558	1,018	1,415	2,872
Total assets				**13,805**	**9,410**	**9,036**	**10,047**

			Note No.	30 September 2018	31 December 2017	30 September 2017	31 December 2016
A.	**Equity**			**11,638**	**7,949**	**8,263**	**9,331**
	I.	Share capital	**12**	1,138	973	973	886
	II. options	Capital from revaluation of	**13**	473	287	213	2,771
	III.	Other capital	**14**	21,146	15,286	15,198	12,705
	IV.	Capital from foreign exchange differences from translation of foreign operations		1,214	1,498	1,191	61
	VI.	Retained earnings	**15**	-10,078	-7,092	-7,092	-2,545
	VI.	Financial result of the current period		-2,255	-3,003	-2,220	-4,547
B.	**Minority interest**			**417**	**0**	**0**	**0**
C.	**Non-current liabilities**			**206**	**334**	**356**	**410**

	I.	Deferred tax liabilities	**17**	29	33	34	38
	II.	Other non-current liabilities		177	301	322	372
D.	**Current liabilities**			**1,545**	**1,127**	**417**	**306**
	I.	Trade liabilities		177	198	124	70
	II.	Other current liabilities		319	313	294	235
	III.	Prepayments and accruals	**21**	1,049	616	0	1
Equity and liabilities				**13,805**	**9,410**	**9,036**	**10,047**

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

Interim consolidated profit and loss account		**Note No.**	**3rd quarter 1 July 2018 – 30 September 2018**	**9 months 1 January 2018 – 30 September 2018**	**year 1 January 2017 – 31 December 2017**	**3rd quarter 1 July 2017 – 30 September 2017**	**9 months 1 January 2017 – 30 September 2017**
A.	**Revenue**	**22**	**1**	**2**	**37**	**6**	**34**
B.	**Cost of sales**		**0**	**0**	**10**	**0**	**13**
C.	**Gross sales result**		**1**	**2**	**27**	**6**	**21**
	I. Selling and distribution expenses	**23, 26**	45	305	498	147	301
	II. General and administrative expenses	**23, 26**	774	2,371	1,658	327	1,174
D.	**Net result on sales**		**-818**	**-2,674**	**-2,129**	**-469**	**-1,453**
	I. Other operating income		23	70	25	9	19
	II. Other operating expenses		2	5	223	5	14
E.	**Operating result**		**-798**	**-2,609**	**-2,327**	**-464**	**-1,448**
	I. Financial income		0	0	5	0	5
	II. Financial costs		-127	52	152	106	170
F.	**Result before tax**	**29**	**-671**	**-2,662**	**-2,474**	**-570**	**-1,613**
	I. Income tax		129	396	-529	32	-607
	a) current part		12	14	4	0	4
	b) deferred part		141	410	-525	32	-603
G.	**Net profit/(loss) for the period**		**-542**	**-2,266**	**-3,003**	**-538**	**-2,220**
	profit/(loss) attributable to:						
	shareholders of the parent company		-535	-2,256	-3,003	-538	-2,220
	non-controlling interest		-7	-10	0	0	0

Condensed interim statement of other comprehensive income	3rd quarter 1 July 2018 – 30 September 2018	9 months 1 January 2018 – 30 September 2018	year 1 January 2017 – 31 December 2017	3rd quarter 1 July 2017 – 30 September 2017	9 months 1 January 2017 – 30 September 2017
Profit/(loss) for the period	**-542**	**-2,266**	**-3,003**	**-538**	**-2,220**
Other comprehensive income	**64**	**-64**	**1,724**	**286**	**1,350**
1. Other comprehensive income to be reclassified to result in the future	-9	-284	1,437	213	1,130
– foreign exchange differences from translation of foreign operations	-9	-284	1,437	213	1,130
2. Other comprehensive income not to be reclassified to result in the future	73	220	287	73	220
Total comprehensive income	**-478**	**-2,330**	**-1,279**	**-252**	**-870**

Interim consolidated 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**	**15,286**	**1,498**	**-10,095**	**0**	**7,949**
Changes in accounting policies	0	0	0	0	0	0	0
At the beginning of the period 1 January 2018, adjusted	**973**	**287**	**15,286**	**1,498**	**-10,095**	**0**	**7,949**
Exercise of stock options for Company shares	2	-34	34	0	0	0	2
Issue of new shares through IPO	119	0	5,324	0	0	0	5,443
Share issue costs	0	0	-924	0	17	0	-907
Valuation of stock options under IFRS 2	0	220	0	0	0	0	220
Issue and conversion of bonds convertible to shares classified as equity instruments	44	0	1,426	0	0	0	1,470
Foreign exchange translation differences	0	0	0	-284	0	0	-284
Result of the period	0	0	0	0	0	-2,255	-2,255
At the end of the period 30 September 2018	**1,138**	**473**	**21,146**	**1,214**	**-10,078**	**-2,255**	**11,688**

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**	**12,705**	**61**	**-7,092**	**0**	**9,331**
Changes in accounting policies	0	0	0	0	0	0	0
At the beginning of the period 1 January 2017, adjusted	**886**	**2,771**	**12,705**	**61**	**-7,092**	**0**	**9,331**
Exercise of stock options for Company shares	87	-2,778	2,778	0	0	0	87
Valuation of stock options under IFRS 2	0	294	0	0	0	0	294
Expenditure incurred in connection with the planned stock issue	0	0	-327	0	0	0	-327
Bonds convertible to shares classified as equity instruments	0	0	130	0	0	0	130
Foreign exchange translation differences	0	0	0	1,437	0	0	1,437
Result of the period	0	0	0	0	0	-3,003	-3,003
At the end of the period 31 December 2017	**973**	**287**	**15,286**	**1,498**	**-7,092**	**-3,003**	**7,949**

Interim statement of changes in equity	Share capital	Capital from revaluation of options	Other capital	Capital from foreign exchange differences from translation of foreign operations	Retained earnings	Financial result	Total equity
At the beginning of the period 1 January 2017	**886**	**2,771**	**12,705**	**61**	**-7,092**	**0**	**9,331**
Changes in accounting policies	0	0	0		0	0	0
At the beginning of the period 1 January 2017, adjusted	**886**	**2,771**	**12,705**	**61**	**-7,092**	**0**	**9,331**
Exercise of stock options for Company shares	87	-2,778	2,778	0	0	0	87
Revaluation of stock options under IFRS 2	0	220	0	0	0	0	220
Expenditure incurred in connection with the planned stock issue	0	0	-285	0	0	0	-285

Foreign exchange translation differences	0	0	0	1,130	0	0	1,130
Result of the period	0	0	0	0	0	-2,220	-2,220
At the end of the period 30 September 2017	**973**	**213**	**15,198**	**1,191**	**-7,092**	**-2,220**	**8,263**

Interim consolidated cash flow statement

Interim cash flow statement	Note No.	3rd quarter 1 July 2018 – 30 September 2018	9 months 1 January 2018 – 30 September 2018	year 1 January 2017 – 31 December 2017	3rd quarter 1 July 2017 – 30 September 2017	9 months 1 January 2017 – 30 September 2017
Profit (loss) before tax		**-711**	**-2,662**	**-2,474**	**-570**	**-1,613**
Adjustments for:		**-771**	**283**	**1,492**	**168**	**517**
1. Depreciation and amortization		168	513	453	103	350
2. Foreign exchange gains (losses)		-16	37	123	-6	159
3. Interest and profit sharing (dividends)		80	92	7	-6	19
4. Change in inventory		-1	3	-5	-1	1
5. Change in receivables		-25	-69	-26	46	-66
6. Change in current liabilities, except for loans and borrowings		-31	-15	206	43	112
7. Tax paid		12	14	4	0	4
8. Change in prepayments and accruals		-26	412	588	1	2
9. Other adjustments resulting from operating activity	**29, 30**	-932	-704	142	-12	-65
Net cash from operating activities		**-1,481**	**-2,378**	**-982**	**-402**	**-1,096**
Proceeds		0	0	1,437	0	1,437
1. Disposal of intangible assets and property, plant and equipment		0	0	0	0	0
2. From financial assets, including:		0	0	0	0	1,437
a) in related entities		0	0	0	0	0
b) in other entities		0	0	1,437	0	1,437
Expenditures		-513	-1,348	-2,387	-634	-1,801
1. Purchase of intangible assets and property, plant and equipment		-31	-53	-51	-14	-36
2. Expenditures incurred for development work		-482	-1,295	-2,336	-620	-1,765
3. For financial assets		0	0	0	0	0

Net cash from investing activities	**-513**	**-1,348**	**-950**	**-634**	**-364**
Proceeds	5,506	7,392	243	6	93
1. Net proceeds from issuing shares and additional capital contributions	5,435	7,319	217	0	87
2. Loans and borrowings drawn	0	0	0	0	0
3. Interest	72	73	26	5	6
Expenditures	-39	-125	-165	-43	-122
1. Repayment of loans and borrowings	-34	-106	-133	-35	-99
2. Interest	-5	-19	-31	-8	-24
Net cash from financing activities	**5,467**	**7,267**	**78**	**-37**	**-30**
Net cash flows	**3,472**	**3,540**	**-1,854**	**-1,072**	**-1,490**
Change in cash	**3,473**	**3,541**	**-1,854**	**-1,039**	**-1,457**
- change in cash on account of foreign exchange differences	0	1	0	33	33
Cash at the beginning of the period	**1,085**	**1,018**	**2,872**	**2,454**	**2,872**
Cash and cash equivalents at the end of the period	**4,558**	**4,558**	**1,018**	**1,415**	**1,415**

3.

Explanatory notes to the interim condensed consolidated financial statements

Compliance with International Financial Reporting Standards

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

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

New and amended standards and interpretations

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

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

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

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

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

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

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

- IFRS 17 *Insurance Contracts*,
- Amendments to IAS 19 *Employee Benefits – Plan amendment, curtailment or settlement*,
- Amendments to IAS 28 *Investments in Associates and Joint Ventures – Long-term interests in associates and joint ventures*
- Amendments to various standards *Annual Improvements to IFRSs (2015-2017 cycle)*,
- IFRIC 23 interpretation *Uncertainty over Income Tax Treatments,*
- Revision of the IFRS Conceptual Framework.

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

Description of accepted accounting policies

Translation of items in foreign currencies

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

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

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

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

	30 September 2018	31 December 2017	30 September 2017
PLN/USD	0.2738	0.2872	0.2721

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

	9-month period ended 30 September 2018	year ended 31 December 2017	9-month period ended 30 September 2017
PLN/USD	0.2802	0.2671	0.2629

Property, plant and equipment

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

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

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

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

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

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

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

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

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

Costs of development work

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

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

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

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

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

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

Other intangible assets

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

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

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

Other financial assets (other than investments in subsidiaries)

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

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

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

Trade and other receivables

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

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

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

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

Prepayments and accruals

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

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

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

Cash and cash equivalents

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

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

Equity

The Group's equity is comprised of:
- Share capital,
- Capital from revaluation of options,
- Other capital,

- Capital from foreign exchange differences from translation of foreign operations,
- Retained earnings,
- Financial result of the current period.

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

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

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

Other capital is created from:

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

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

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

Provisions for liabilities

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

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

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

Trade liabilities and other non-financial liabilities

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

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

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

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

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

Financial liabilities

A financial liability is any liability that is:

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

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

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

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

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

Income tax

Income tax includes: current tax and deferred tax.

Current tax liability

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

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

Deferred tax

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

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

The main temporary differences result from the different valuation of assets and liabilities settled over time for tax and accounting purposes and tax losses from previous years of operation of Subsidiaries. Deferred income tax is determined using tax rates enacted or substantially enacted as at the balance sheet date, which will prevail at the time they are realized. Deferred tax is recognized in the profit and loss account, except where it refers to transactions settled with equity it is posted to equity.

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

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

Revenues and operating expenses

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

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

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

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

Financial activity revenues and expenses

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

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

4.

Notes and explanations to the interim condensed consolidated financial statements

Note 1.1 Costs of development work

Costs of development work	30 September 2018	31 December 2017	30 September 2017
Completed development work	4,827	5,576	3,665
Development work not yet completed	3,452	2,348	3,567
Total	**8,279**	**7,924**	**7,232**

Amortization of costs of development work	9-month period ended 30 September 2018	Financial year ended 31 December 2017	9-month period ended 30 September 2017
Completed development work	468	420	313
Development work not yet completed	0	0	0
Total	**468**	**420**	**313**

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

Note 1.2 Change in costs of development work

No.	Item	Costs of development work (*)	Total
1.	**Gross value at the beginning of the period 1 January 2018**	**8,656**	**8,656**
	Additions:	1,295	1,295
	– expenditures incurred	1,295	1,295
	Reductions, including:	472	472
	– liquidation and sale	0	0
	– foreign exchange differences from measurement in presentation currency	472	472
2.	**Gross value at the end of the period 30 September 2018**	**9,479**	**9,479**
3.	**Accumulated amortization at the beginning of the period 1 January 2018**	**732**	**732**
	Additions	468	468
	Reductions	0	0
4.	**Accumulated amortization at the end of the period 30 September 2018**	**1,200**	**1,200**
5.	**Net value at the beginning of the period 1 January 2018**	**7,924**	**7,924**
6.	**Net value at the end of the period 30 September 2018**	**8,279**	**8,279**

No.	Item	Costs of development work (*)	Total
1.	**Gross value at the beginning of the period 1 January 2017**	**5,152**	**5,152**
	Additions:	4,038	4,038
	– expenditures incurred	4,038	4,038
	Reductions, including:	534	534
	– liquidation and sale	178	178
	– foreign exchange differences from measurement in presentation currency	356	356
2.	**Gross value at the end of the period 31 December 2017**	**8,656**	**8,656**
3.	**Accumulated amortization at the beginning of the period 1 January 2017**	**312**	**312**
	Additions	420	420
	Reductions:	0	0
4.	**Accumulated amortization at the end of the period 31 December 2017**	**732**	**732**
5.	**Net value at the beginning of the period 1 January 2017**	**4,840**	**4,840**
6.	**Net value at the end of the period 31 December 2017**	**7,924**	**7,924**

No.	Item	Costs of development work (*)	Total
1.	**Gross value at the beginning of the period 1 January 2017**	**5,152**	**5,152**
	Additions:	2,707	2,707
	– expenditures incurred	1,898	1,898
	– foreign exchange differences from measurement in presentation currency	809	809
	Reductions, including:	0	0
	– liquidation and sale	0	0
2.	**Gross value at the end of the period 30 September 2017**	**7,859**	**7,859**
3.	**Accumulated amortization at the beginning of the period 1 January 2017**	**312**	**312**
	Additions	313	313
	Reductions:	0	0
4.	**Accumulated amortization at the end of the period 30 September 2017**	**625**	**625**
5.	**Net value at the beginning of the period 1 January 2017**	**4,840**	**4,840**
6.	**Net value at the end of the period 30 September 2017**	**7,232**	**7,232**

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

Note 3.1 Property, plant and equipment

Property, plant and equipment	30 September 2018	31 December 2017	30 September 2017
a) fixed assets, including:	62	55	51
– land	0	0	0
– buildings and structures	10	12	13
– plant and machinery	46	37	33
– vehicles	0	0	0
– other fixed assets	6	6	5
b) fixed assets under construction	6	7	0
Total	**69**	**62**	**51**

Note 3.2 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**	**23**	**174**	**0**	**30**	**7**	**234**
	Additions:	0	0	47	0	5	0	52
	– purchase	0	0	47	0	5	0	52
	Reductions, including:	0	0	2	0	0	0	2
	– liquidation and sale	0	0	0	0	0	0	0
	– foreign exchange differences from measurement in presentation currency	0	0	2	0	0	0	2
2.	**Gross value as at 30 September 2018**	**0**	**23**	**219**	**0**	**35**	**7**	**283**
3.	**Accumulated depreciation as at 1 January 2018**	**0**	**11**	**137**	**0**	**24**	**n/a**	**172**
	Additions	0	1	37	0	5	n/a	43
	Reductions, including:	0	0	0	0	0	n/a	0
	– liquidation and sale	0	0	0	0	0	n/a	0
4.	**Accumulated depreciation as at 30 September 2018**	**0**	**12**	**174**	**0**	**29**	**0**	**215**
5.	**Net value as at 1 January 2018**	**0**	**12**	**37**	**0**	**6**	**7**	**62**

6.	**Net value as at 30 September 2018**	**0**	**11**	**45**	**0**	**6**	**7**	**69**

The Group has no property, plant and equipment used under finance lease agreements.

The Group has no land in perpetual usufruct. The Group has no property, plant and equipment with restricted property and use rights.

Depreciation and amortization of non-current assets in 2017-2018 was charged to general and administrative expenses or capitalized in the value of development work, depending on the purpose of non-current assets. Some of the development projects carried out in 2017-2018 were completed successfully and were accepted as intangible assets. Amortization of completed development work is charged to general and administrative expenses.

As at 30 September 2018, 31 December 2017 and as at 30 September 2017, there were no contractual obligations related to the purchase of property, plant and equipment.

As at 30 September 2018, 31 December 2017 and 30 September 2017, there were no liabilities to the state budget or local government units related to the acquisition of ownership titles to buildings and structures.

In Q3 2018, no material purchase and sale transactions of property, plant and equipment were posted; there are no material liabilities on this account as at 30 September 2018.

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**	**20**	**120**	**0**	**30**	**0**	**170**
	Additions:	0	3	54	0	0	7	64
	- acquisition	0	2	51	0	0	0	53
	- other	0	1	3	0	0	7	11
	Reductions	0	0	0	0	0	0	0
2.	**Gross value as at 31 December 2017**	**0**	**23**	**174**	**0**	**30**	**7**	**234**
3.	**Accumulated depreciation as at 1 January 2017**	**0**	**9**	**108**	**0**	**22**	**n/a**	**139**
	Additions	0	2	29	0	2	n/a	33
	Reductions	0	0	0	0	0	n/a	0
6.	**Accumulated depreciation as at 31 December 2017**	**0**	**11**	**137**	**0**	**24**	**n/a**	**172**
7.	**Net value as at 1 January 2017**	**0**	**11**	**12**	**0**	**8**	**0**	**31**
9.	**Net value as at 31 December 2017**	**0**	**12**	**37**	**0**	**6**	**7**	**62**

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**	**20**	**120**	**0**	**30**	**0**	**170**
	Additions:	0	1	34	0	2	0	37
	- acquisition	0	1	34	0	2	0	37
	Reductions, including:	0	0	0	0	0	0	0
	– liquidation and sale	0	0	0	0	0	0	0
2.	**Gross value as at 30 September 2017**	**0**	**21**	**154**	**0**	**32**	**0**	**207**
3.	**Accumulated depreciation as at 1 January 2017**	**0**	**9**	**108**	**0**	**22**	**n/a**	**139**
	Additions	0	1	15	0	1	n/a	17
	Reductions, including:	0	0	0	0	0	n/a	0
	– liquidation and sale	0	0	0	0	0	n/a	0
6.	**Accumulated depreciation as at 30 September 2017**	**0**	**10**	**123**	**0**	**23**	**n/a**	**156**
7.	**Net value as at 1 January 2017**	**0**	**11**	**12**	**0**	**8**	**0**	**31**
9.	**Net value as at 30 September 2017**	**0**	**11**	**31**	**0**	**9**	**0**	**51**

Note 5 Deferred tax assets

Deferred tax assets	30 September 2018	31 December 2017	30 September 2017
Deferred tax assets – at the beginning of the period, including:	**185**	**670**	**670**
Through profit or loss	185	670	670
Through equity	0	0	0
Additions	**407**	**0**	**0**
through profit or loss	407	0	0
through equity	0	0	0
Reductions	**0**	**485**	**561**
through profit or loss	0	485	561
through equity	0	0	0
Deferred tax assets at the end of the period, including:	**592**	**185**	**109**
through profit or loss	592	185	109
through equity	0	0	0

Deferred tax assets arising from temporary differences resulting from:	30 September 2018	31 December 2017	30 September 2017
Accumulated tax losses to be used	8,049	6,185	5,184
Impairment losses on deferred tax assets up to the amount of tax losses available for use in the future (calculation based on the financial budget)	-4,934	-5,209	-4,610
Total	**3,115**	**976**	**574**
Deferred tax assets (19%)	**592**	**185**	**109**

Note 11 Cash and cash equivalents

Cash and cash equivalents	30 September 2018	31 December 2017	30 September 2017
Cash on hand	1	2	1
Cash in bank	4,557	1,016	1,414
Total	**4,558**	**1,018**	**1,415**

Note 12 Share capital, information on issue and conversion of securities

Share capital as at 30 September 2018

The par value of the shares 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	10,420,420	1,042,042	20,222,953	19,180,911
Preferred Stock	960,000	96,000	124,800	28,800
Total	**11,380,420**	**1,138,042**	**20,347,753**	**19,209,711**

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

On 24 July 2018, the Management Board of Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange, "WSE") adopted Resolution No. 796/2018, by which the WSE Management Board resolved to:

— introduce, as of 26 July 2018, into trading on the parallel market of the stock exchange, 10,420,420 common bearer shares of the Company with a par value of USD 0.10 each registered by the National Depository for Securities under code USU827061099; and
— list Silvair, Inc. shares in the continuous listing system in the listing class referred to in § 71 item 5) of Section IV of Detailed Stock Exchange Trading Rules in the UTP system under an abbreviated name of "SILVAIR-REGS" and a ticker of "SVRS".

The offer shares were taken up at PLN 17.00 per share.

In accordance with the prospectus, the Management Board of WSE admitted and introduced into trading 10,420,420 shares of common stock with a par value of USD 0.10 each, including:

— 9,235,510 common bearer shares of the Company, of which: (i) 4,709,000 existing common bearer shares of Common Stock and 15,000 common shares taken up in exercise of options in 2018, which is discussed in Note 17 – totalling 4,724.00 shares of common stock (ii) 4,063,495 common bearer shares created as a result of the conversion of 4,063,495 shares of Series A Preferred Stock, and (iii) 448,015 new common bearer shares of the Company, which were issued by the Company upon conversion of Third Series Bonds carried out on 18 July 2018.
— 1,184,910 new offered common shares subscribed for by a total of 98 investors, including: 82 retail investors who subscribed for 34,910 shares and 16 institutional investors who subscribed for 1,150,000 shares. The value of the new public offering was PLN 20,143,470.

The Company has not applied for admission of 960,000 Preferred Stock of the founders. In Q3 2018 there was no issue, redemption or repayment of non-equity and equity securities. **Share capital as at 31 December 2017**

The par value of the shares 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 ownership structure	Number of shares	% of shares	Number of votes	% of votes
Szymon Słupik	1,884,711	19.36%	3,529,871	24.29%
Rafał Han	1,296,441	13.32%	2,928,441	20.15%
Funds managed by Trigon	1,248,243	12.83%	1,248,243	8.60%
Adam Gembala	1,018,760	10.47%	2,145,520	14.76%
Onico S.A.	574,712	5.90%	574,712	3.95%
Other shareholders holding less than 5% shares	3,709,628	38.12%	4,105,708	28.25%
Total	**9,732,495**	**100.00%**	**14,532,495**	**100.00%**

Share capital as at 30 September 2017

The par value of the shares 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 ownership structure	Number of shares	% of shares	Number of votes	% of votes
Szymon Słupik	1,884,711	19.36%	3,529,871	24.29%
Rafał Han	1,296,441	13.32%	2,928,441	20.15%
Funds managed by Trigon	1,248,243	12.83%	1,248,243	8.60%
Adam Gembala	1,018,760	10.47%	2,145,520	14.76%
Onico S.A.	574,712	5.90%	574,712	3.95%
Other shareholders holding less than 5% shares	3,709,628	38.12%	4,105,708	28.25%
Total	**9,732,495**	**100.00%**	**14,532,495**	**100.00%**

Note 13 Capital from revaluation of options

Capital from revaluation of options	30 September 2018	31 December 2017	30 September 2017
Valuation of stock options under IFRS 2	473	287	213
Total	**473**	**287**	**213**

Note 14.1 Other capital

Other capital	30 September 2018	31 December 2017	30 September 2017
Supplementary capital	21,146	15,286	15,198
Total	**21,146**	**15,286**	**15,198**

Note 14.2 Changes in other capital

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

Changes in other capital	Other capital
As at 1 January 2018	**15,286**
Exercise of stock options for Company shares	34
Expenditures incurred for the issue of new shares (IPO)	-924
Issue of new shares (IPO)	5,324
Issue of bonds convertible to shares	1,426
As at 30 September 2018	**21,146**

In the financial year ended 31 December 2017:

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

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

Changes in other capital	Other capital
As at 1 January 2017	**12,705**
Exercise of stock options – movement of capital from revaluation of options	2,778
Share issue costs	-285
As at 30 September 2017	**15,198**

Note 15 Retained earnings

Retained earnings	30 September 2018	31 December 2017	30 September 2017
Accumulated losses brought forward	-10,078	-7,092	-7,092
Total	**-10,078**	**-7,092**	**-7,092**

Note 16 Earnings/(loss) per share and information on dividends

Between 2017 and 2018, the Company did not pay dividends to the Company's shareholders. According to the information contained in the prospectus, due to the capital needs related mainly to the Company's development and the related need to engage new funds, the Group plans mainly to reinvest a significant part of the profits to be achieved in the future. We do not expect to pay dividends to shareholders in the coming years.

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 September 2018**	**31 December 2017**	**30 September 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)	-0.21	-0.32	-0.24
Number of diluting options	569,000	584,000	584,000
Weighted average number of Parent Company's shares in the period after diluting options	10,503,726	9,881,995	8,490,778
Diluted earnings/(loss) per share (USD)	**-0.21**	**-0.30**	**-0.26**

Note 17 Deferred tax liabilities

Deferred tax liabilities	**30 September 2018**	**31 December 2017**	**30 September 2017**
Deferred tax liabilities at the beginning of the period, including:	**33**	**38**	**38**
through profit or loss	33	38	38
through equity	0	0	0
Additions	**0**	**0**	**0**
Reductions	**4**	**5**	**4**
through profit or loss	4	5	4
through equity	0	0	0
Deferred tax assets at the end of the period, including:	**29**	**33**	**34**
through profit or loss	29	33	34
through equity	0	0	0

Deferred tax liabilities arising from temporary differences resulting from:	30 September 2018	31 December 2017	30 September 2017
Difference between the tax value and carrying amount of completed development work	153	174	179
Total	**153**	**174**	**179**
Deferred tax liabilities (19%)	**29**	**33**	**34**

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

In order to secure the loan granted by PARP in the amount of PLN 2.0 million with the outstanding balance of PLN 1.18 million (USD 320 thousand) as at 30 September 2018 and PLN 1.6 million as at 31 December 2017 (USD 446 thousand), Sway Sp. z o.o. issued a blank promissory note.

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

As at 30 September 2018 and 31 December 2017, Group Companies were not acting as guarantors or sureties and also had not drawn their own or received third party promissory notes as collateral or payment for transactions.

No changes in contingent liabilities were posted in the period after the closing of the most recent financial year to the date of these interim financial statements. There are no contingent assets.

There are no contingent assets as at 30 September 2018 and 31 December 2017.

Note 21 Prepayments and accruals

Prepayments and accruals	Value as at 1 January 2018	Additions	Reductions	Value as at 30 September 2018
Financing under the Smart Growth Operational Programme	0	448	0	448
NCBiR subsidy for fixed assets	616	51	66	601
Total	**616**	**499**	**66**	**1,049**

Prepayments and accruals	Value as at 1 January 2017	Additions	Reductions	Value as at 31 Decembe r 2017
Financing under the Smart Growth Operational Programme	1	0	1	0
NCBiR subsidy for fixed assets	0	616	0	616
Total	**1**	**616**	**1**	**616**

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

Note 22.1 Sales revenues

Sales revenues	9-month period ended 30 September 2018	Financial year ended 31 December 2017	9-month period ended 30 September 2017
Revenues from sales of products	0	7	7
Revenues from sales of goods and services	2	30	27
Sales revenues	**2**	**37**	**34**

Note 22.2 Sales revenues – geographic structure

Sales revenues	9-month period ended 30 September 2018	Financial year ended 31 December 2017	9-month period ended 30 September 2017
Revenues from sales of products	0	7	7
domestically	0	0	0
within the European Union	0	7	7
in third countries	0	0	0
Revenues from sales of services	2	30	27
domestically	2	11	4
within the European Union	0	0	0
in third countries	0	19	23
Sales revenues – geographic structure	**2**	**37**	**34**

Note 23 Operating segments

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

The Silvair, Inc. Group identified 5 operating segments in its business activity conducted in the period from 1 January 2017 to 30 September 2018:

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

The **Silvair Mesh Stack segment** consists of universal firmware based on the Bluetooth Mesh standard, intended primarily for installation in electronic components of lighting products and in sensory devices. The firmware is versioned depending on the type of device, its functionality and supported communication protocol. In this segment the Company also classifies the above firmware that is modified or upgraded based on the clients' individual requirements (custom firmware). The Company earns revenues in this segment from sales of firmware licenses.
The digital platform segment, i.e. **Silvair Platform**, consists of a bundle of services related to the management of a smart lighting network and the usage of data generated by such network to provide services going beyond smart lighting. Where the services within the platform are provided directly by the Company, the revenues consist of periodic fees charged for a specific service bundle. Where the services within the platform are provided by third parties, the Company earns a revenue share in the fees charged by the service provider.

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

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

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

Following a strategic decision to focus its business on the Bluetooth Mesh technology only, the Group has redirected its efforts to the development of the **Silvair Mesh Stack** and **Silvair Platform** segments. In connection with the above, the BLE Stack segment has been combined with the Silvair Mesh Stack segment. At the same time, the Group is no longer developing the Wi-Home and Proxi segments, which are based on older technologies. Nevertheless, these segments still generate some revenues and therefore are included in the Group's statements.

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

Segment type (*)	Silvair Platform	Silvair Mesh Stack	Wi-Home	Proxi	Other activity	Total
Revenues and expenses						
Sales to external clients	0	0	0	2	0	2
Inter-segment sales	0	0	0	0	0	0
Income and expenses (operating and other operating)	0	0	0	-2	-2,609	-2,611
EBIT						**-2,609**
Net financial income (costs)	0	0	0	0	-53	-53
Share in profits of associates	0	0	0	0	0	0
Profit before tax						**-2,662**
Income tax (current and deferred)	0	0	0	0	396	396
Net profit for the reporting period						**-2,266**
Assets						
Costs of development work	2,037	3,842	187	470	1,742	8,279
Receivables	0	22	0	0	7	29
Unallocated assets	0	0	0	0	5,497	5,497
Total assets						**13,805**
Liabilities						
Financial liabilities	0	0	0	0	320	320
Unallocated liabilities	0	0	0	0	1,431	1,431
Total liabilities						**1,751**
Other information						
Depreciation and amortization	12	215	20	50	222	519

(*) in Q3 2018, the Board of Directors decided to combine operations of the BLE segment with the Silvair Mesh Stack segment.

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

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

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

Segment type	Silvar Platform	Silvar Mesh Stack	Wi-Home	Proxi	BLE Stack	Other activity	Total
Revenues and expenses							
Sales to external clients	0	0	5	4	25	0	34
Inter-segment sales	0	0	0	0	0	0	0
Income and expenses (operating and other operating)	0	0	-4	-3	-20	-1,455	-1,482
EBIT							**-1,448**
Net financial income (costs)	0	0	0	0	0	-165	-165
Share in profits of associates	0	0	0	0	0	0	0
Profit before tax							**-1,613**
Income tax (current and deferred)	0	0	0	0	0	-607	-607
Net profit for the reporting period							**-2,220**
Assets							
Costs of development work	1,206	2,514	216	548	884	1,833	7,231
Receivables	0	0	0	0	10	71	81
Unallocated assets	0	0	0	0	0	1,724	1,724
Total assets							**9,036**
Liabilities							
Financial liabilities	0	0	0	0	0	460	460
Unallocated liabilities	0	0	0	0	0	313	313
Total liabilities							**773**
Other information							
Depreciation and amortization	0	18	19	47	69	178	330

In 2016-2017 and until 30 September 2018, the Silvair, Inc. Group focused all of its resources on completing the development work commenced in earlier years. The Silvair Group also worked on improving and expanding the functionalities of the development work completed in previous years and accepted for use.

In the period covered by the financial statements, the Group cooperated with external buyers, whose share in revenues exceeded 10% of the Group's revenues.

Information on sales revenues in the period of 9 months of 2018 – main buyers

In the period from 1 January to 30 September 2018, the Group generated sales in the Proxi segment with one buyer.

The buyer is not an affiliate or subsidiary of Silvair, Inc.

Information on sales revenues in the period of 9 months of 2018 – geographic structure

Country	Sales to external customers 1 January 2018 – 30 September 2018	
European Union of which Poland	USD	2
	%	100%
Other countries	USD	0
	%	0%
Total revenues	**USD**	**2**
	%	**100%**

Information on sales revenues – main buyers in 2017

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

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

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

Except for these buyers, no single external buyer has exceeded the threshold of 10% of the Group's consolidated revenues.

Information on sales revenues – geographic structure in 2017

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

Information on sales revenues in the period of 9 months of 2017 – main buyers

In the Wi-Home, Proxi and BLE Stack segments, from 1 January to 30 September 2017, the Group generated sales exceeding 10% of consolidated revenues in cooperation with three buyers:

- buyer A: 51.86% of the Group's total consolidated sales revenues,
- buyer B: 24.54% of the Group's total consolidated sales revenues,
- buyer C: 17.80% of the Group's total consolidated sales revenues.

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

Except for these buyers, no single external buyer has exceeded the threshold of 10% of the Group's consolidated revenues.

Information on sales revenues in the period of 9 months of 2017 – geographic structure

Country	Sales to external customers 1 January 2017 – 30 September 2017	
European Union of which Poland	USD	6
	%	18%
United States	USD	0
	%	0%
Other countries	USD	28
	%	82%
Total revenues	**USD**	**34**
	%	**100%**

Note 26 Breakdown of costs

Costs by nature and function	9-month period ended 30 September 2018	Financial year ended 31 December 2017	9-month period ended 30 September 2017
Depreciation and amortization	511	453	330
Consumption of materials and energy	85	170	139
External services	1,745	1,797	1,554
Taxes and fees	11	12	9
Payroll	1,029	1,152	840
Social security and other benefits	247	274	189
Other costs by nature	155	226	145
Cost of products and materials sold	0	10	13
Total costs by type	**3,784**	**4,094**	**3,220**

Change in inventories of products and production cost of products for own use (development work)	**1,108**	**1,928**	**1,732**
Cost of sales	0	10	13
Selling and distribution expenses	305	498	301
General and administrative expenses	2,371	1,658	1,174
Total costs by function	**2,676**	**2,166**	**1,488**

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

Item	9-month period ended 30 September 2018	Financial year ended 31 December 2017	9-month period ended 30 September 2017
Profit (loss) before tax	**-2,662**	**-2,474**	**-1,613**
Costs not classified as tax-deductible expenses, including:	**691**	**1,148**	**337**
Depreciation and amortization	63	4	3
PFRON disability fund tax	10	12	9
Unpaid interest	4	31	0
Unpaid payroll and social security contributions	42	40	36
Foreign exchange differences in the balance sheet	345	38	45
Impairment losses	0	28	0
Other costs	227	995	245
- including valuation of stock options (Note 30)	220	287	220
Costs of the previous year recognized as tax-deductible expenses in the current year	**40**	**33**	**31**
ZUS from November-December of the previous year, paid in January of the next year	32	30	23
Other	8	3	8
Revenues that are not tax revenues	**77**	**137**	**102**
Unpaid interest	3	0	0
Foreign exchange differences in the balance sheet	24	137	102
Subsidy	50	0	0
Previous year revenues subject to taxation in the current year	**0**	**1**	**1**
Interest paid	0	1	1
Income / loss	**-2,088**	**-1,494**	**-1,409**
Deductions from income (*)	**-924**	**0**	**-285**
Taxation base	**-3,012**	**-1,494**	**-1,694**

Tax – Parent Company	**14**	**4**	**4**
Impact of change in the deferred tax asset	**407**	**-530**	**-607**
Impact of change in the deferred tax liability	**-3**	**-5**	**-4**
Total charges to profit before tax	**396**	**-529**	**-607**

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

Note 30 Share-based payment agreements

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

1. The following were to be granted from the "Option Pool":
  — 132,000 shares to Key Personnel of the Parent Company,
  — 743,000 shares to the Management Board, including: 465,000 shares 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 September 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.

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

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

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

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

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

	in the period of 9 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 Group has measured the fair value of services received as consideration for equity instruments of the entity indirectly, by reference to the fair value of the equity instruments granted.

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

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

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

	9-month period ended 30 September 2018	Financial year ended 31 December 2017	9-month period ended 30 September 2017
Management cost	220	287	220
Capital from revaluation of options	220	287	220

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

	9-month period ended 30 September 2018	Financial year ended 31 December 2017	9-month period ended 30 September 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 the period from 1 January to 30 September 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 September 2018 was USD 2 thousand.

Note 31 Major events after the balance sheet date

No major events occurred after the balance sheet date, in particular events that could materially affect the issuer's future performance.

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:

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

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

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

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

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

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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group does not invest any surplus funds in interest-bearing assets based on floating interest rates and accordingly it is not exposed to the risk related to changes in interest rates.

The principal risk of changes in interest rates is related to debt instruments. In the past years, the Group did not use any external debt instruments (loans and bonds) with a floating interest rate, the interest rate on which would depend on changes in interest rates. Accordingly, it was not exposed to changes in cash flows resulting from changes in interest rates.

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

Financial assets by balance sheet item	30 September 2018 fair value	30 September 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	7	7	-	-	-	7
Loans	-	-	-	-	-	-
Long-term security deposits and other long-term receivables	-	-	-	-	-	-
Trade receivables	29	29	-	-	29	-
Receivables other than above, which are financial assets	-	-	-	-	-	-
Short-term securities	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Bank deposits	-	-	-	-	-	-
Cash	4,558	4,558	-	-	-	4,558

Financial liabilities by balance sheet item	30 September 2018 fair value	30 September 2018 carrying amount	Classification of financial instruments according to IFRS 9 (carrying amount)		
			measured at fair value through profit or loss	measured at amortized cost	measured at fair value through other comprehensive income
Financial liabilities					
Bank loans	-	-	-	-	-
Long-term	-	-	-	-	-
Short-term	-	-	-	-	-
Loans	345	345	-	345	-
Finance leases	-	-	-	-	-
Long-term security deposits and other non-current liabilities	-	-	-	-	-
Debt securities	-	-	-	-	-
Measurement of other instruments - derivatives	-	-		-	
Trade liabilities	177	177	-	177	-
Liabilities other than above, which are financial liabilities	-	-	-	-	-

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	8	8	-	-	-	8
Loans	-	-	-	-	-	-
Long-term security deposits and other long-term receivables	-	-	-	-	-	-
Trade receivables	14	14	-	-	14	-
Receivables other than above, which are financial assets	-	-	-	-	-	-
Short-term securities	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Bank deposits	-	-	-	-	-	-
Cash	1,018	1,018	-	-	-	1,018

Financial liabilities by balance sheet item	31 December 2017 fair value	31 December 2017 carrying amount	Classification of financial instruments according to IFRS 9 (carrying amount)		
			measured at fair value through profit or loss	measured at amortized cost	measured at fair value through other comprehensive income
Financial liabilities					
Bank loans	-	-	-	-	-
Long-term	-	-	-	-	-
Short-term	-	-	-	-	-
Loans	446	446	-	446	-
Finance leases	-	-	-	-	-
Long-term security deposits and other non-current liabilities	-	-	-	-	-
Debt securities – bonds convertible into shares presented as other capital in the balance sheet	-	-	-	-	-
Measurement of other instruments – derivatives	-	-	-	-	-
Trade liabilities	198	198	-	198	-
Liabilities other than above, which are financial liabilities	-	-	-	-	-

Financial assets by balance sheet item	30 September 2017 fair value	30 September 2017 carrying amount	Classification of financial instruments according to IFRS 9 (carrying amount)			Other
			measured at fair value through profit or loss	measured at fair value with changes through other comprehensive income	measured at amortized cost	
Financial assets						
Interest and shares	7	7	-	-	-	7
Loans	-	-	-	-	-	-
Long-term security deposits and other long-term receivables	-	-	-	-	-	-
Trade receivables	81	81	-	-	81	-
Receivables other than above, which are financial assets	-	-	-	-	-	-
Short-term securities	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Bank deposits	-	-	-	-	-	-
Cash	1,415	1,415	-	-	-	1,415

Financial liabilities by balance sheet item	30 September 2017 fair value	30 September 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	460	460	-	460	-
Finance leases	-	-	-	-	-
Long-term security deposits and other non-current liabilities	-	-	-	-	-
Debt securities	-	-	-	-	-
Measurement of other instruments - derivatives	-	-	-	-	-
Trade liabilities	124	124	-	124	-
Liabilities other than above, which are financial liabilities	-	-	-	-	-

Sensitivity analysis
Currency risk 1 January 2018 - 30 September 2018

Financial instruments by balance sheet items	Carrying amount of financial instruments	Effect on pre-tax financial result (10% increase)	Effect on equity (10% increase)	Effect on pre-tax financial result (10% decrease)	Effect on equity (10% decrease)
Financial assets					
Interest and shares	7	-1	-	1	-
Loans	-	-	-	-	-
Long-term security deposits and other long-term receivables	-	-	-	-	-
Trade receivables	29	-1	-	1	-
Receivables other than above, which are financial assets	-	-	-	-	-
Short-term securities	-	-	-	-	-
Debt securities	-	-	-	-	-
Bank deposits	-	-	-	-	-
Cash	4,558	-75	-	91	-
cash in bank	4,558	-75	-	91	-
Financial liabilities					
Bank loans	-	-	-	-	-
Long-term	-	-	-	-	-
Short-term	-	-	-	-	-
Loans	320	29	-	-36	-
Finance leases	-	-	-	-	-
Long-term security deposits and other non-current liabilities	-	-	-	-	-
Debt securities	-	-	-	-	-
Trade liabilities	177	16	-	-20	-
Liabilities other than above, which are financial liabilities	-	-	-	-	-

Currency risk 1 January 2017 - 31 December 2017

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

Currency risk 1 January 2017 - 30 September 2017

Financial instruments by balance sheet items	Carryin g 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	81	-1	-	1	-
Receivables other than above, which are financial assets	-	-	-	-	-
Short-term securities	-	-	-	-	-
Debt securities	-	-	-	-	-
Bank deposits	-	-	-	-	-
Cash	1,415	-98	-	119	-
cash in bank	1,415	-98	-	119	-
Financial liabilities					
Bank loans	-	-	-	-	-
Long-term	-	-	-	-	-
Short-term	-	-	-	-	-
Loans	460	42	-	-51	-
Finance leases	-	-	-	-	-
Long-term security deposits and other non-current liabilities	-	-	-	-	-
Debt securities	-	-	-	-	-
Trade liabilities	124	8	-	-14	-
Liabilities other than above, which are financial liabilities	-	-	-	-	-

Note 38 Related party transactions

Transactions with parties related by equity with the Parent Company:

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

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

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

Loan agreement between Silvair, Inc. (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 loan granted (USD 6,474 thousand) and interest accumulated on the loan until 20 December 2016.

As at 31 December 2016, Silvair Sp. z o.o. (formerly Seed Labs Sp. z o.o.) recognizes a liability under the loan to Silvair, Inc. in the amount of USD 650 thousand (principal) and USD 1.6 thousand (interest) totaling PLN 2,723 thousand.

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

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

As at 30 September 2018, Silvair, Inc. posted a receivable from Silvair Sp. z o.o. on account of the loans granted in the total amount of USD 3,321 thousand, which includes loans granted in the past years in the amount of USD 650 thousand, loans granted from 1 January to 30 September 2018 in the total amount of USD 2,566 thousand and interest accrued on the loans in the amount of USD 105 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 September 2017 and as at 30 September 2018, both Silvair, Inc. (formerly Seed Labs, Inc.) and Silvair Sp. z o.o. (formerly Seed Labs Sp. z o.o.) had no mutual receivables and other liabilities.

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

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

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

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

As at 20 December 2016, interest on the loan due from Sway Sp. z o.o. amounted to PLN 356 thousand.

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

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

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

In 2018, Silvair Sp. z o.o. granted a loan in the total amount of PLN 580 thousand to Sway Sp. z o.o., as a result of which the balance of liabilities on account of loans received from Silvair Sp. z o.o. as at 30 September 2018 is USD 159 thousand (principal) and USD 3 thousand (accrued interest).

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

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

Entities having personal ties with Group companies:

Transactions between entities with personal ties:
As at 30 September 2018, 31 December 2017 and as at 30 September 2017, the subsidiaries, i.e. Silvair Sp. z o.o. and Sway Sp. z o.o, were parties to a lease agreement for a property in Krakow at ul. Jasnogórska, where the headquarters of both companies were located. The landlord of that property is Centrum Jasnogórska 44, in which the function of a shareholder and a Vice-President of the Management Board is discharged by Mr. Szymon Słupik, who is also a member of the Board of Directors (a Shareholder) of the Parent Company, Silvair, Inc.

In the financial years 2017-2018, the Group leased space from Centrum Jasnogórska 44 where the total cost was USD 214 thousand in the financial year 2017 and USD 171 thousand in the period from 1 January to 30 September 2018.

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

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

Transactions with the key management personnel

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

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

Compensation received by the key management personnel in connection with their functions and on account of share-based payments is described in Note 30.

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

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

5.

Notes to the interim condensed consolidated financial statements

Note 39 Extraordinary events in terms of their type, value or frequency having material effect on the condensed financial statements

Except for the new stock issue and the initial public offering on the WSE, there were no other non-recurring events in Q3 2018 that could affect the financial standing or financial performance of the Group.

In 2017-2018, there were no factors and events, including of extraordinary nature, having material impact on the Group's condensed consolidated financial statements.

Note 40 Seasonality or cyclicality of the Group's operations

So far, no noticeable seasonality of sales revenues or expenses have been observed in the Company's activities.

Note 41 Provisions and charges, including impairment losses

In Q3 2018, there were no indications for recognizing impairment losses on the inventory and no indication for recognizing new or reversing the existing impairment losses on receivables.

In Q3 2018, no impairment losses were recognized on financial assets or property, plant and equipment, intangible assets or other assets.

In Q3 2018 there were also no indications for recognizing provisions for liabilities.

Note 42 Litigation

No new litigation was pending in Q3 2018.

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

Note 43 Identification of corrections of prior period errors

In Q3 2018 there were no indications that would require corrections of errors in financial statements published in the prior periods.

Note 44 Information on changes in economic situation and business conditions materially affecting the fair value, financial assets and financial liabilities

The Board of Directors of Silvair, Inc. believes that no changes occurred in Q3 2018 in the economic situation and business conditions that would materially affect the fair value, financial assets and financial liabilities presented in the Group's consolidated financial statements. No other information was received that could materially affect the assessment of its assets, financial position and financial result.

Note 45 Information on loan default or breach of material terms of a loan agreement that has not been remedied by the end of the reporting period

The Group paid its financial liabilities on a timely basis and did not default on any provisions of any loan agreement.

Note 46 Statement of ownership of the issuer's shares or rights to such shares by the persons managing and supervising the issuer as at the delivery date of the quarterly report with identification of changes in ownership in the period after the publication of the previous periodic report, for each person separately

The structure of the share capital as at the date of this quarterly report is presented in Note 12 to this report. The issuer's shares held by the management and supervisory personnel as at the delivery date of the previous periodic report, i.e. 30 September 2018, are presented in the table below.

Share capital as at 30 September 2018

The par value of the shares 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	10,420,420	1,042,042	20,222,953	19,180,911
Preferred Stock	960,000	96,000	124,800	28,800
Total	**11,380,420**	**1,138,042**	**20,347,753**	**19,209,711**

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

The change in the structure of ownership of the share capital between the end of the Q3 2018 and the delivery date of the previous report results from the comparison of the table above with the information provided in Note 12 of this report.

Note 47 Information on changes in classification or valuation of financial instruments

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

No changes in measurement methods for financial instruments, especially those measured at fair value, were made in Q3 2018. In Q3 2018, no changes were also made in the classification of financial assets.

Note 48 Management Board's Position on the possibility of achieving the previously published forecasts and performance of the Group at least in the next quarter

The Silvair Group has not published any projections for 2018, including projections for Q3 2018.

Note 49 Important achievements or failures of the issuer in the period under analysis

In 2018, the Parent Company went public on the Warsaw Stock Exchange. 26 July 2018 was the first day of listing of the Company's shares on the parallel market.

No particular failures of the Issuer were recorded in 2018.

Note 50 Information on the issuance, redemption and repayment of non-equity and equity securities

No such transactions were concluded.

Note 51 Information on issuer or its subsidiary entering into one or several related party transactions on non-market terms

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

Note 52 Factors that the issuer believes will affect its financial performance at the least within the next quarter

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

— Macroeconomic situation in Poland and globally,
— rate of adoption of the Bluetooth Mesh standard by the market and effectiveness in acquiring new business,
— systematic development work supporting the commercialization of new products and increase of the competitive advantage.

6.

Quarterly financial information of Silvair, Inc. for Q3 2018

Interim statement of financial position

			30 September 2018	31 December 2017	30 September 2017	31 December 2016
A	**Non-current assets**		**14,522**	**11,956**	**11,956**	**11,956**
	I.	Costs of development work	0	0	0	0
	II.	Other intangible assets	0	0	0	0
	III.	Property, plant and equipment	0	5	5	5
	IV.	Financial assets	14,522	11,951	11,951	11,951
	V.	Deferred tax assets	0	0	0	0
B.	**Current assets**		**3,736**	**385**	**373**	**795**
	I.	Cash and cash equivalents	3,736	385	373	795
Total assets			**18,258**	**12,341**	**12,329**	**12,751**

			30 September 2018	31 December 2017	30 September 2017	31 December 2016
A.	**Equity**		**18,153**	**12,307**	**12,304**	**12,751**
	I.	Share capital	1,138	973	973	886
	II.	Capital from revaluation of options	473	287	213	0
	III.	Other capital	20,909	15,051	14,963	15,241
	VI.	Retained earnings	-3,902	-3,376	-3,376	-3,025
	VI.	Financial result of the current period	-465	-628	-469	-351
B.	**Non-current liabilities**		**105**	**34**	**25**	**0**
	I.	Deferred tax liabilities	0	0	0	0
	II.	Other non-current liabilities	105	34	25	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			**18,258**	**12,341**	**12,329**	**12,751**

Interim profit and loss account and statement of other comprehensive income

Interim consolidated profit and loss account		3rd quarter 1 July 2018 – 30 September 2018	1 January 2018 – 30 September 2018	3rd quarter 1 July 2017 – 30 September 2017	1 January 2017 – 30 September 2017
A.	**Revenue**	**0**	**0**	**0**	**0**
B.	**Cost of sales**	**0**	**0**	**0**	**0**
C.	**Gross sales result**	**0**	**0**	**0**	**0**
	I. Selling and distribution expenses	4	7	11	19
	II. General and administrative expenses	85	373	154	421
D.	**Net result on sales**	**-89**	**-380**	**-165**	**-439**
	I. Other operating income	0	0	0	0
	II. Other operating expenses	0	71	0	1
E.	**Operating result**	**-89**	**-451**	**-165**	**-440**
	I. Financial income	0	0	0	0
	II. Financial costs	36	25	9	25
F.	**Result before tax**	**-125**	**-451**	**-173**	**-465**
	I. Income tax	-12	14	0	4
	a) current part	12	14	0	4
	b) deferred part	0	0	0	0
G.	**Net profit/(loss) for the period**	**-137**	**-465**	**-173**	**-469**

Condensed interim statement of other comprehensive income	3rd quarter 1 July 2018 – 30 September 2018	1 January 2018 – 30 September 2018	3rd quarter 1 July 2017 – 30 September 2017	1 January 2017 – 30 September 2017
Profit/(loss) for the period	**-137**	**-465**	**-173**	**-496**
Other comprehensive income	**73**	**220**	**73**	**220**
1. Other comprehensive income to be reclassified to result in the future	0	0	0	0
– foreign exchange differences from translation of foreign operations	0	0	0	0
2. Other comprehensive income not to be reclassified to result in the future	73	220	73	220
Total comprehensive income	**-64**	**-245**	**-100**	**-249**

Interim statement of changes in equity

Interim statement of changes in equity	Share capital	Capital from revaluation of options	Other capital	Retained earnings	Financial result	Total equity
At the beginning of the period 1 January 2018	**973**	**287**	**15,051**	**-4,004**	**0**	**12,307**
Changes in accounting policies	0	0	0	0	0	0
At the beginning of the period 1 January 2018, adjusted	**973**	**287**	**15,051**	**-4,004**	**0**	**12,307**
Exercise of stock options for Company shares	2	-34	32	0	0	0
Valuation of stock options under IFRS 2	0	220	0	0	0	220
Issue of new shares through IPO	119	0	5,323	0	0	5,443
Expenditure incurred in connection with the planned stock issue	0	0	-924	0	0	-924
Issue and conversion of bonds convertible to shares classified as equity instruments	44	0	1,426	102	0	1,572
Result of the period	0	0	0	0	-465	-465
At the end of the period 30 September 2018	**1,138**	**473**	**20,909**	**-3,902**	**-465**	**18,153**

Interim statement of changes in equity	Share capital	Capital from revaluation of options	Other capital	Retained earnings	Financial result	Total equity
At the beginning of the period 1 January 2017	**886**	**2,771**	**12,470**	**-3,376**	**0**	**12,751**
Changes in accounting policies	0	0	0	0	0	0
At the beginning of the period 1 January 2017, adjusted	**886**	**2,771**	**12,470**	**-3,376**	**0**	**12,751**
Exercise of stock options for Company shares	87	-2,778	2,778	0	0	87
Valuation of stock options under IFRS 2	0	294	0	0	0	294
Expenditure incurred in connection with the planned stock issue	0	0	-327	0	0	-327
Bonds convertible to shares classified as equity instruments	0	0	130	0	0	130
Result of the period	0	0	0	0	-628	-628
At the end of the period 31 December 2017	**973**	**287**	**15,051**	**-3,376**	**-628**	**12,307**

Interim statement of changes in equity	Share capital	Capital from revaluation of options	Other capital	Retained earnings	Financial result	Total equity
At the beginning of the period 1 January 2017	**886**	**2,771**	**12,470**	**-3,376**	**0**	**12,751**
Changes in accounting policies	0	0	0	0	0	0
At the beginning of the period 1 January 2017, adjusted	**886**	**2,771**	**12,470**	**-3,376**	**0**	**12,751**
Exercise of stock options for Company shares	87	-2,778	2,778	0	0	87
Revaluation of stock options under IFRS 2	0	220	0	0	0	220
Expenditure incurred in connection with the planned stock issue	0	0	-285	0	0	-285
Result of the period	0	0	0	0	-469	-469
At the end of the period 30 September 2017	**973**	**213**	**14,963**	**-3,376**	**-469**	**12,304**

Interim cash flow statement

Interim cash flow statement	**3rd quarter 1 July 2018 – 30 September 2018**	**1 January 2018 – 30 September 2018**	**3rd quarter 1 July 2017 – 30 September 2017**	**1 January 2017 – 30 September 2017**
Profit (loss) before tax	**-125**	**-451**	**-173**	**-465**
Adjustments for:	**-821**	**-493**	**-36**	**-78**
1. Depreciation and amortization	0	1	0	1
2. Foreign exchange gains (losses)	119	119	-9	-19
3. Interest and profit sharing (dividends)	36	71	-15	1
4. Change in inventory	0	0	0	0
5. Change in receivables	0	0	0	0
6. Change in current liabilities, except for loans and borrowings	0	0	0	0
7. Tax paid	12	14	0	4
8. Change in prepayments and accruals	0	0	0	0
9. Other adjustments resulting from operating activity	-988	-703	-12	-65
Net cash from operating activities	**-946**	**-944**	**-210**	**-542**
Proceeds	0	0	0	0
1. Disposal of intangible assets and property, plant and equipment	0	0	0	0
2. From financial assets, including:	0	0	0	0
a) in related entities	0	0	0	0
b) in other entities	0	0	0	0
Expenditures	-738	-2,566	0	0
1. Purchase of intangible assets and property, plant and equipment	0	0	0	0
2. Expenditures incurred for development work	0	0	0	0
3. For financial assets	-738	-2,566	0	0
a) in related entities	-738	-2,566	0	0
b) in other entities	0	0	0	0
Net cash from investing activities	**-738**	**-2,566**	**0**	**0**
Proceeds	5,314	6,784	0	87
1. Net proceeds from issuing shares and additional capital contributions	5,314	6,784	0	87
2. Loans and borrowings drawn	0	0	0	0

3. Interest	0	0	0	0

Expenditures	0	0	0	0
1. Repayment of loans and borrowings	0	0	0	0
2. Interest	0	0	0	0
Net cash from financing activities	**5,314**	**6,784**	**0**	**87**
Net cash flows	**3,630**	**3,273**	**-209**	**-455**
Change in cash	**3,709**	**3,351**	**-177**	**-455**
- change in cash on account of foreign exchange differences	78	78	33	33
Cash at the beginning of the period	**28**	**1,108**	**550**	**795**
Cash and cash equivalents at the end of the period	**3,736**	**3,736**	**373**	**373**

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, 29 November 2018

Silvair, Inc.

Europe
Jasnogorska 44
31-358 Krakow
POLAND

North America
717 Market St., Suite 100
CA 94103 San Francisco
USA

Please visit: **www.silvair.com**
Contact us at: **business@silvair.com**