Consolidated quarterly report of the Silvair, Inc. Group

Kraków, 21 May 2021

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For the purpose of providing additional information in the condensed consolidated (quarterly) report, the Group uses a single numbering system for 'Notes and explanations', which is identical (comparable) to the one used in the annual report.

The lack of continuity in the numbering of notes in the quarterly report results from the lack of obligation to include some of the information disclosed in the annual report.

General information

Parent Company

Name:	**Silvair, Inc.**
Changes to identification data that occurred after the end of the previous reporting period:	**None**
Headquarters:	**San Francisco, USA**
Registered office:	**717 Market Street, Suite 100, San Francisco, CA 94103, USA**
Core business:	**IT business**
Legal form:	**American law company (Inc.)**
Country of registration:	**USA**
Registration authority:	**Secretary of State, Delaware Department of State, Delaware Corporate Number 5543093**
EIN: (Employer Identification Number)	**43-2119611**
Company's duration:	**Unlimited**
Name of the group's parent company:	**Silvair, Inc.**
Name of the group's ultimate parent company:	**Silvair, Inc.**

Group's business

The Issuer is an entity operating in the field of new technologies focusing on the Internet of Things (IoT). The Group has developed an innovative technology for wireless communication of devices in the mesh topology, and is currently launching - in the global market - its product in the form of software and services with special focus on smart lighting systems.

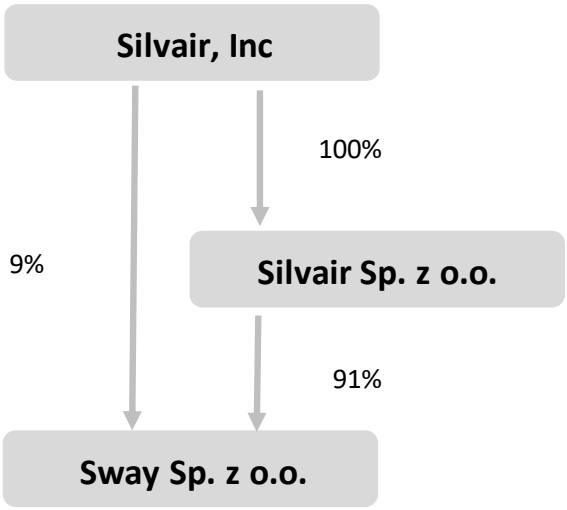
The Group's strategic goal is to achieve a leading position on the market of modern technological solutions for the IoT that are based on the Bluetooth Mesh standard. The main factor contributing to our competitive advantage is our participation and the role we play in the Bluetooth Special Interest Group (Bluetooth SIG), an organization supervising the development of standards. In 2014, the organization formed a task force under the name Mesh Working Group, aiming to develop a new version of the Bluetooth protocol that would support wireless exchange of data in the mesh network topology. The Issuer has made a significant contribution to the work of this organization, both in the intellectual and organizational dimension, and many of the solutions developed earlier by the Issuer have been adopted to the protocol specification, becoming the foundation of the new Bluetooth Mesh standard published by the Bluetooth SIG in 2017.

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

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

The Group

The Group's structure as at 31.03.2021.



Functional and presentation currency

The interim 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 amounts are expressed in thousands of American dollars ("USD '000s").

For each subsidiary, functional currency is determined and the assets and liabilities of the subsidiary are measured in that functional currency. The Group uses the direct consolidation method which entails translation of the financial statements of its subsidiaries directly into the functional currency of the ultimate parent company, and it has chosen a manner 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 presented 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 31 March 2021 and cover the period of 3 months, i.e. from 1 January 2021 to 31 March 2021.

For the data presented in the condensed consolidated statement of financial position, consolidated statement of changes in equity, and off-balance sheet items, comparative financial data were presented as at 31 December 2020 and as at 31 March 2020.

For the data presented in the interim consolidated profit and loss account, interim consolidated statement of comprehensive income, and in the consolidated cash flow statement, comparative financial data were presented for the period from 1 January 2020 to 31 March 2020.

Going concern assumption

The statements have been drawn up based on the going concern assumption for the foreseeable future.

At the end of 2019, news from China regarding the COVID-19 coronavirus emerged for the first time, and in the first quarter of 2020 the virus spread practically all over the world. From the very beginning, the Board has been monitoring the situation closely and looking for ways to minimize the impact of the pandemic on the Group's operations.

In March 2020, in connection with the COVID-19 coronavirus pandemic, the Parent Company's Board identified the risk of sales disruptions caused by interruption to lighting component supply chains of the partners with whom the Group cooperates, as well as the risk of postponing lighting infrastructure modernization investments by customers due to widespread lockdown. The Board also identified major difficulties with access to capital which – at this stage of commercialization of the Group's products – is an important source of financing of its day-to-day activity.

This situation may raise doubts regarding the continuation of the Group's operation. The Parent Company's Board has therefore implemented measures to eliminate these threats.

In connection with the above, the Parent Company's Board has adequately reviewed the Group's sales assumptions and recommended the subsidiaries to reduce their operating costs, i.a. by reducing employment and changing remuneration conditions for key employees and associates who are necessary to implement the Group's strategy and maintain its competitive advantage. The process of optimizing the Group's operating costs was carried out in such a way as not to significantly disrupt the development of the Group's products and the implementation of contracts with the Group's key partners, while enabling restoration of the full scope of market activity after the pandemic effects cease to occur.

On 31 March 2020, the Company's Board of Directors adopted a resolution on increasing the number of shares under the Option Plan from 1,453,000 shares to 2,000,000 shares, and granting options for 523,312 shares to designated employees. The introduction of the Option Plan allowed retaining key employees in the Group and maintaining high motivation across all teams.

Due to the reduced employment in the field of development, changes have been introduced to the product map and the schedule for introducing new products to the market. All these changes have been agreed with the partners in terms of obligations resulting from the concluded agreements as well as activities required to be taken by the Group to implement its strategy and maintain its competitive advantage.

Despite the economic stagnation caused by the COVID 19 coronavirus pandemic, in the first half of 2020 the Group managed to negotiate and conclude several contracts with new partners. Along with the gradual lifting of restrictions (mainly the lockdown), the economic situation of the Group also improved. In June 2020, the Group sold over 10,000 firmware licenses, which was the best monthly result since the commencement of commercialization.

In 2020, the Company obtained funds from investors for financing of its operations in the total amount of USD 4.21 million, including: USD 1.61 million from the execution of a new issue of common stock, and USD 2.6 million from the issue of Convertible Securities. From the date of approval of the issue (i.e. 8 August 2019) to 31 December 2020, the Company issued Convertible Securities with a total nominal value of USD 5.512 million.

Composition of the corporate bodies of the Parent Company as at 31.03.2021

Board of Directors:

Szymon Słupik — President

Adam Gembala — Vice-President, Secretary and Treasurer

Rafał Han — Director

Paweł Szymański — Director

Christopher Morawski — Director

Officers:

Rafał Han — Chief Executive Officer

Szymon Słupik — Chief Technology Officer (CTO)

Adam Gembala — Chief Financial Officer (CFO)

Consolidation

Silvair, Inc. is the Group's Parent Company preparing interim condensed consolidated financial statements. The reporting entity Silvair, Inc. is, at the same time, the ultimate parent company that prepares consolidated financial statements.

As at 31 March 2021, as at 31 March 2020, and as at 31 December 2020, consolidation encompasses Silvair, Inc. and two subsidiaries: Silvair Sp. z o.o. and Sway Sp. z o.o. As at 31 March 2021 and as at 31 December 2020, Silvair, Inc. held directly 100% shares in Silvair Sp. z o.o., 9% rights to shares in Sway Sp. z o.o., and, indirectly through Silvair Sp. z o.o., 91% shares in Sway Sp. z o.o. The financial data of the subsidiaries, after taking into consideration adjustments introduced to make them compliant with IFRS, are prepared for the same reporting period as the statements of the Parent Company, applying consistent accounting principles, based on uniform accounting principles applied to transactions and similar economic events. IFRS conversion adjustments are made in order to eliminate any discrepancies in the application of accounting policies.

Silvair, Inc. 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 quarterly consolidated financial statements are calculated as a quotient of the EUR/PLN and USD/PLN exchange rates published by the National Bank of Poland.

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

Reporting period	Average exchange rate in the period	Minimum exchange rate in the period	Maximum exchange rate in the period	Exchange rate as at the last day of the period
01.01.2021 – 31.12.2021	1.1991	1.1746	1.2294	1.1746
01.01.2020 – 31.03.2020	1.1016	1.0684	1.1392	1.0978
01.01.2020 – 31.12.2020	1.1459	1.0684	1.2279	1.2279

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

Reporting period	Average exchange rate in the period	Minimum exchange rate in the period	Maximum exchange rate in the period	Exchange rate as at the last day of the period
01.01.2021 – 31.03.2021	0.2623	0.2520	0.2728	0.2520
01.01.2020 – 31.03.2020	0.2506	0.2344	0.2641	0.2412
01.01.2020 – 31.12.2020	0.2561	0.2344	0.2758	0.2661

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

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

Selected financial data translated as at the balance sheet date:

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

Item	USD			EUR			PLN		
	01.01.2021 –31.03.2021	01.01.2020 –31.03.2020	01.01.2020 –31.12.2020	01.01.2021 –31.03.2021	01.01.2020 –31.03.2020	01.01.2020 –31.12.2020	01.01.2021 –31.03.2021	01.01.2020 –31.03.2020	01.01.2020 –31.12.2020
Net revenue on the sale of products, goods and materials	142	51	372	118	46	325	541	204	1 453
Profit/(loss) from operating activities	-541	-708	-2 473	-451	-643	-2 158	-2 063	-2 825	-9 656
Profit (loss) before tax	-1 243	-1 079	-2 547	-1 037	-979	-2 223	-4 739	-4 306	-9 945
Profit (loss) of the period	-1 226	-1 054	-2 609	-1 022	-957	-2 277	-4 674	-4 206	-10 187
Net cash flows from operating activities	-390	-157	-726	-325	-142	-634	-1 487	-626	-2 835
Net cash flows from investing activities	-434	-699	-1 811	-362	-634	-1 580	-1 655	-2 789	-7 071
Net cash flows from financing activities	-27	450	4 060	-23	408	3 543	-103	1 794	15 854
Total net cash flows	-851	-406	1 523	-710	-369	1 329	-3 245	-1 621	5 948

For line items of the statement of financial position

Item	USD			EUR			PLN		
	31.03.2021	31.03.2020	31.12.2020	31.03.2021	31.03.2020	31.12.2020	31.03.2021	31.03.2020	31.12.2020
Total assets	13 255	11 347	14 539	11 285	10 336	11 841	52 599	47 051	54 637
Liabilities and provisions for liabilities	5 459	5 158	5 677	4 648	4 698	4 623	21 663	21 388	21 334
Non-current liabilities	2 535	434	2 597	2 158	395	2 115	10 060	1 800	9 759
Current liabilities	2 924	4 724	3 080	2 489	4 303	2 508	11 603	19 589	11 575
Equity attributable to shareholders of the parent company	7 796	6 189	8 862	6 637	5 637	7 217	30 937	25 663	33 303
Share capital	1 350	1 143	1 343	1 149	1 041	1 094	5 357	4 740	5 047
Number of shares	13 497 792	11 425 670	13 425 927	13 497 792	11 425 670	13 425 927	13 497 792	11 425 670	13 425 927
Weighted average number of shares*	13 454 531	11 425 670	11 623 851	13 454 531	11 425 670	11 623 851	13 454 531	11 425 670	11 623 851
Earnings/(loss) per share	-0.09	-0.09	-0.22	-0.08	-0.08	-0.17	-0.35	-0.35	-0.88
Book value per share	0.58	0.54	0.66	0.49	0.48	0.54	2.30	2.25	2.87

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

Consolidated statement of financial position

	Note no.	31 March 2021	31 December 2020	31 March 2020
Non-current assets		**11 060**	**11 512**	**10 239**
Costs of development work	**1**	10 327	10 772	9 447
Intangible assets		67	70	14
Property, plant and equipment		18	16	83
Right-of-use assets	**3.7**	51	71	32
Financial assets		7	7	7
Deferred tax assets	**5**	590	576	656
Current assets		**2 195**	**3 027**	**1 108**
Inventory	**6**	5	5	11
Trade receivables	**7**	128	103	70
Other receivables		72	72	97
Prepayments and accruals	**9**	22	28	40
Cash and cash equivalents		1 968	2 819	890
Total assets		**13 255**	**14 539**	**11 347**

	Note no.	31 March 2021	31 December 2020	31 March 2020
Equity		**7 796**	**8 862**	**6 189**
Equity attributable to the shareholders of the parent company		**7 796**	**8 862**	**6 189**
Share capital	**12**	1 350	1 343	1 143
Capital from revaluation of options	**13**	519	483	424
Other capital	**14**	24 847	24 819	21 281
Minority interest transactions	**14.3**	-365	- 365	- 365
Capital from foreign exchange differences from translation of foreign operations		987	898	467
Retained earnings	**15**	-18 316	-15 707	-15 707
Financial result of the current period	**16**	-1 226	-2 609	-1 054
Equity attributable to non-controlling entities		**-**	**-**	**-**
Non-current liabilities		**2 535**	**2 597**	**434**
Deferred tax liabilities	**17**	16	20	23
Liabilities on bonds convertible to shares	**20.1.1**	2 166	2 188	-
Prepayments and accruals	**21**	353	389	411
Current liabilities		**2 924**	**3 080**	**4 724**
Trade liabilities		135	372	267
Liabilities from contracts with customers	**20.4**	133	131	77
Lease liabilities	**18.1**	51	71	46
Liabilities on bonds convertible to shares	**20.1.1**	1 866	1 797	3 492
Other current liabilities		250	227	383
Other short-term provisions	**20.3**	75	45	77
Prepayments and accruals	**21**	414	437	382
Equity and liabilities		**13 255**	**14 539**	**11 347**

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

Interim consolidated profit and loss account	Note no.	01.01.2021 –31.03.2021	01.01.2020 –31.03.2020
Revenue	**22**	**142**	**51**
Cost of sales		**269**	**195**
Gross sales result		**-127**	**-144**
Selling and distribution expenses		121	177
General and administrative expenses		307	404
Net sales result		**-555**	**-725**
Recognition/reversal of impairment losses through costs of development work	**25**	-	-
Other operating income		27	22
Other operating expenses		13	5
Losses on account of expected credit losses		-	-
Operating result		**-541**	**-708**
Financial income		1	4
Financial costs, including:		703	375
Foreign exchange differences		621	328
Interest		60	40
Result before tax		**-1 243**	**-1 079**
Income tax:	**29**	-17	-25
Current part		1	4
Deferred part		-18	-29
Net profit/(loss) for the period		**-1 226**	**-1 054**
Profit/(loss) attributable to:			
Shareholders of the parent company		-1 226	-1 054
Non-controlling interest		-	-

		01.01.2021 –31.03.2021	01.01.2020 –31.03.2020
Net earnings/(loss) per share (in USD)	**16**	-0.09	-0.09
Diluted earnings/(loss) per share (in USD)		-0.09	-0.08

Interim consolidated statement of other comprehensive income	01.01.2021 –31.03.2021	01.01.2020 –31.03.2020
Net profit/(loss) for the period	**-1 226**	**-1 054**
Other comprehensive income	**89**	**-567**
Other comprehensive income to be reclassified to result in the future, including:	89	-567
Foreign exchange differences from translation of foreign operations	89	-567
Other comprehensive income not to be reclassified to result in the future	-	-
Total comprehensive income	**-1 137**	**-1 621**
Total comprehensive income attributable to:		
Shareholders of the parent company	-1 137	-1 621
Non-controlling interest	-	-

Interim consolidated statement of changes in equity

Interim consolidated statement of changes in equity	Share capital	Capital from reval. of options	Other capital	Minority interest transactions	Capital from foreign exchange differences from translation of foreign operations	Retained earnings	Financial result	Total equity	Equity attributable to non-controlling entities	Total equity
At the beginning of the period 01.01.2021	**1 343**	**483**	**24 819**	**-365**	**898**	**-18 316**	**-**	**8 862**	**-**	**8 862**
Correction of errors:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Adjustment associated with the right to acquire shares	-	-	-	-	-	-	-	-	-	-
Minority interest adjustment	-	-	-	-	-	-	-	-	-	-
At the beginning of the period 01.01.2021, corrected	**1 343**	**483**	**24 819**	**-365**	**898**	**-18 316**	**-**	**8 862**	**-**	**8 862**
Changes to equity in the period from 01.01 to 31.03.2021										
Exercise of stock options for Company shares	3	-32	28	-	-	-	-	-1	-	-1
Issue of new shares as part of the stock plan	4	-	-	-	-	-	-	4	-	4
Share issue costs	-	-	-	-	-	-	-	-	-	-
Valuation of stock options under IFRS 2	-	68	-	-	-	-	-	68	-	68
Issue and conversion of bonds convertible to shares	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	**7**	**36**	**38**	**-**	**-**	**-**	**-**	**71**	**-**	**71**
Result of the period	-	-	-	-	-	-	-1 226	-1 226	-	-1 226
Other comprehensive income for the period	-	-	-	-	89	-	-	89	-	89
Total comprehensive income	**-**	**-**	**-**	**-**	**89**	**-**	**-1 226**	**-1 137**	**-**	**-1 137**
At the end of the period 31.03.2021	**1 350**	**519**	**24 847**	**-365**	**987**	**-18 316**	**-1 226**	**7 796**	**-**	**7 796**

Annual consolidated statement of changes in equity	Share capital	Capital from reval. of options	Other capital	Minority interest transactions	Capital from foreign exchange differences from translation of foreign operations	Retained earnings	Financial result	Total equity	Equity attributable to non-controlling entities	Total equity
At the beginning of the period 01.01.2020	**1 143**	**375**	**21 253**	**-445**	**954**	**-15 707**	**-**	**7 573**	**80**	**7 653**
Correction of errors:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Adjustment associated with the right to acquire shares	-	-	-	-	-	-	-	-	-	-
Minority interest adjustment	-	-	-	-	-	-	-	-	-	-
At the beginning of the period 01.01.2020, corrected	**1 143**	**375**	**21 253**	**-445**	**954**	**-15 707**	**-**	**7 573**	**80**	**7 653**
Changes to equity in the period from 01.01 to 31.12.2020										
Exercise of stock options for Company shares	11	-431	431	-	-	-	-	11	-	11
Issue of new shares as part of the stock plan	82	-	1 532	-	-	-	-	1 614	-	1 614
Share issue costs	-	-	-61	-	-	-	-	-61	-	-61
Valuation of stock options under IFRS 2	-	539	-	-	-	-	-	539	-	539
Issue and conversion of bonds convertible to shares	107	-	1 664	-	-	-		1 771		1 771
Change in the group's structure (transactions with non-controlling entities)	-	-	-	80	-	-	-	80	-80	-
Total transactions with owners	**200**	**108**	**3 566**	**80**	**-**	**-**	**-**	**3 954**	**-80**	**3 874**
Result of the period	-	-	-	-	-	-	-2 609	-2 609	-	-2 609
Other comprehensive income for the period	-	-	-	-	-56	-	-	-56	-	-56
Total comprehensive income	**-**	**-**	**-**	**-**	**-56**	**-**	**-2 609**	**-2 665**	**-**	**-2 665**
At the end of the period 31.12.2020	**1 343**	**483**	**24 819**	**-365**	**898**	**-15 707**	**-2 609**	**8 862**	**-**	**8 862**

Interim consolidated statement of changes in equity	Share capital	Capital from reval. of options	Other capital	Minority interest transactions	Capital from foreign exchange differences from translation of foreign operations	Retained earnings	Financial results	Total equity	Equity attributable to non-controlling entities	Total equity
At the beginning of the period 01.01.2020	**1 143**	**375**	**21 253**	**-445**	**954**	**-15 707**	**-**	**7 573**	**80**	**7 653**
Correction of errors:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Adjustment associated with the right to acquire shares	-	-	-	-	-	-	-	-	-	-
Minority interest adjustment	-	-	-	-	-	-	-	-	-	-
At the beginning of the period 01.01.2020, corrected	1 143	375	21 253	-445	954	-15 707	-	7 573	80	7 653
Changes to equity in the period from 01.01 to 31.03.2020										
Exercise of stock options for Company shares	-	-28	28	-	-	-	-	-	-	-
Issue of new shares as part of the stock plan	-	-	-	-	-	-	-	-	-	-
Valuation of stock options under IFRS 2	-	77	-	-	-	-	-	77	-	77
Change in the group's structure (transactions with non-controlling entities)	-	-	-	80	-	-	-	80	-80	-
Total transactions with owners	**-**	**49**	**28**	**80**	**-**	**-**	**-**	**157**	**-80**	**77**
Result of the period	-	-	-	-	-	-	-1 054	-1 054	-	-1 054
Other comprehensive income for the period	-	-	-	-	-487	-	-	-487	-	-487
Total comprehensive income	**-**	**-**	**-**	**-**	**-487**	**-**	**-1 054**	**-1 541**	**-**	**-1 541**
At the end of the period 31.03.2020	**1 143**	**424**	**21 281**	**-365**	**-487**	**-15 707**	**-1 054**	**6 189**	**-**	**6 189**

Interim consolidated cash flow statement

	Note no.	01.01.2021 – 31.03.2021	01.01.2020 – 31.03.2020
Profit (loss) before tax		**-1 243**	**-1 079**
Adjustments for:		**853**	**922**
Depreciation and amortization		345	287
Foreign exchange gains (losses)		626	359
Interest and profit sharing (dividends)		60	39
Profit (loss) from investing activities		-1	-
Movement in provisions		30	-5
Movement in inventory		-	-2
Movement in receivables		-25	104
Movement in current liabilities, except for loans		-182	164
Tax paid		-1	-4
Movement in prepayments and accruals		-67	-97
Other adjustments resulting from operating activity	**11.1**	68	77
Net cash from operating activities		**-374**	**-157**
Proceeds:		1	-
Disposal of intangible assets and property, plant and equipment		1	-
Expenditures:		435	699
Purchase of intangible assets and property, plant and equipment		3	53
Expenditures incurred for development work	**1.2**	432	646
Net cash from investing activities		**-434**	**-699**
Proceeds:		3	500
Net proceeds from issuing shares and additional capital contributions		3	-
Loans and borrowings drawn		-	-

Proceeds from the issue of debt securities	-	500
Interest	-	-
Expenditures:	30	50
Repayment of loans and borrowings	-	32
Repayment of lease liabilities	17	16
Interest	13	2
Net cash from financing activities	**-27**	**450**
Net cash flows	**-851**	**-406**
Movement in cash	**-851**	**-406**
Movement in cash on account of foreign exchange differences	-	-
Cash at the beginning of the period	**2 819**	**1 296**
Cash at the end of the period	**1 968**	**890**

Explanatory notes to the interim (quarterly) consolidated financial statements

Basis for preparation and accounting policies

Basis for preparation of the consolidated financial statements

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

These interim condensed consolidated financial statements of the Group cover the period of 3 months ended on 31 March 2021 and have been prepared in accordance with IAS 34 "Interim Financial Reporting".

For a more complete understanding of the Group's financial and property situation, the interim consolidated statement of financial position prepared as at 31 March 2020 and the consolidated statement of changes in equity for 2020 were additionally included to provide data for comparable periods, despite the lack of such requirements in IAS 34.

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

These interim condensed consolidated financial statements have been prepared in accordance with the accounting principles that were presented in the Group's last consolidated financial statements for the year ended 31 December 2020, except for the changes described below resulting from the entry into force of new standards, interpretations and changes in standards.

As at 31 March 2021, these condensed consolidated financial statements have not been subject to audit or review by an entity authorized to audit financial statements.

Changes in standards or interpretations introduced in 2021

New or amended standards and interpretations that have been in force since 1 January 2021 and their impact on the Group's consolidated financial statements:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – reform of benchmark interest rate – Stage 2. Effective for periods beginning on or after 1 January 2021. The above changes to standards have been approved for use by the European Union. The Group has performed an analysis to assess the impact of the IBOR reform on its consolidated financial statements. In line with the current decisions of the entities designated to implement the reform, only the LIBOR rate will be replaced, which will be converted into a risk-free rate based on the overnight rate. The Group has not identified any contracts in which the provisions are based on the LIBOR rate.

Standards and interpretations effective in the version published by the IASB but not approved by the European Union are listed below in the section on standards and interpretations that have not come into force.

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

In these condensed consolidated financial statements, no voluntary early application of any standard or interpretation has been applied.

Amendments effective for annual periods beginning on or after 1 January 2021

The following standards and interpretations have been issued by the International Accounting Standards Board (IASB) or the Financial Reporting Standards Interpretations Committee (IFRIC), but have not entered into force yet:

- Amendments to IFRS 10 and IAS 28 Sales or contributions of assets between an investor and its associate/joint venture. The accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a "business". In the event that the non-monetary asset constitutes a "business", the investor will show the full gain or loss on the transaction. If the assets do not meet the definition of a business, the investor recognizes a gain or loss excluding the portion representing the interests of other investors. The effective date of the amended regulations has not been set by the International Accounting Standards Board.
- Amendment to IFRS 17 Insurance Contracts – published on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023. The main purpose of IFRS 17 is to ensure the transparency and comparability of insurers' financial statements. For this purpose, an entity will disclose a range of quantitative and qualitative information that enables readers of its financial statements to evaluate the effect of insurance contracts on the entity's financial condition, financial performance and cash flows. IFRS 17 introduces a number of significant changes in relation to the existing requirements of IFRS 4.
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current - published on 23 January 2020 and effective for annual periods beginning on or after 1 January 2023. Amendments to IAS 1 affect the requirements relating to the presentation of liabilities in financial statements. The classification of financial liabilities as non-current will depend on the existence of the rights to prolong the liability for a period longer than 12 months, and on the fulfillment of the conditions for the implementation of such a prolongation as at the balance sheet date.
- Amendment to IAS 16 "Property, Plant and Equipment" - prohibiting deduction, from the production cost of property, plant and equipment item, of any income on sales of items produced in the course of bringing the asset to the location and condition allowing it to function in the manner intended by the management. Instead, the entity recognizes the revenue from selling such items and the cost of producing such items in the profit and loss account. Effective date - an annual period beginning on or after 1 January 2022.
- Amendment to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" - the changes provide an explanation regarding the costs that an entity considers in analyzing whether the contract is an onerous contract. The amendment is effective for financial statements for periods beginning on or after 1 January 2022.
- Amendment to IFRS 3 "Business Combinations" - references to the definition of liabilities included in the conceptual framework and the definition of contingent liabilities from IAS 37 have been specified. The change is effective for annual periods beginning on or after 1 January 2022.
- Amendment to IFRS 16 "Leases" – Covid-19 rent reliefs after 30 June 2021 – the change in the scope of leasing modifications, the purpose of which is to extend the period of possible withdrawal from the leasing modification evaluation by 1 year, in a situation where the modification of leasing payments is a direct consequence of the Covid-19 pandemic. The amendment applies to the financial statements for the financial year beginning on 1 April 2021.

- Amendment to IFRS 8 Accounting Policies, Changes to Accounting Estimates and Errors – Definition of accounting estimates. An amendment clarifying the definition of estimated values, i.e. monetary amounts recognized in the financial statements that are subject to measurement uncertainty. The amendment is applicable to annual periods beginning on or after 1 January 2023.
- Annual Improvements 2018-2020 - the amendments clarify and specify the guidelines of recognition and measurement standards: IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture, and illustrative exampes for IFRS 16 Leases. Effective for annual periods beginning on 1 January 2022.

The Group will apply the amended standards in the scope of the changes made from 1 January 2022, unless a different period of their entry into force is provided for. The application of the amended standards will not have a significant impact on the Group's consolidated financial statements in the period of their initial application.

The Group decided not to use the option of earlier application of the above standards, amendments to standards and interpretations.

Description of adopted accounting policies

These interim condensed consolidated financial statements have been prepared in accordance with the same accounting policies as the annual consolidated financial statements of the Silvair, Inc. Group for the year 2020.

Translation of items in foreign currencies

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

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

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

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

	31 March 2021	31 December 2020	31 March 2020
PLN/USD	0.2520	0.2661	0.2412

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

	01.01.2021 - 31.03.2021	01.01.2020 - 31.12.2020	01.01.2020 - 31.03.2020
PLN/USD	0.2623	0.2561	0.2506

Uncertainty of estimates

In preparation of the interim consolidated financial statements, the Parent Company's Board uses its judgment in making numerous estimates and assumptions that affect the adopted accounting policies and the presented values of assets, liabilities, revenues and costs. Although the adopted assumptions and estimates rely on the best knowledge of the Parent Company's management on current actions and events, the actual results may differ from the expectations.

As regards the development works conducted by the Issuer, two key assumptions have been identified for which there is a significant risk of material adjustments of the carrying amounts of the Group's assets:

- Commercial success of the products and services depends on the pace and scale of dissemination and commercial implementation of the Bluetooth Mesh standard. It cannot be ruled out that Bluetooth Mesh will not bring the expected market success.
- The pursuit of the Group's strategy depends on the success of its research work and effective commercialization of the developed products. Although the first products have already been launched in the market, the Issuer cannot rule out that the current form of its products will not satisfy customer requirements or will require additional, unpredicted modifications.

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

The uncertainty of estimates is also burdened with the risk of not fully known consequences of the situation caused by COVID-19. In the opinion of the Board, at the moment this does not necessitate the adjustment of the carrying amounts of the Group's assets.

Subjective assessments and judgments

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

- impairment of expenditures for development work (see Note 1.1 and 1.3)
- impairment losses (see Note 1.2, Note 5, Note 6, and Note 7)
- revenues from contracts with customers (see Note 22.1)
- provisions (see Note 20.3)

- term of lease contracts (see Note 18.1)
- share-based payment agreements (see Note 30)

In the reporting period, no changes were made in the methods used to make estimations, compared to 2020.

Seasonality of business

The Group's business is not seasonal.

Business combinations and loss of control

In the first quarter of 2021, there were no business combinations or loss of control in the Group. There were no such events in 2020 either.

Information and notes on material changes in the amounts of estimates and selected reporting items of the interim consolidated financial statements

Note 1.1 Costs of development work

Costs of development work	31.03.2021	31.03.2020
Completed development work	9 178	7 479
Development work not yet completed	1 149	1 968
Total	**10 327**	**9 447**

Note 1.2 Changes in costs of development work

Costs of development work*	01.01.2021 - 31.03.2021	01.01.2020 - 31.12.2020	01.01.2020 - 31.03.2020
Gross value at the beginning of the period	**14 800**	**12 912**	**12 912**
Additions, including:	432	1 888	645
Expenditures incurred	432	1 752	645
Foreign exchange differences from measurement in presentation currency		136	-
Reductions, including:	553	-	845
Liquidation and sale	-	-	1
Foreign exchange differences from measurement in presentation currency	553	-	844
Gross value at the end of the period	**14 679**	**14 800**	**12 712**
Accumulated depreciation at the beginning of the period	**3 436**	**2 323**	**2 323**
Additions	348	1 113	249
Reductions	-	-	-
Accumulated depreciation at the end of the period	**3 784**	**3 436**	**2 572**
Impairment losses at the beginning of the period	**592**	**693**	**693**
Additions	-	-	-
Reductions	24	101	-
Impairment losses at the end of the period	**568**	**592**	**693**
Net value at the beginning of the period	**10 772**	**9 896**	**9 896**
Net value at the end of the period	**10 327**	**10 772**	**9 447**

(*) 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.

Estimates:

As at each balance sheet date, the Group analyzes whether or not objective grounds exist that might imply an impairment of expenditures on development work. In the opinion of the Board, as at the balance sheet date, there were no premises indicating an additional impairment of expenditures on development work compared to 31 December 2020.

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

At the end of 2020, the Group reviewed the development work from the perspective of the possibility of generating expected economic benefits in the future. In 2019, as a result of the review, the Group identified intangible assets worth USD 693 thousand, which have lost their value as a result of no interest in the market in the products based on these assets and discontinuation of the development of the technology implemented in them. These assets have been covered by an impairment loss in the full amount. As at 31 December 2020, as a result of the review, no new items of this group of assets were identified that would require additional impairment losses.

For the remaining development works with significant value, both under way and completed, impairment tests have been carried out. In order to assess the recoverable amount, individual development works have been grouped into cash generating units.

The impairment tests have been carried out for the following cash generating units:

- Bluetooth Mesh Protocol and Silvair Mesh Stack,
- Silvair Platform and Multi ALS,
- Wi-Home.

The recoverable amount has been determined on the basis of the value in use of the assets, understood as the present estimated value of future cash flows which are expected to be achieved due to further use of the cash generating unit.

Assumptions adopted for the needs of impairment tests:

- The test is prepared on the basis of an internal financial forecast of the Silvair Group for 2021-2030 (Forecast) based on the discounted cash flow method.
- Due to the innovative nature of the commercialized technology, a 10-year projection period has been adopted.
- The execution of development work has multiple stages, i.e. individual development work stages are closed upon release of the next software versions and/or launch of the next service or package of digital services.
- The development work volume in individual projection years comprises: initial carrying amount, direct expenditures (personnel and non-personnel) on continuation of individual work stages, indirect expenditures and other expenditures of the Group which are aimed to contribute to earning revenues from the tested assets.
- The initial carrying amount comprises all expenditures incurred both for development works completed and not yet completed included in the cash generating unit.

- To determine the discount rate, the weighted average cost of capital was used. The WACC value calculated for the needs of the Test was 10.54 %.

The financial forecast has been prepared on the basis of the following assumptions:

- The market size and potential have been estimated on the basis of market reports, including, among others: "Intelligent Lighting Controls" prepared by Navigant Research and "Smart Lighting Market" prepared by Markets&Markets.
- The business model has been verified with the partners and confirmed by already concluded contracts.
- The revenue increase rate in the years to come has been based on the so-called S-Curve – characterizing the implementation of new technologies.
- A 10-year projection period has been adopted. It has been assumed that the in the projection period the Group will reach the stage of business maturity.
- The pace and scale of acquisition of new customers have been based on historical data on the contracted clients and the scaling of the sales team, taking into account an appropriate cost relation.

When conducting impairment tests and preparing the financial forecast, the economic and financial impact of the COVID'19 pandemic was also taken into account.

Cash generating unit	Value of development work as at 31.03.2021	Recoverable amount
Bluetooth Mesh Protocol and Silvair Mesh Stack	4 950	28 344
Silvair Platform and Multi ALS	4 432	150 827
Wi-Home	863	4 950
Total	**10 245**	**184 121**

As at 31 March 2021, the need to recognize new impairment losses for the costs of development work was not identified.

Note 3.7 Right-of-use assets

Right-of-use assets	31.03.2021	31.12.2020	31.03.2020
Real estate right-of-use assets	51	71	32
Other assets	-	-	-
Total	**51**	**71**	**32**

As at 31 March 2021 and 31 March 2020, the subsidiaries, i.e. Silvair Sp. z o.o. and Sway Sp. z o.o, were parties to a lease agreement for a property in Kraków at ul. Jasnogórska. As at 31 December 2019, the agreement was signed until 31 December 2020.

On 2 March 2020, there was a change in the terms of agreements granting the right to use the property in which Silvair Sp. z o.o. and Sway Sp. z o.o. conduct their activities. The amendment to the agreements provides for a reduction in the monthly rent in the period from March to December 2020, and a change in the lease area from 2 March 2020. In connection with the change of agreements, the value of the right to use and of the lease liability decreased by USD 107 thousand.

On 1 December 2020, the lease agreements were extended for another period, i.e. until 31 December 2021.

In connection with the change in agreements, the Group reassessed the qualification of the contracts in accordance with IFRS 16 and concluded that the amended contracts still meet the criteria for recognizing the right to use assets.

Item	01.01.2021 - 31.03.2021	01.01.2020 – 31.12.2020	01.01.2020 – 31.03.2020
Gross value at the beginning of the period	**296**	**332**	**332**
Additions, including:	-	71	-
Acquisition	-	71	-
Internal relocation	-	-	-
Reductions, including:	2	107	109
Value update (change of contract terms)	-	107	107
Foreign exchange differences from measurement in presentation currency	2	-	2
Gross value at the end of the period	**294**	**296**	**223**
Accumulated depreciation at the beginning of the period	**225**	**161**	**161**
Additions	18	84	30
Reductions	-	20	-
Foreign exchange differences from measurement in presentation currency	-	20	-
Accumulated depreciation at the end of the period	**243**	**225**	**191**
Net value at the beginning of the period	**71**	**171**	**171**
Net value at the end of the period	**51**	**71**	**32**

As all the right-of-use assets relate to one category (rental of premises), the changes are presented without specifying the categories.

Note 5 Deferred tax assets

Deferred tax assets	**31.03.2021**	**31.12.2020**	**31.03.2020**
Deferred tax assets at the beginning of the period, including:	**576**	**627**	**627**
Through profit or loss	563	614	614
Through equity	13	13	13
Additions, incuding:	**24**	**209**	**29**
Through profit or loss	24	209	28
Through equity	-	-	1
Reductions, including:	**10**	**260**	**-**
Through profit or loss	10	260	-
Through equity	-	-	-
Deferred tax assets at the end of the period, including:	**590**	**576**	**656**
Through profit or loss	577	563	642
Through equity	13	13	14

Deferred tax assets arising from temporary differences resulting from:	**31.03.2021**	**31.12.2020**	**31.03.2020**
Accumulated tax losses to be used	8 855	9 051	8 914
Impairment losses on deferred tax assets up to the amount of tax losses available for use in the future (calculation based on the financial budget)	-5 750	-6 017	-5 463
Total	**3 105**	**3 034**	**3 451**
Deferred tax assets (19%)	**590**	**576**	**656**

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

Deferred tax assets are calculated using tax rates that are expected to be effective in the period when particular asset is realized or the provision is released, based on tax rates (and tax legislation) enacted or substantively enacted as at the balance sheet date.

Estimates:

The Group evaluates, as at each balance sheet date, the possibility of realization of the deferred tax asset. This assessment requires a professional judgment and estimates regarding, among others, future tax results. The performed analysis of the anticipated tax revenues did not show any additional limitations regarding the possibility of settling tax losses as compared to 31 December 2020. Therefore, the Group did not recognize an additional impairment loss for deferred tax assets.

The recognized deferred tax assets cover the loss from the 3 months of 2021, the loss from 2020, and partly from 2018 and 2019. The adopted assumptions regarding the probability of realization of revenues by the Group in individual years justify the keeping of the asset on the presented level.

Regulations regarding corporate income tax are subject to frequent changes, as a result of which there is often no reference to well-established line of rulings. The prevailing regulations are not always unambiguous, which additionally leads to differences in their interpretation. Tax settlements are subject to audits by tax authorities. If irregularities are identified in the tax settlements the taxpayer is obligated to pay the overdue amount together with the statutory interest due. Payment of overdue liabilities does not always release the taxpayer from criminal tax liability.

As a result of the aforementioned phenomena, tax settlements are burdened with risk. Tax settlements may be subject to audit within a period of five years from the end of the year in which the tax returns were submitted. As a result, the amounts reported in the financial statements, and thus the basis for calculation of the asset on tax losses and the asset itself may change at a later date after their final determination by the tax authorities.

Note 6 Inventory

Inventory	31.03.2021	31.12.2020	31.03.2020
Goods for resale	47	49	45
Impairment loss on goods	-42	-44	-34
Total	**5**	**5**	**11**

Inventory releases are recognized using the detailed identification method.

As at each balance sheet date, the Company analyzes whether the carrying amount of inventory is higher than or equal to the realizable sales price. Impairment losses on the inventory are recognized in operating expenses. As at 31 December 2020, due to too long inventory turnover periods, the impairment loss increased compared to 31 December 2019. In the first quarter of 2021, no impairment losses on the inventory were made.

Note 7 Trade receivables

Trade receivables	31.03.2021	31.12.2020	31.03.2020
From related entities	-	-	-
From other entities	160	146	94
Impairment losses	-32	-43	-24
Total	**128**	**103**	**70**

Note 7.1 Impairment losses on trade receivables

As at 31 March 2021, impairment losses on trade receivables amounted to USD 32 thousand. As at 31 December 2020, impairment losses on trade receivables amounted to USD 43 thousand. The change of the impairment loss results from differences in measurement of the receivable subject to the impairment loss.

Estimates:

To estimate the impairment losses on trade receivables, the Group uses historical past due dates and the link between the arrears and the actual repayments over the last 2 years, taking into account the available information regarding the future. The applied model is presented in the section ”Description of adopted accounting policies”. Since the Group’s sales revenues appeared in material amounts in 2019, the adopted method of estimating impairment losses will be verified by the Group on the basis of data available in the following years.

Note 9 Prepayments and accruals

Prepayments and accruals	31.03.2021	31.12.2020	31.03.2020
Fees for fairs and conferences	14	18	26
IT services	2	2	7
Other	6	8	7
Total	**22**	**28**	**40**

In accruals, the Group presents expenditures which pertain to future periods incurred before the balance sheet date. Prepayments and accrued income as at 31 March 2021 and as at the end of the comparable period comprised mainly the costs of prepaid participation in fairs and conferences associated with presentation of the Group’s activity, and license fees to be incurred in the profit and loss account successively in future periods.

Note 11.1 Explanation to selected items of the cash flow statement

The line item "Other adjustments resulting from operating activity" shows the value charged to the general and administrative expenses corresponding to the value of accrued option capital in the amount of USD 68 thousand. The difference between the item "Net proceeds from the issue of shares and capital contributions" and the Statement of Changes in Equity relates to the accrued (non-cash) value of the option capital.

Note 12 Share capital

Share capital of the Parent Company as at 31.03.2021

Type	Number of shares	Par value (USD '000s)	Share subscription price (USD '000s)	Share premium account (USD '000s)
Common Stock	12 537 792	1 254	24 260	23 006
Preferred Stock	960 000	96	125	29
Total	**13 497 792**	**1 350**	**24 385**	**23 035**

The par value of one share is USD 0.1. The number of shares expressed in single units.

Share capital ownership structure	Number of shares	% of shares	Number of votes (1)	% of votes
Rafał Han	1 904 672	14.11	3 536 762	19.33
Szymon Słupik	1 884 711	13.96	3 529 871	19.29
Adam Gembala	1 018 760	7.55	2 145 520	11.73
Other shareholders holding less than 5% of shares	8 689 649	64.38	9 085 639	49.65
Total	**13 497 792**	**100.00**	**18 297 792**	**100.00**

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

On 23 February 2021, the Issuer informed - in its Current Report No. 6/2021 - that on 23 February 2021 the Management Board of the Warsaw Stock Exchange decided to: 1) introduce to trading on the parallel market, as of 25 February 2021, 1,083,757 ordinary bearer shares in Silvair, Inc. with a nominal value of USD 0.10 each ("Shares"), registered by the National Depository for Securities (Krajowy Depozyt Papierów Wartościowych S.A.) under ISIN code USU827061099; and 2) list the Shares in the continuous trading system: (i) in the listing class referred to in § 71 item 5) of Section IV of Detailed Stock Exchange Trading Rules in the UTP system; (ii) under an abbreviated name of "SILVAIR-REGS" and a ticker of "SVRS".

On 25 February 2021, in accordance with the decision of the National Depository for Securities No. 206/2021 of 9 February 2021, 1,083,757 common bearer shares in the Company with a nominal value of USD 0.10 each, marked with the ISIN code USU827061099, were registered.

In connection with the extension of cooperation and the conclusion of a new Agreement with the consultant, on 24 February 2021, the Company issued 41,400 Common Shares with limited transferability (restricted shares) with a nominal value of USD 0.1 each ("Issue") for the benefit of the Company's consultant, as part of the Company's Stock Plan described in the Company's Prospectus approved by the Polish Financial Supervision Authority on 25 June 2018 ("Stock Plan"). The Annex concluded between the Company and its consultant provides for the award of 2,300 shares on each 7th day of the month following 7 December 2020 until 7 June 2022, provided that on the date of granting these shares the consultant maintains the Continuous Service Status within the meaning of the Contract.

Share capital of the Parent Company as at 31.12.2020

Type	Number of shares	Par value (USD '000s)	Share subscription price (USD '000s)	Share premium account (USD '000s)
Common Stock	12 465 927	1 247	24 214	22 967
Preferred Stock	960 000	96	125	29
Total	**13 425 927**	**1 343**	**24 339**	**22 996**

The par value of one share is USD 0.1. The number of shares expressed in single units.

Share capital ownership structure	Number of shares	% of shares	Number of votes ([1])	% of votes
Rafał Han	1 904 672	14.19	3 536 762	19.40
Szymon Słupik	1 884 711	14.04	3 529 871	19.37
Adam Gembala	1 018 760	7.59	2 145 520	11.77
Ipopema TFI	968 759	7.22	968 759	5.32
Other shareholders holding less than 5% of shares	7 649 025	56.96	8 075 015	44.14
Total	**13 425 927**	**100.00**	**18 255 927**	**100.00**

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

Share capital of the Parent Company as at 31.03.2020

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

The par value of one share is USD 0.1. The number of shares expressed in single units.

Share capital ownership structure	Number of shares	% of shares	Number of votes [1]	% of votes
Ipopema TFI	1 827 425	16.00	1 827 425	11.27
Szymon Słupik	1 884 711	16.50	3 529 871	21.75
Rafał Han	1 335 071	11.68	2 967 071	18.29
Adam Gembala	1 018 760	8.92	2 145 520	13.22
Other shareholders holding less than 5% of shares	5 359 703	46.90	5 755 783	35.47
Total	**11 425 670**	**100.00**	**16 225 670**	**100.00**

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

In 2021 and in 2020, no redemption or repayment of non-equity and equity securities took place. As at 31 March 2021, out of 13,497,792 issued shares, 13,463,292 shares have been paid in full, and the number of unpaid shares was 34,500. As at 31 December 2020, all of the 13,425,927 issued shares have been paid in full. As at 31 March 2020, out of 11,425,670 issued shares, 11,415,320 shares have been paid in full, and the number of unpaid shares was 10,350.

Note 13 Capital from revaluation of options

Capital from revaluation of options	31.03.2021	31.12.2020	31.03.2020
Valuation of stock options under IFRS 2	515	483	424
Total	**515**	**483**	**424**

See Note 30 for additional information on valuation of options.

Note 14.1 Other capital

Other capital	31.03.2021	31.12.2020	31.03.2020
Supplementary capital	24 851	24 819	21 281
Total	**24 851**	**24 819**	**21 281**

Note 14.2 Changes in other capital

Changes in other capital	01.01.2021 - 31.03.2021	01.01.2020 - 31.12.2020	01.01.2020 - 31.03.2020
As at the beginning of the period	**24 819**	**21 253**	**21 253**
Exercise of stock options for Company shares	31	431	28
Expenditures incurred in connection with the stock issue	-	-61	-
Issue of new shares (IPO)	4	1 532	-
Unpaid capital which has been called up	-3	-	-
Issue of bonds convertible to shares	-	1 664	-
As at the end of the period	**24 851**	**24 819**	**21 281**

Note 14.3 Minority interest transactions

Minority interest transactions	01.01.2021 - 31.03.2021	01.01.2020 - 31.12.2020	01.01.2020 - 31.03.2020
As at the beginning of the period	**-365**	**-445**	**-445**
Additions	-	80	80
Reductions	-	-	-
As at the end of the period	**-365**	**-365**	**-365**

Note 15 Retained earnings

Retained earnings	31.03.2021	31.12.2020	31.03.2020
Accumulated losses brought forward	-18 316	-15 707	-15 707
Total	**-18 316**	**-15 707**	**-15 707**

Note 16 Earnings (loss) per share

Earnings/(loss) per share are calculated by dividing the net profit/(loss) for the reporting period attributable to the shareholders of the parent company 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), adjusted for the impact of interest on potential common shares, for the reporting period, attributable to the shareholders of the parent company, by the weighted average number of common shares outstanding during the reporting period, adjusted by the effect of diluting options. Diluting options also include the allocation of Parent Company shares in the period from 1 January 2021 to the publication date.

Earnings/(loss) per share in the period covered by the financial statements:	**31.03.2021**	**31.12.2020**	**31.03.2020**
Weighted average number of parent company's shares in the period*	13 454 531	11 623 851	11 425 670*
Diluting options, including:	2 458 005	2 470 328	825 479
on account of the option plan	803 512	815 835	259 463
on accounts of bonds	1 654 493	1 654 493	566 016
Weighted average number of parent company's shares in the period* after diluting options	15 912 536	14 094 179	12 251 149*
Continued operations			
Earnings/(loss) per share (USD)	-0.11	-0.22	-0.09
Diluted earnings/(loss) per share (USD)	-0.08	-0.19	-0.09
Discontinued operations			
Earnings/(loss) per share (USD)	-	-	-
Diluted earnings/(loss) per share (USD)	-	-	-
Continued and discontinued operations			
Earnings/(loss) per share (USD)	-0,11	-0,22	-0,09
Diluted earnings/(loss) per share (USD)	-0,08	-0,19	-0,09

* The amount was updated as at 31 March 2020 after recalculation in the period

Note 17 Deferred tax liabilities

Deferred tax liabilities	31.03.2021	31.12.2020	31.03.2020
Deferred tax liabilities at the beginning of the period, including:	**20**	**24**	**24**
Through profit or loss	20	24	24
Tthrough equity	-	-	-
Additions, including:	-	-	-
Through profit or loss	-	-	-
Through equity	-	-	-
Reductions, including:	**4**	**4**	**1**
Through profit or loss	4	4	1
Through equity	-	-	-
Deferred tax liabilities at the end of the period, including:	**16**	**20**	**23**
Through profit or loss	16	20	23
Through equity	-	-	-

Deferred tax liabilities arising from temporary differences resulting from:	31.03.2021	31.12.2020	31.03.2020
Difference between the tax value and carrying amount of completed development work	84	105	121
Total	**84**	**105**	**121**
Deferred tax liabilities (19%)	**16**	**20**	**23**

Note 18.1 Lease liabilities

Lease liabilities	31.03.2021	31.12.2020	31.12.2019
Long-term	-	-	-
Short-term	51	71	46
Total	**51**	**71**	**46**

The lease liability pertains to real property lease agreements which, pursuant to IFRS 16, have been classified to lease liabilities. Information related to the agreements included in this item is presented in Note 3.7 Right-of-use assets.

Valuation of liabilities does not comprise variable fees for consumption of utilities associated with the use of the real properties.

Repayment of the interest part in the reporting period amounted to USD 177.

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

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

Note 20.1.1 Liabilities on bonds convertible to shares

Liabilities on bonds convertible to shares	**01.01.2021 - 31.03.2021**	**01.01.2020 - 31.12.2020**	**01.01.2020 - 31.03.2020**
As at the beginning of the period	3 985	2 954	2 954
Additions	47	2 803	538
Reductions	-	1 772	-
Total	**4 032**	**3 985**	**3 492**

Bonds convertible to shares	**31.03.2021**	**31.12.2020**	**31.03.2020**
Par value of issued bonds	3 850	3 850	3 412
Interest costs	182	135	80
Interest paid	-	-	-
Bond liability	**4 032**	**3 985**	**3 492**

Other liabilities (non-current)	**31.03.2021**	**31.12.2020**	**31.03.2020**
Bonds convertible to shares	2 100	2 100	-
Interest on bonds convertible to shares	66	88	-
Total	**2 166**	**2 188**	**-**

Other liabilities (current)	31.03.2021	31.12.2020	31.03.2020
Bonds convertible to shares	1 750	1 750	3 454
Interest on bonds convertible to shares	116	47	38
Total	**1 866**	**1 797**	**3 492**

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

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

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

- The total par value of liabilities that the Company may incur under the Revised Convertible Securities is increased from USD 5.5 million to USD 6.0 million;
- The Maturity Date of the Revised Convertible Securities is changed so that the holders of the Revised Convertible Securities have the right to request redemption of the Revised Convertible Securities and payment of the principal amount with interest accrued and unpaid at any time after 31 December 2020, 2021, or 2022, respectively, depending on the terms of issue and the date of issue of individual Revised Convertible Securities;
- The conversion mechanism is modified in such a way that the Conversion Amount will be converted into common shares of the new issue of the Company only in the event of: (i) Change of Control; (ii) or on 15 December 2020, 2021, or 2022 (depending on the terms and date of issue of the relevant

Revised Convertible Security), whereby the conversion will not result in a determination that the Company will issue within the preceding 12 months: (i) 20% of the number of the Company's shares admitted to trading on the regulated market operated by the Warsaw Stock Exchange on a date falling 12 months before the conversion, nor (ii) shares in the amount specified in the Revised Convertible Securities, i.e. 1,073,757 shares in 2020, 1,168,928 shares in 2021 and 1,423,178 shares in 2022, depending on whichever number of shares is lower;

- Revised Convertible Securities will be converted into newly issued common stock of the Company at a fixed price of USD 1.65 ("Conversion Price"). In particular, as a result of the Conversion, the Company will issue its common shares to the holders of the Revised Convertible Securities in the number equal to the quotient of the Conversion Amount and the Conversion Price.

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

The total par value of the issued Convertible Securities amounted to USD 5.512 million.

On 15 December 2020, a conversion of amounts due under the securities convertible into the shares of new issue (”Shares”) with a total nominal value of USD 1,662 thousand took place. The conversion of the Convertible Securities into Shares took place on the terms set out in the terms of the issue of the Convertible Securities specified in the resolutions of the Company’s Board of Directors of 8 August 2019 and 10 August 2020, which was announced by the Issuer in Current Report No. 31/2020.

As a result of the assessment it has been concluded that the bonds do not contain an equity element and have not been classified as compound financial instruments in accordance with IAS 32. Therefore, they were fully recognized as liabilities measured at amortized cost.

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

As at 31 March 2021, 31 December 2020 and 31 March 2020, the Group had no other contingent liabilities. As at 31 March 2021, 31 December 2020 and 31 March 2020, the Group’s companies were not acting as guarantors or sureties and also had not drawn their own or received third party promissory notes as collateral or payment for transactions.

Note 20.3 Other short-term provisions

The Group recognizes a “provision” for unused vacation time, which pertains to periods preceding the balance sheet date and will be used in the future for all Company employees, because in the Polish system unused vacation time constitutes cumulative paid absences (the entitlement to such absences passes on to future periods and can be used if it has not been used in the current period). The amount of the provision depends on the average monthly salary and the number of unused days of vacation time to which the employee is entitled as at the balance sheet date. The Company recognizes the costs of unused vacation time on the accrual basis, based on the estimate values, and presents them in the profit and loss account in the payroll line item (in accordance with the place where they occur). The provision for unused vacation time is a short-term provision and is not subject to discounting. In 2021 and in 2020, the Group did not recognize provisions for new liabilities.

Other short-term provisions	31.03.2021	31.12.2020	31.03.2020
Provisions for unused vacation time	75	45	57
Provisions for disputes	-	-	20
Total	**75**	**45**	**77**

Provisions for unused vacation time	31.03.2021	31.12.2020	31.03.2020
As at the beginning of the period	**45**	**62**	**62**
Additions	32	-	-
Reductions	2	17	5
As at the end of the period	**75**	**45**	**57**

Estimates:

The Group estimates the amount of the provisions on the basis of adopted assumptions and methodology, assessing the probability of spending the funds comprising economic benefits, and classifies amounts with a high probability of spending, as at the balance sheet, as liabilities. The estimates pertaining to the value of provisions for unused vacation time were based on the data on the number of vacation time days unused by employees, the value of the average compensation individually for each employee divided by the average number of business days per month (22 days), and the charges on compensations charged to the employer. The percentage rate of social security charged to the employer was adopted at the level of 22.11% for the year 2020 and 2021, taking into account the contributions to PPK (Employee Capital Plan).

Note 20.4 Liabilities from contracts with customers

Liabilities from contracts with customers	01.01.2021	Additions	Reductions	31.03.2021
Maintenance services for Silvair Platform	126	55	53	128
Maintenance services for Silvair Mesh Stack	5	2	2	5
Total	**131**	**57**	**55**	**133**

Liabilities from contracts with customers	01.01.2020	Additions	Reductions	31.12.2020
Maintenance services for Silvair Platform	29	191	94	126
Maintenance services for Silvair Mesh Stack	7	24	26	5
Total	**36**	**215**	**120**	**131**

Liabilities from contracts with customers	01.01.2020	Additions	Reductions	31.03.2020
Maintenance services for Silvair Platform	29	46	14	61
Maintenance services for Silvair Mesh Stack	7	15	6	16
Total	**36**	**61**	**20**	**77**

As at 31 March 2021, 31 December 2020 and as at 31 March 2020, the Group identified liabilities associated with maintenance agreements.

The payment terms specified in the agreements do not exceed 60 days. Elements such as obligations to accept returns or to refund the fees and other similar obligations, as well as warranties and related obligations, do not apply to liabilities from contracts with customers. The Group settles the identified performance obligations using the straight-line method, spread evenly over time, as the activities are performed evenly throughout the entire period of performance.

Note 21 Prepayments and accruals

Prepayments and accruals	01.01.2021	Additions	Reductions	31.03.2021
Financing under the Smart Growth Operational Program	372	-	19[(1)]	353
NCBiR subsidy for fixed assets	454	-	40	414
Total	**826**	**-**	**59**	**767**

[(1)] The change results from the exchange rate translation

Prepayments and accruals	01.01.2020	Additions	Reductions	31.12.2020
Financing under the Smart Growth Operational Program	343	29[(1)]	-	372
NCBiR subsidy for fixed assets	539	-	85	454
Total	**882**	**29**	**85**	**826**

Prepayments and accruals	01.01.2020	Additions	Reductions	31.03.2021
Financing under the Smart Growth Operational Program	343		5[(1)]	372
NCBiR subsidy for fixed assets	539	-	84	455
Total	**882**	**-**	**89**	**793**

Note 22.1 Sales revenues

Sales revenues	31.03.2021	31.03.2020
Revenues from sales of products	83	26
Revenues from sales of goods and services	59	25
Total	**142**	**51**

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

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

Under **Commissioning Service Agreements (CSA)**, the Group delivers, maintains and operates applications for activation and control of the lighting management software for and on behalf of the Partner. Under these services it is also possible to provide the Silvair platform for lighting installations that are not based on the firmware developed by Silvair

Revenues under CSA agreements are included in the Lighting Control segment.

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

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

Revenues under SLS contracts are included in the Lighting Control segment.

Breakdown of revenues from contracts with customers:

Contract type				01.01.2021 - 31.03.2021
Product/service type	**CSA agreements**	**SLS agreements**	**Other revenues from contracts**	**Total**
Firmware license	-	45	-	45
Activation	38	-	-	38
Development	4	-	-	4
Maintenance	43	-	-	43
Other	4	8	-	12
Total	**89**	**53**	**-**	**142**
Delivery date				
At the time	51	47	-	98
Over time	38	6	-	44
Total	**89**	**53**	**-**	**142**

Contract type				01.01.2020 - 31.03.2020
Product/service type	**CSA agreements**	**SLS agreements**	**Other revenues from contracts**	**Total**
Firmware license	-	20		20
Activation	6	-	-	6
Development	4	-	-	4
Maintenance	16	3	-	19
Other	-	2	-	2
Total	**26**	**25**	**-**	**51**
Delivery date				
At the time	10	20	-	30
Over time	16	5	-	21
Total	**26**	**25**	**-**	**51**

Revenues broken down by segments and description of the segments are presented in Note 23.

Estimates:

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

In the case of revenues recognized at the time, the Group has made a judgment that the licenses offered under SLS agreements have the nature of licenses with the right to use intellectual property, which means that the revenue from the sale of such licenses is recognized once, at the time of hand-over of control over the license to the customer. In the case of granting access to the Silvair Platform, the Group estimated that the benefits are transferred at the time of activation of access to the Platform for each connected device

Note 22.2 Sales revenues – geographic structure

Sales revenues	01.01.2021 - 31.03.2021	01.01.2020 - 31.03.2020
Revenues from sales of products, including:	**83**	**26**
Domestically	-	-
Within the European Union	18	6
In third countries	65	20
Revenues from sales of services and goods, including:	**59**	**25**
Domestically	-	-
Within the European Union	22	8
In third countries	37	17
Total	**142**	**51**

Note 23 Operating segments

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

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

Currently, the Group distinguishes 3 segments:

- Lighting Control
- Smart Lighting Services
- Smart Building Management

In the reporting period, the Group earned revenues only in the Lighting Control segment. Revenues in the other two segments will show up next year.

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

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

The Board does not analyze cash flows by segment either.

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

Operating segment information from 01.01.2021 to 31.03.2021, in USD '000s

Segment type	Lighting Control	Other activity	Total
Revenues and expenses			
Sales to external customers	142	-	142
Inter-segment sales	-	-	-
Cost of sales	269	-	269
Income and expenses (operating and other operating)	10	-424	-414
EBIT	**-117**	**-424**	**-541**
Net financial income (costs)	-	-702	-702
Share in profits of associates	-	-	-
Gross profit	**-117**	**-1 126**	**-1 243**
Income tax (current and deferred)	-	-17	-17
Net profit for the reporting period	**-117**	**-1 109**	**-1 226**
Assets			
Costs of development work (carrying amount of assets)	9 382	945	10 327
Receivables	128	-	128
Unallocated assets	-	2 800	2 800
Total assets			**13 255**
Liabilities			
Financial liabilities	-	4 032	4 032
Liabilities from contracts with customers	133	-	133
Unallocated liabilities	-	1 294	1 294
Total liabilities			**5 459**
Other information	-	-	-
Depreciation and amortization	269	76	345

Operating segment information from 01.01.2020 to 31.03.2020, in USD '000s

Segment type	Lighting Control	Other activity	Total
Revenues and expenses			
Sales to external customers	51	-	51
Inter-segment sales	-	-	-
Cost of sales	195	-	195
Income and expenses (operating and other operating)	-	-564	-564
EBIT	**-144**	**-546**	**-708**
Net financial income (costs)	-	-371	-371
Share in profits of associates	-	-	-
Gross profit	**-144**	**-935**	**-1 079**
Income tax (current and deferred)	-	-25	-25
Net profit for the reporting period	**-144**	**-960**	**-1 054**
Assets			
Costs of development work (carrying amount of assets)	7 877	1 570	9 447
Receivables	86	81	167
Unallocated assets	-	1 733	1 733
Total assets			**11 347**
Liabilities			
Financial liabilities	-	158	158
Liabilities from contracts with customers	77	-	77
Unallocated liabilities	-	4 923	4 923
Total liabilities			**5 158**
Other information	-	-	-
Depreciation and amortization	195	91	286

Information about segments broken down by regions, product lines and recognition time

Segment type			**01.01.2021 - 31.03.2021**
	Lighting Control	**Other activity**	**Total**
Region			
European Union	40	-	40
Other countries	102	-	102
Poland	-	-	-
Total	**142**	**-**	**142**
Product/service type			
Firmware license	45	-	45
Activation	38	-	38
Development	4	-	4
Maintenance	43	-	43
Other	12	-	12
Total	**142**	**-**	**142**
Delivery date			
At the time	98	-	98
Over time	44	-	44
Total	**142**	**-**	**142**

Segment type			**01.01.2020 - 31.03.2020**
	Lighting Control	**Other activity**	**Total**
Region			
European Union	14	-	14
Other countries	37	-	37
Poland	-	-	-
Total	**51**	**-**	**51**
Product/service type			
Firmware license	20	-	20
Activation	6	-	6
Development	4	-	4
Maintenance	19	-	19
Other	2	-	2
Total	**51**	**-**	**51**
Delivery date			
At the time	30	-	30
Over time	21	-	21
Total	**51**	**-**	**51**

Note 30 Share-based payment agreements

Description of the agreements:

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

The following were to be granted from the "**Option Pool**": 132,000 shares to Key Personnel of the Entity, 743,000 shares to the Board, including: 465,000 shares to CEO Rafał Han, 172,000 shares to CTO Szymon Słupik, 106,000 shares to CFO Adam Gembala, and 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 March 2021, options have been granted from the "Option Pool" for all the shares for the Board and Venture FIZ, and all the shares for the Key Personnel.

By 31 March 2021, all the options granted to the Board members and Venture FIZ have been exercised, and in the Key Personnel pool, options for 60,000 shares out of 132,000 shares have been exercised by 31 March 2021.

The following were to be granted from the "**Additional Option Pool**": 279,000 shares to the Key Personnel of the Entity, and 203,000 shares to CEO Rafał Han.

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

By 31 March 2021, options were granted from the "Additional Option Pool" for all the shares for Rafał Han, and for 93,000 out of 279,000 shares for the Key Personnel. By 31 March 2021, options for 101,500 shares were exercised from the pool of Rafał Han, and no options were exercised from the Key Personnel pool.

On 31 March 2020, the Board of Directors of Silvair, Inc. adopted a **resolution on increasing the number of shares under the Option Plan** from 1,453,000 shares to 2,000,000 shares. The change is a direct result of the Board's decision to reduce the Group's operating costs - in connection with the coronavirus pandemic and its economic impact – by i.a. reducing employment and changing remuneration conditions for the Group's key employees and associates. In 2020, option contracts were signed for a total of 587,557 shares. This includes option contracts for 437,557 shares that were signed as part of the increase of the Option Plan of 31 March 2020. By 31 March 2021, options for 30,465 shares have been exercised.

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

Summary information on share-based payment programs launched in the Group is presented in the table below:

	Program I	Program II	Program III
Formal basis	**KPI Agreement „Option Pool"**	**KPI Agreement „Additional Option Pool"**	**Resolution of the Board of Directors**
Program launch date	14.10.2016	14.10.2016	31.03.2020
Number of shares in the pool	971 000	482 000	547 000
Option exercise price (USD)	0.10	0.10	0.10
Price of shares listed on the WSE as at the program launch date (USD)	n/a	n/a	0.61
Number of shares granted under the concluded option contracts	971 000	296 000	437 557
Number of shares acquired in the exercise of options	899 000	101 500	30 465

Option exercise structure in the period:

	01.01.2021 - 31.03.2021	01.01.2020 - 31.03.2020
Pool of shares under the Option Plan	2 000 000	2 000 000
Number of shares available under the Option Plan at the beginning of the period	**295 443**	**290 750**
Increase of the pool of shares under the Option Plan	-	547 000
Number of shares granted under option agreements	-	-
Number of shares taken up in exercise of the options	30 465	6 900
Number of shares remaining to be taken up in subsequent periods under option agreements	673 592	243 350
Number of shares released upon expiration of options	-	-
Number of shares to be granted under further option agreements at the end of the period	**295 443**	**837 750**

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

- Stock price at the beginning of the period = $3.33.
- Strike price of the option = $0.10.
- Risk-free interest rate = 2.455%.
- Dividend yield = 0%.

- Parameter M = 3.
- Parameter eΔt = 0%.
- Stock price volatility (σ) = 46.6%.

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

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

	01.01.2021 - 31.03.2021	01.01.2020 - 31.03.2020
Management cost	68	77
Capital from revaluation of options	68	77

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

	01.01.2021 - 31.12.2021	01.01.2020 - 31.03.2020
Other capital	23	28
Capital from revaluation of options	-23	-28

The change in capital from revaluation of options in the period between 01.01.2021 and 31.03.2021 resulted from the exercise of 30,465 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 reporting period was USD 18.6 thousand.

The change in capital from revaluation of options in the period from 01.01.2020 to 31.03.2020 resulted from the exercise of 6,900 stock options and revaluation of new options granted in the vesting period. The total amount of shares taken up in the performance of option contracts in the reporting period was USD 0.7 thousand.

Estimates:

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

Note 31 Material events after the balance sheet date

There were no material events after the balance sheet date.

Note 32 Information on joint ventures

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

Note 33 Financial risk management objectives and principles

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

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

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

Impact of credit risk on the Group's main operating segments: production of software for remote communication between devices and smart lighting systems, due to its uniqueness, is not exposed to a significant level of this type of risk. Sales in these segments are largely to a stable client base and are made on deferred payment terms. However, since business partners pay the due amounts regularly, the exposure to individual credit risk is not high.

The Group applies internal procedures and mechanisms that mitigate this risk: appropriate client selection, a new client review system and ongoing monitoring of amounts receivable. The Group consistently pursues the recovery of overdue receivables. The Group's credit risk is verified with the use of the model of % share of unpaid receivables in specific time intervals (the model description is included in the section "Description of adopted accounting policies"). 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 its obligations related to financial liabilities.

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

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

In 2020, the Group obtained funds from the issue of bonds and the issue of shares. The Company monitors the risk of shortage of funds through periodic liquidity planning, taking into account the payment due/maturity of assets and liabilities and projected cash flows from operating activity.

Financial liabilities by maturity date as at 31.03.2021

	On demand	Under 3 months	From 3 to 12 months	From 1 year to 5 years	Over 5 years
Bank loans	113	11	-	-	-
Bond liabilities	-	-	1 844	2 188	-
Trade liabilities	1	134	-	-	-
Lease liabilities	-	18	33	-	-
Total	**114**	**163**	**1 877**	**2 188**	**-**

The measurement at amortized cost does not differ materially from the carrying amounts. The discount value for bond liabilities amounts to USD 4.6 thousand.

Financial liabilities by maturity date as at 31.03.2020

	On demand	Under 3 months	From 3 to 12 months	From 1 year to 5 years	Over 5 years
Bank loans	-	32	80	-	-
Bond liabilities	-	-	3 492	-	-
Trade liabilities	6	261	-	-	-
Lease liabilities	-	15	31	-	-
Total	**6**	**308**	**3 603**	**-**	**-**

The measurement at amortized cost does not differ materially from the carrying amounts. The discount value for bond liabilities amounts to USD 4 thousand.

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Because of the global character of the business conducted by Silvair, Inc. 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. The Group monitors the currency rates and observes constant and periodic trends. The current trend of appreciation of EUR vs. PLN is good for the Group from the perspective of earning revenues in EUR. When significant revenues appear, the Group will take steps to use instruments hedging sudden exchange rate fluctuations. The impact of changes in exchange rates is shown in the tables below.

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 2021 and 2020, the Group did not use any external debt instruments with a floating interest rate (loans and bonds), the interest rate on which would depend on changes in floating interest rates. Accordingly, it was not exposed to changes in cash flows resulting from changes in interest rates.

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

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

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

The Group does not execute transactions on financial markets for speculative purposes.

The main financial instruments used by the Parent Company and subsidiaries include loans, cash, short- term deposits and bonds. The Group also holds other financial instruments, such as trade receivables and payables, which arise directly from its activities.

The Group does not classify any instruments categorized as loans and borrowings to financial liabilities designated for measurement at fair value through profit or loss. All loans, borrowings and other debt instruments are carried at amortized cost using the effective interest rate.

The Group assesses the risk associated with concentration of business partners, foreign currencies, markets and debt instruments as low.

Classification of financial instruments according to IFRS 9

Financial assets by balance sheet item	31.03.2021 fair value	31.03.2021 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
Trade receivables	128	128	-	-	128	-
Cash	1 968	1 968	-	-	1 968	-

Financial liabilities by balance sheet item	31.03.2021 fair value	31.03.2021 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					
Loans	129	129	-	129	-
Debt securities	4 032	4 032	-	4 032	-
Trade liabilities	135	135	-	135	-

Financial assets by balance sheet item	31.03.2020 fair value	31.03.2020 carrying amount	Classification of financial instruments according to IFRS 9 (carrying amount)			Other
			Measured at fair value through profit or loss	Measured at fair value with changes through other comprehensive income	Measured at amortized cost	
Financial assets						
Interest and shares	7	7	-	-	-	7
Trade receivables	70	70	-	-	70	-
Cash	890	890	-	-	890	-

Financial liabilities by balance sheet item	31.03.2020 fair value	31.03.2020 carrying amount	Classification of financial instruments according to IFRS 9 (carrying amount)		
			Measured at fair value through profit or loss	Measured at amortized cost	Measured at fair value through other comprehensive income
Financial liabilities					
Loans	112	112	-	112	-
Debt securities	3 492	3 492	-	3 492	-
Trade liabilities	267	267	-	267	-

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

For the period from 01.01.2021 to 31.03.2021

Financial assets	Category under IFRS 9	Interest income / (expense)	Foreign exchange gains / (losses)	Reversal / (recognition) of impairment losses	Gains / (losses) on measurement	Total
Trade receivables	C	-	-2	-	-	-2
Cash and cash equivalents	C	-	-	-	-	-
Total		**-**	**-2**	**-**	**-**	**-2**
Financial liabilities						
Bank loans	F	-13	-	-	-	-13
Leases	F	-	-1	-	-	-1
Bond liabilities	F	-47	-	-	-	-47
Trade liabilities	F	-	5	-	-	5
Total		**-60**	**4**	**-**	**-**	**-56**

Abbreviations used:

A – Financial assets measured at fair value through profit or loss

B – Financial assets measured at fair value through other comprehensive income

C – Financial assets measured at amortized cost

D – Financial liabilities measured at fair value through profit or loss

E – Financial liabilities measured at fair value through other comprehensive income (hedge accounting)

F – Financial liabilities measured at amortized cost

For the period from 01.01.2020 to 31.03.2020

Financial assets	Category under IFRS 9	Interest income / (expense)	Foreign exchange gains / (losses)	Reversal / (recognition) of impairment losses	Gains / (losses) on measurement	Total
Trade receivables	C	-	5	-	-	5
Cash and cash equivalents	C	-	22	-	-	22
Total		**-**	**27**	**-**	**-**	**27**
Financial liabilities						
Bank loans	F	-5	-355	-	-	-360
Leases	F	2	-	-	-	2
Bond liabilities	F	-38	-	-	-	-38
Trade liabilities	F	-	-6	-	-	-6
Total		**-41**	**-361**	**-**	**-**	**-402**

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

Sensitivity analysis

As at 31 March 2021 and as at 31 March 2020, the Group did not hedge its transactions denominated in foreign currencies.

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

Currency risk 01.01.2021 – 31.03.2021

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

Financial instruments by balance sheet items	Carrying amount of financial instruments	Effect on pre-tax financial result (10% increase)	Effect on equity (10% increase)	Effect on pre-tax financial result (10% decrease)	Effect on equity (10% decrease)
Financial assets					
Interest and shares	7	-1	-	1	-
Trade receivables	128	-3	-	3	-
Cash, including:	1 968	-80	-	80	-
Cash in bank	1 919	-80	-	80	-
Financial liabilities					
Loans	129	12	-	-12	-
Trade liabilities	135	9	-	-9	-

Currency risk 01.01.2020 – 31.03.2020

Financial instruments by balance sheet items	Carrying amount of financial instruments	Effect on pre-tax financial result (10% increase)	Effect on equity (10% increase)	Effect on pre-tax financial result (10% decrease)	Effect on equity (10% decrease)
Financial assets					
Interest and shares	7	-1	-	1	-
Trade receivables	70	-2	-	3	-
Cash, including:	890	-34	-	41	-
Cash in bank	889	-34	-	41	-
Financial liabilities					
Loans	112	-11	-	14	-
Trade liabilities	267	14	-	-17	-

Financial instruments by currency

As at 31.03.2021

Financial assets	USD	PLN	EUR	Total
Interest and shares	-	7	-	7
Trade receivables	105	-	21	126
Cash and cash equivalents, including:	1 165	762	41	1 968
Cash in bank	1 165	761	41	1 967
Financial liabilities	**USD**	**PLN**	**EUR**	**Total**
Bank loans, including:	-	124	-	124
Long-term	-	-	-	-
Short-term	-	124	-	124
Finance leases	-	51	-	51
Bond liabilities	4 032	-	-	4 032
Trade liabilities	47	89	-	136

As at 31.03.2020

Financial assets	USD	PLN	EUR	Total
Interest and shares	-	7	-	7
Trade receivables	57	-	13	70
Cash and cash equivalents, including:	538	297	55	890
Cash in bank	538	296	55	889
Financial liabilities	**USD**	**PLN**	**EUR**	**Total**
Bank loans, including:	-	112	-	112
Long-term	-	-	-	-
Short-term	-	112	-	112
Finance leases	-	46	-	46
Bond liabilities	3 492	-	-	3 492
Trade liabilities	129	137	1	267

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 9% rights to shares in Sway Sp. z o.o. and 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. (lender) and Silvair Sp. z o.o (borrower)

As at 31 March 2021, in connection with this loan, Silvair Sp. z o.o. posted a liability under a loan from Silvair, Inc. in the amount of USD 11,425 thousand, and as at 31 March 2020, it posted a liability in the total amount of USD 9,269 thousand. No loan repayments were made in 2021 and 2020.

The parent company has adopted a model for granting loans to subsidiaries, which provides for the possibility of settling the loans in two ways, i.e. by returning the transferred cash together with interest due, or by converting the granted loans into equity in subsidiaries. Neither of these settling methods is certain. Loans granted are initially recognized at fair value, and as at the balance sheet date they are measured at fair value through profit or loss.

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

As at 31 March 2021, in connection with the loan, Sway Sp. z o.o. showed a liability on account of the loan received from Silvair Sp. z o.o. in the amount of USD 326 thousand. As at 31 March 2020, the balance of liabilities amounted to USD 293 thousand. No loan repayments were made in 2021 and 2020.

The Group assumes that the granted loan will be settled through conversion to capital. The loans between the Group's companies and the financial costs and income in connection with such loans were excluded from the consolidated statements.

Trade settlements within the Group

As at 31 March 2021 and as at 31 March 2020, Sway Sp. z o.o. and Silvair Sp. z o.o. posted no mutual trade receivables or liabilities.

As at 31 March 2021 and as at 31 March 2020, Silvair, Inc. and Silvair Sp. z o.o. posted no mutual trade receivables or liabilities.

In 2021 and 2020, apart from loans, there were no other transactions between the Group's companies.

If transactions or mutual liabilities and receivables occurred in the reporting period between the companies, they would be excluded from these annual consolidated statements.

Entities having personal ties with the Group's companies:

Transactions between entities with personal ties:

As stated in Note 3.7 of the Explanatory notes to the consolidated financial statements, as at 31 March 2021, the subsidiaries Silvair Sp. z o.o. and Sway Sp. z o.o. were parties to a lease agreement for a property in Kraków at ul. Jasnogórska, where the head offices of both companies are located.

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

In the first quarter of 2021 and in the financial year 2020, the Group leased space from Centrum Jasnogórska 44 Spółka z o.o. where the total cost (rental and costs of utilities) in the period from 1 January to 31 March 2021 reached USD 37 thousand, and from 1 January to 31 March 2020 – USD 29 thousand.

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

As at 31 March 2021 and as at the balance sheet date of 31 March 2020, the Group had no liabilities toward the above mentioned company under the lease agreement.

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

Transactions with the key management personnel and shareholders

In the reporting period, no transactions were concluded with the key management personnel or with shareholders.

Supplementary notes to the quarterly report of the Silvair, Inc. Group

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

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

Seasonality or cyclicality of the Group's operations

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

Provisions and charges, including impairment losses

In the period from 1 January to 31 March 2021, there were no indications for recognizing new impairment losses for assets or for reversing the existing ones. In Q1 2021, there were also no indications for recognizing provisions for new liabilities. Information on the level of prior charges and provisions is provided in the section entitled "Information and notes on material changes in the amounts of estimates and selected reporting items".

Litigation

No new litigation was launched in the period from 1 January to 31 March 2021.

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

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

As at 31 March 2021 and as at 31 March 2020, none of the Group companies had any liabilities on account of purchases of property, plant and equipment.

Extraordinary events in terms of their type, value or frequency having material effect on the fair value of financial assets and financial liabilities of the entity, regardless of whether these assets and liabilities are recognized at fair value or adjusted acquisition price (amortized cost)

In the reporting period and in the corresponding period of the previous year, no changes occurred in the economic situation and business conditions that would materially affect the fair value of financial assets and financial liabilities presented in the Group's consolidated financial statements. No other information was received that could materially affect the assessment of its assets, financial position and financial result.

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

Since 25 February 2020, the Group does not regularly repays the installments of the investment loan from the Polish Agency for Enterprise Development (PARP) which was contracted by Sway in 2013. The Group has requested PARP to postpone repayment of these installments due to the effects of the COVID19 pandemic. On behalf of the borrower, PARP applied to the Ministry of Funds and Regional Policy for consent to the redemption. As of the date of publication, the application has not yet been fully examined. The value of unpaid installments as at the date of publication is PLN 462.11 thousand (USD 116.47 thousand).

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

The par value of one share is USD 0.1. Property status of the persons sitting in the issuer's management and supervisory bodies did not change in the period from 1 January to 31 March 2021.

Share capital ownership structure	As at 01.01.2021	Acquisition	Disposal	As at 21.05.2021
Rafał Han	1 904 672	-	-	1 904 672
Szymon Słupik	1 884 711	-	-	1 884 711
Adam Gembala	1 018 760	-	-	1 018 760
Christopher Morawski	602 960	-	-	602 960

Information on changes in classification or valuation of financial instruments

Note 33 of this report presents the classification of financial instruments according to IFRS 9. No changes in measurement methods for financial instruments, especially those measured at fair value, were made in Q1 2021. In the reporting period, no changes were also made to the classification of financial assets.

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

The Silvair Group has not published any projections for 2021, including projections for Q1 2021.

Summary of the Issuer's achievements and failures

Extension of the scope of cooperation with OSRAM GmbH by providing services within the horticulture lighting market

On 11 February 2021, Silvair sp. z o.o. concluded an annex to the agreement with OSRAM GmbH based in Munich, Germany, dated 8 July 2019, for the provision of services the scope of which includes providing Silvair Commissioning tools for managing lighting installations in the Software as a Service (SaaS) model.

With the signing of the Annex, Silvair expanded the product portfolio covered by the Service Agreement, adding data acquisition and processing services based on lighting infrastructure ("Silvair Connected Services") used by OSRAM on the horticulture lighting market ("Horticulture Lighting Market"), inter alia, under the Fluence brand. Silvair Connected Services, in addition to (i) the sale of Silvair Firmware and (ii) the supply of digital tools for lighting installation management, have become Silvair's third revenue component.

Pursuant to the Annex, Silvair expands the sale market for its products by adding the new segment of the horticulture lighting market which – in the opinion of the Board – might constitute an important source of Silvair revenues in the upcoming years. The key drivers for the expansion of the horticulture lighting market include: (i) a growing number of legislative initiatives on the global market which promote the controlled-environment agriculture and the solid state lighting as part of the controlled plant cultivation; (ii) a growing demand for food; and (iii) increase in funds available for the development of vertical farming and greenhouses.

Signing of an agreement with Steinel Solutions AG

On 17 March 2021, Silvair, Inc. concluded an agreement with Steinel Solutions AG based in Switzerland, for the supply, licensing and provision of services, on the basis of which the Company undertook to provide Silvair Firmware along with a complete set of tools for its implementation on the production line. Silvair also undertook to grant a license for the use of the Firmware, and to provide related services.

Information on dividend paid or declared, in total and per share, broken down into ordinary and preferred stock

In the reporting period, the Issuer did not pay or declare payment of dividend.

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

No such transactions were concluded in the reporting period.

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

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

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

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

- pace of adoption of the Bluetooth Mesh standard by the market and effectiveness in acquiring new contracts,
- systematic development work supporting the commercialization of new products and the increase of competitive advantage,
- Covid-19 pandemic,
- macroeconomic situation in Poland and worlwide.

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