SELVITA CAPITAL GROUP ANNUAL REPORT 2021

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1 BASIC INFORMATION ON CAPITAL GROUP

1.1 Structure of the Capital Group

Parent Entity

Business name of the Company	Selvita S.A.
Registered office	Bobrzynskiego 14, 30-348 Krakow
Company ID (REGON)	383040072
TAX ID (NIP)	6762564595
KRS Number	0000779822
Legal form	Joint-Stock Company
Website	www.selvita.com

Affiliates

Business name of the Company	Selvita Services spółka z ograniczoną odpowiedzialnością
Registered office	Bobrzynskiego 14, 30-348 Krakow
Company ID (REGON)	122456205
TAX ID (NIP)	6762451649
KRS Number	0000403763
Legal form	Limited Liability Company
Shareholders	100% of shares held by Selvita S.A.

Business name of the Company	Selvita Inc.
Registered office	Boston, MA, USA
Shareholders	100% of shares held by Selvita S.A.
Share Capital	1 USD
Establishing date	March 2015

Business name of the Company	Selvita Ltd.
Registered office	Cambridge, Great Britain
Shareholders	100% of shares held by Selvita S.A.
Share Capital	20.000 GBP
Establishing date	April 2015

Business name of the Company	Fidelta d.o.o.
Registered office	Zagreb, Croatia
Shareholders	100% of shares held by Selvita S.A.
Share Capital	HRK 51.000.000

Business name of the Company	Ardigen S.A.
Registered office	Podole 76, 30-394 Krakow
Company ID (REGON)	362983380
TAX ID (NIP)	6762495865
KRS Number	0000585459
Legal form	Joint-Stock Company
Shareholders	Selvita S.A. holds 46,67% shares entitling to exercise 53,98% votes

Business name of the Company	Ardigen Inc.
Registered office	San Francisco, CA, USA
Shareholders	100% shares held by Ardigen S.A., a subsidiary of Selvita S.A.
Share Capital	1 USD
Establishing date	March 2021

1.2 Issuer's managerial bodies

Management Board

1) Bogusław Sieczkowski – President of the Management Board
2) Miłosz Gruca – Vice President of the Management Board
3) Mirosława Zydroń – Management Board Member
4) Adrijana Vinter* – Management Board Member
5) Dariusz Kurdas – Management Board Member
6) Dawid Radziszewski – Management Board Member

**After the reporting period, effective 31 January 2022, Ms. Edyta Jaworska resigned from the Management Board. As of 1 February 2022, Ms. Adrijana Vinter was appointed Member of the Management Board.*

Supervisory Board

1) Piotr Romanowski – Chairman of the Supervisory Board
2) Tadeusz Wesołowski – Vice Chairman of the Supervisory Board
3) Paweł Przewięźlikowski – Supervisory Board Member
4) Rafał Chwast – Supervisory Board Member
5) Wojciech Chabasiewicz – Supervisory Board Member
6) Jacek Osowski – Supervisory Board Member

2 ECONOMIC AND FINANCIAL HIGHLIGHTS

The consolidated financial statements, prepared in accordance with the International Accounting Standards, International Financial Reporting Standards and the related interpretations announced in European Commission regulations ("IFRS"), cover the period from January 1, 2021 to December 31, 2021 with comparative period from January 1, 2020 to December 31, 2020.

2.1 Main results achieved in the reporting period

Key impact on the financial results for 2021 has the acquisition of 100% shares of Fidelta d.o.o., accomplished on January 4, 2021, in accordance to the Conditional Share Purchase Agreement concluded on November 23, 2020 between the Issuer as a purchaser and Galapagos NV headquartered in Mechelen in Belgium as a seller. The price for shares was estimated at EUR 31.2 million, equivalent of PLN 141,913,200 (at the exchange rate on the transaction day) ("Price for Shares"), was the value before corrections according to the agreement. The transaction included standard in that kind of agreement corrections, such as net cash and working capital adjustments of target company in the amount of EUR 5.9 million which is PLN 26,775,621. The value of the goodwill on December 31, 2021 amounted to HRK 124,962 thousand (which is PLN 76,452 thousand on December 31, 2021).

Due to the expansion of the Capital Group, the Issuer modified its operating segments by adding an additional segment called 'Services executed in Croatia', which includes only Fidelta d.o.o. subsidiary. The previously reported segment named 'Services' changed its name to 'Services executed in Poland', without any changes of allocation of resources or the way of the results' recognition of this activity in relation to the previously reported ones.

On May 17, 2021, the General Meeting resolved to adopt a non-diluting Incentive Scheme for 2021-2024 for employees in the form of the right to acquire shares in the Company at a preferential price of 0,19 PLN per share. Mr. Paweł Przewięźlikowski – founder, member of the Supervisory Board and main shareholder of the Company, undertook to transfer to the Company, free of charge, the shares constituting the subject of the program with an order to release them to the company's employees in the total number of 1,247,720. The purpose of implementing the Incentive Scheme is to:

i) ensure optimal conditions for long-term increase of the value of the Company by creating a general employee shareholding structure;
ii) create an incentive that will motivate employees to act even more actively in the interest of the Company and its shareholders and encourage them to stay in a long-term relationship with the Company;
iii) build a modern organization in which the increase in the value of the Company will translate directly into increase in the wealth of the Company's employees and associates.

The fair value of the granted shares is determined as at the grant date and recognized over the vesting period in remuneration costs in correspondence with the increase in equity at the time of vesting by employees during the program period.

The valuation of the program, with regards to the shares currently issued to employees as of December 31, 2021, indicated the total estimated cost of PLN 71,818,226, which is recognized in the Group's expenses from the second quarter of 2021 to the second quarter of 2024. The impact of the program on the reporting period result is PLN 31,469,049 (including PLN 11,471,891 in Q4) and this amount reduces the gross result, net result, EBIT and EBITDA in 2021 (the details are presented in the table below along with the disclosure of its impact on the balance sheet). The estimated impact on the following years is as follows:

- 2022: PLN 31,518,003,
- 2023: PLN 8,656,709,
- 2024: PLN 174,465.

This is an estimation (in relation to December 31, 2021) as not all shares have been issued under the entire program and the valuation may also be affected by the return of shares by employees who decide to terminate their employment during the term of the program.

The impact of the valuation of incentive program on consolidated statement of comprehensive income in 2021 in PLN thousand						
Item	From 01.01.2021 to 31.12.2021		From 01.01.2021 to 31.12.2021	From 01.10.2021 to 31.12.2021		From 01.10.2021 to 31.12.2021
	Incl. incentive scheme	incentive scheme valuation	excluding incentive scheme	Incl. incentive scheme	incentive scheme valuation	excluding incentive scheme
Operating expenses	-291,047		-259,578	-87,746		-76,274
EBIT	26,084		57,553	5,909		17,381
Gross profit	21,068	31,469	52,537	6,493	11,472	17,965
Net profit for the period	18,222		49,691	9,378		20,850
EBITDA	53,572		85,041	15,632		27,104

The impact of the valuation of incentive program on consolidated statement of financial position in 2021 in PLN thousand			
Item	As of 31.12.2021		As of 31.12.2021
	including incentive scheme	incentive scheme valuation	excluding incentive scheme
Equity, incl:	205,554	0	205,554
Other reserve capitals	31,706	-31,469	237
Net profit for the period	18,222	31,469	49,691

A detailed description of the program is provided in the Note 34 to the consolidated financial statements. At the same time, it is important to point out that in the analysis of individual operating segments no impact of the valuation of the incentive scheme was taken due to the one-off and non-cash nature of this event.

2.1.1 Consolidated financial data

The table below presents the consolidated financial data of the Selvita S.A. Group:

- concerning the consolidated balance sheet:

Selvita S.A. Group	Data in PLN thousand		Data in EUR thousand	
Item	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Total assets	**466 592**	**218,796**	**101 446**	**47,412**
Trade and other receivables	65,616	33,998	14,266	7,367
Cash and other monetary assets	83,550	93,005	18,165	20,154
Other financial assets	13,435	10,153	2,921	2,200
Total liabilities	261,038	66,136	56,754	14,331
Long term liabilities	165,182	33,288	35,914	7,213
Short term liabilities	95,856	32,848	20,841	7,118
Equity	**205 554**	**152,660**	**44 691**	**33,081**
Share capital	14,684	14,684	3,193	3,182

- concerning the consolidated profit and loss statement:

Selvita S.A. Group	Consolidated data in PLN thousand				Consolidated data in EUR thousand			
Item	From 01.01.2021 to 31.12.2021	From 01.01.2020 to 31.12.2020	From 01.10.2021 to 31.12.2021	From 01.10.2020 to 31.12.2020	From 01.01.2021 to 31.12.2021	From 01.01.2020 to 31.12.2020	From 01.10.2021 to 31.12.2021	From 01.10.2020 to 31.12.2020
Revenues from sales	**310,921**	**137,356**	**91,168**	**35,981**	**67,924**	**30,700**	**19,671**	**7,872**
Revenues from subsidies	4,804	4,570	1,841	1,196	1,049	1,021	397	262
Other operating revenues	1,406	541	646	166	307	121	139	36
Revenues from operating activities	**317,131**	**142,467**	**93,655**	**37,343**	**69,280**	**31,842**	**20,208**	**8,170**
Operating expenses	-291,047	-122,923	-87,746	-33,570	-63,582	-27,474	-18,933	-7,345
Operating expenses (excl. incentive scheme)	-259,578	-122,923	-76,274	-33,570	-56,707	-27,474	-16,458	-7,345
Depreciation	-27,488	-13,526	-9,723	-4,045	-6,005	-3,023	-2,098	-885
Depreciation (excl. IFRS 16 impact)	-17,636	-8,913	-6,874	-2,644	-3,853	-1,992	-1,483	-578
Incentive program valuation	-31,469	-	-11,472	-	-6,875	-	-2,475	-
Profit from operating activities / EBIT	26,084	19,544	5,909	3,773	5,698	4,368	1,275	826
Profit from operating activities / EBIT (excl. incentive scheme)	**57,553**	**19,544**	**17,381**	**3,773**	**12,573**	**4,368**	**3,750**	**826**
Profit before income tax	21,068	18,854	6,493	3,931	4,603	4,214	1,401	860
Net profit	18,222	19,922	9,378	5,421	3,981	4,453	2,024	1,186
Net profit (excl. incentive scheme)	**49,691**	**19,922**	**20,850**	**5,421**	**10,855**	**4,453**	**4,499**	**1,186**
EBITDA	53,572	33,070	15,632	7,818	11,703	7,391	3,373	1,711
EBITDA (excl. incentive scheme)	**85,041**	**33,070**	**27,104**	**7,818**	**18,578**	**7,391**	**5,848**	**1,711**
Net cash flows from operating activities	87,472	29,356	36,952	13,138	19,109	6,561	7,973	2,875
Net cash flows from investing activities	-164,329	-25,143	-17,975	-10,906	-35,899	-5,620	-3,878	-2,386
Net cash flows from financing activities	66,818	75,125	-9,565	-6,633	14,597	16,791	-2,064	-1,451
Total net cash flows	-10,039	79,338	9,412	-4,401	- 2,193	17,732	2,031	-963
Number of shares (weighted average)	18,355,474	17,212,658	18,355,474	18,355,474	18,355,474	17,212,658	18,355,474	18,355,474
Profit (loss) per share (in PLN)	0.81	1.05	0.44	0.26	0.18	0.23	0.10	0.06
Diluted profit (loss) per share (in PLN)	0.81	1.05	0.44	0.26	0.18	0.23	0.10	0.06
Book value per share (in PLN)	10.73	8.57	10.69	8.02	2.33	1.86	2.33	1.74
Diluted book value per share (in PLN)	10.73	8.57	10.69	8.02	2.33	1.86	2.33	1.74
Declared or paid dividend per share (in PLN)	-	-	-	-	-	-	-	-

Selected financial data presented in the annual report were converted to Euro as follows:

1. Items relating to the profit and loss statement and the cash flow statement were converted using the exchange rate constituting the arithmetic average of the exchange rates, applicable as of the last day of every month in the given period, based on the information published by the National Bank of Poland (NBP):
   - for the period from 01.01.2021 r. to 31.12.2021 r.: 4.5775 PLN,
   - for the period from 01.10.2021 r. to 31.12.2021 r.: 4.6345 PLN,
   - for the period from 01.01.2020 r. to 31.12.2020 r.: 4.4742 PLN;
   - for the period from 01.10.2020 r. to 31.12.2020 r.: 4.5705 PLN.

2. Balance sheet items were converted using the average exchange rate announced by the NBP applicable as at the balance sheet date; which were:
   - as of 31 December 2021: PLN 4.5994,
   - as of 31 December 2020: PLN 4.6148.

2.2 Management Board's comments on financial results

2.2.1. Consolidated data excluding incentive scheme impact

SELVITA S.A. GROUP				
Data in PLN thousand	**From 01.01.2021 to 31.12.2021**	**From 01.01.2020 to 31.12.2020**	**From 01.10.2021 to 31.12.2021**	**From 01.10.2020 to 31.12.2020**
Revenue	**317,131**	**142,467**	**93,654**	**37,343**
Segment of Services executed in Poland	155,327	119,842	46,016	30,855
Bioinformatics Segment	31,589	17,803	9,889	5,201
Segment of Services executed in Croatia	127,099	-	36,044	-
Revenues from subsidies	4,804	4,570	1,841	1,196
Other operating revenue	1,406	541	646	166
Exclusions of revenues between segments	-3,094	-289	-782	-75
EBIT (excl. incentive scheme)	**57,553**	**19,544**	**17,380**	**3,772**
%EBIT (excl. incentive scheme)	18%	14%	19%	10%
EBITDA (acc. to IFRS16 excl. incentive scheme)	**85,041**	**33,070**	**27,103**	**7,816**
%EBITDA (acc. to IFRS16 excl. incentive scheme)	27%	23%	29%	21%
Net profit (excl. incentive scheme)	**49,691**	**19,922**	**20,850**	**5,421**
%Net profit (excl. incentive scheme)	16%	14%	22%	15%
MSSF 16 impact on EBITDA	*9,852*	*4,613*	*2,849*	*1,400*

Data in PLN thousand	From 01.01.2021 to 31.12.2021	Percentage share	From 01.01.2020 to 31.12.2020	Percentage share
Revenues from external customers	**306,660**	**100%**	**131,917**	**100%**
Biotechnology companies	144,973	47%	49,404	37%
Pharmaceutical campanies	122,812	40%	58,469	45%
Companies operating in the chemical and agrochemical field	10,069	3%	8,162	6%
Academia and Foundations	8,284	3%	5,784	4%
Other	20,522	7%	10,098	8%

In 2021, Selvita S.A. Group recognized total operating revenue of PLN 317,131 thousand, which represents 123% increase compared to the previous year, when the total operating revenue amounted to PLN 142,467 thousand. The net revenue from sales (excluding subsidies) amounted to PLN 310,921 thousand, which represents an increase of 126% (by PLN 173,565 thousand) compared to 2020 when it amounted to PLN 137,356 thousand. Such a significant increase is mostly due to the acquisition of Fidelta d.o.o., the result of is presented as a separate segment – 'Services executed in Croatia', as well as due to strong organic growth of other Group's operating segments. In 2021, revenues from subsidies increased by PLN 234 thousand compared to the previous year from PLN 4,570 thousand to PLN 4,804 thousand.

In 2021, after elimination of the incentive scheme impact, the Group reported a profit on the overall activity (net profit) which amounted to PLN 49,691 thousand and increased by 149% compared to 2020. EBITDA (excluding the incentive scheme) in 2021 amounted to 27% and increased by 4 percentage points compared to the previous year.

In fourth quarter of 2021 the amount of the Group's income tax was reduced by recognizing the tax relief on investments in Croatia in the total amount of PLN 3,317 thousand, of which the amount of PLN 2,476 thousand reduced the current tax liability and the amount of PLN 840 thousand was recognized as an deferred tax asset to be used in the following years. This asset is charged at 25% of the deductible investment costs incurred. The discount can be settled within 10 years.

The structure of revenues from external customers in 2021 is mainly focused around biotechnology and pharmaceutical industries and their share in the total of revenues from external customers amounted to 47% and 40% respectively. Compared to 2020, the share of the revenue mix in biotechnology industry increased by 10 percentage points, and in the pharmaceutical industry decreased by 5 percentage points as a result of high level of growth in the area drug discovery projects provided to biotechnology customers in the Segment of Services executed in Poland.

SEGMENT OF SERVICES EXECUTED IN POLAND				
Data in PLN thousand	From 01.01.2021 to 31.12.2021	From 01.01.2020 to 31.12.2020	From 01.10.2021 to 31.12.2021	From 01.10.2020 to 31.12.2020
Revenue	**157,797**	**121,423**	**47,101**	**31,194**
Revenues from external customers	147,972	114 ,114	43,958	29,235
Between segments and to Ryvu	7,355	5,728	2,058	1,620
Revenues from subsidies	1,588	1,093	695	187
Other operating revenue	882	488	390	152
EBIT (excl. incentive scheme)	**21,468**	**15,409**	**7,628**	**2,621**
%EBIT (excl. incentive scheme)	14%	13%	16%	8%
EBITDA (acc. to MSSF16) excl. incentive scheme	**36,116**	**28,029**	**11,727**	**6,494**
%EBITDA (acc. to MSSF16) excl. incentive scheme	23%	23%	25%	21%
IFRS16 impact on EBITDA	*5,367*	*4,068*	*1 480*	*1,264*

In 2021 Segment of Services executed in Poland recorded continuing growth of revenues from external customers which increased by 30% and amounted to PLN 114,114 thousand compared to PLN 147,972 thousand in 2020. In the first quarter of 2021 there were one-off Fidelta d.o.o. acquisition expenses recognized in this segment which amounted to PLN 688 thousand and included external consultants' services.

EBITDA ratio was 23% in 2021 and 2020 while its total increased from PLN 28,029 thousand in 2020 to PLN 36,116 thousand in 2021. It should be noted that after closing the period of one-off expenses related to acquisition and the first phase of Fidelta integration followed by higher contracting in regulatory studies since the second quarter of the current year, the overall profitability has been improving. After 4 p.p. increase in Q2 compared to Q1, EBITDA has further improved by additional 1 percentage point both in Q3 and Q4 and achieved the same level as in the previous year.

SEGMENT OF SERVICES EXECUTED IN CROATIA				
Data in PLN thousand	From 01.01.2021 to 31.12.2021	From 01.01.2020 to 31.12.2020**	From 01.10.2021 to 31.12.2021	From 01.10.2020 to 31.12.2020**
Revenue	**127,533**	**111,470**	**36,267**	**34,884**
Revenues from external customers	127,099	111,470	36,044	34,884
Other operating revenue	434	-	223	-
EBIT	**27,653**	**26,729**	**6,121**	**12,623**
%EBIT	22%	24%	17%	36%
EBIT*	**30,444**	**26,729**	**8,912**	**12,623**
*%EBIT**	24%	24%	25%	36%
EBITDA (acc. to MSSF16)	**39,313**	**32,919**	**11,445**	**13,112**
%EBITDA (acc. to MSSF16)	31%	30%	32%	38%
IFRS16 impact on EBITDA	*3,930*	*2,086*	*1,233*	*-362*

** excluding the impact of the contractor database depreciation in 2021 in total PLN 2,791 thousand*
*** data prepared on the basis of the financial statements of Fidelta d.o.o. in accordance with Croatian accounting standards in 2020, normalized by the cost of services and support in the amount of PLN 3,002 thousand, costs of insurance, licenses, software in the amount of PLN 4,108 thousand and the estimate of IFRS 16 depreciation in the amount of PLN 2,086 thousand*

Segment of Services executed in Croatia' has been extracted as a result of the acquisition of Fidelta d.o.o. which is the only legal entity in this operating segment. In 2021, Fidelta d.o.o. continued the upward trend, achieving a 15% increase in sales compared to 2020 (based on data in EUR). In 2021 Fidelta continued its dynamic development in all areas of the services provided, i.e. in the field of chemistry, ADME / DMPK, in vitro research and in vivo & toxicology. Long-term contracts with key clients, in particular for integrated drug discovery projects, have been extended and will be continued in the upcoming quarters.

In 2021 this segment's EBITDA profitability was 31% with operating profit reaching 22%, which is a continuation of the record results from 2020 achieved under the control of Galapagos, despite the fact that the company was subject to integration processes with the structures of the Selvita Group. So good results reported in 2021 were achieved largely due to exceptionally good in vivo contracting by Fidelta in the first and the third quarter and as a result of dynamic development in other areas since quarter two.

The final settlement of Fidelta d.o.o. acquisition resulted in recognition of intangible asset which is contractor database valued at PLN 37,580 thousand. The entire annual depreciation of PLN 2,791 thousand was disclosed in Q4'2021 and is the main reason of the lower operating profitability in this quarter.

Thanks to the results achieved by this segment in 2021 Fidelta has achieved more than expected due to the Company's Management Board opinion comparing to the time of the acquisition of Fidelta d.o.o.

Additional information on the operating activities of this segment is provided in section 3.1 of this report.

BIOINFORMATICS SEGMENT				
Data in PLN thousand	From 01.01.2021 to 31.12.2021	From 01.01.2020 to 31.12.2020	From 01.10.2021 to 31.12.2021	From 01.10.2020 to 31.12.2020
Revenue	**34,895**	**21,332**	**11,068**	**6,223**
Revenues from external customers	31,589	17,803	9,889	5,201
Revenues from subsidies	3,216	3,477	1,146	1,008
Other operating revenue	90	52	33	14
EBIT	**8,433**	**4,135**	**3,632**	**1,151**
%EBIT	24%	19%	33%	18%
EBITDA (acc. to MSSF16)	**9,612**	**5,041**	**3,931**	**1,323**
%EBITDA (acc. to MSSF16)	28%	24%	36%	21%
IFRS16 impact on EBITDA	*555*	*543*	*136*	*136*

Revenue from external customers in Bioinformatics Segment (i.e. Company's subsidiary - Ardigen S.A. and its affiliated company - Ardigen Inc.) amounted to PLN 31,589 thousand in 2021, which represents an increase of 77% compared to the previous year of PLN 17,803 thousand. Particularly noteworthy is that in 2021 Bioinformatics Segment generated an operating profit of PLN 8,433 thousand, compared to PLN 4,135 thousand in 2020 which is an increase of 104%. EBITDA ratio was 28% and increased by 4 p.p. compared to the previous year when it amounted to 24%.

Such a high operating profitability and EBITDA is the result of high margin realized on sales to external customers with comparable to the previous year parameters of the development of own platforms carried out by this segment.

With reference to the note 15.1 of the consolidated financial statements, in the context of the Issuer's Articles of Association with Ardigen S.A. and the incentive program in Selvita S.A. and Ryvu Therapeutics S.A., we would like to point out that in the second quarter of 2022, the Issuer's share of votes at the General Meeting of Ardigen S.A. may fall below 50%, and thus the Issuer will lose the right to appoint and dismiss the majority of Ardigen S.A. management board members, therefore the company will not be fully consolidated but will be disclosed as an associate.

2.2.2 Contracted (Backlog)

BACKLOG *				
Item	For 2022, as of Mar 24, 2022	For 2021, as of Mar 24, 2021	Change	Change %
Services executed in Poland	98,438	66,540	31,898	48%
Services executed in Croatia	90,171	78,813	11,358	14%
Bioinformatics	23,448	18,006	5,442	30%
Grants	8,739	7,865	874	11%
Total Selvita Group	**220,796**	**171,223**	**49,573**	**29%**

**The backlog includes revenues already invoiced in a given year*

The value of the 2022 contracts portfolio resulting from commercial contracts and grant agreements signed as of March 24, 2022 (backlog) amounts to PLN 220,796 thousand and increased by 29% compared to the 2020 backlog announced in March last year. The most significant part of the overall increase was reported by the Segment of Services executed in Poland achieving 48% rise. Another significant increase of 30% looking year to year was reported by Bioinformatics Segment.

2.2.3 Consolidated data

The value of the Selvita Group's assets as of December 31, 2021, was PLN 466,592 thousand. At the end of December 2021, the most significant items of current assets are short-term receivables which amounted to PLN 65,616 thousand, cash amounting to PLN 83,550 thousand and other financial assets amounting PLN 13,435 thousand. The increase in short-term receivables is the result of an increase in the scale of the Group's operations. The decrease in cash is mainly due to the purchase of shares in Fidelta d.o.o. namely payment transaction for a part of Price for Shares financed from own cash on January 4, 2021, whereas the total consideration was settled using own cash from the purchase price correction of net cash and working capital as of March 4, 2021.

Fixed assets are mainly laboratory equipment, recognized assets due to the right to use and deferred tax assets in the amount of PLN 22,445 thousand. The total of non-current assets increased in comparison to December 31, 2020, by PLN 211,642 thousand mainly as a result of recognition of goodwill on acquisition of Fidelta d.o.o. of PLN 76,452 thousand, consolidating Fidelta d.o.o. as at 31 December 2021 which covered fixed assets in total PLN 28,120 thousand, construction in progress in total PLN 6,134 thousand, rights to use in total PLN 38,934 thousand (including the right to use premises located in Croatia (Hondlova Street, Zagreb) of PLN 18,499 thousand) as well as the recognized database of Fidelta d.o.o. customers in total PLN 35,355 thousand as of 31 December 2021.

The assets structure demonstrates the Group's high financial liquidity, which is confirmed by the following ratios:

	31.12.2021	31.12.2020
Current ratio current assets/current liabilities including short-term provisions and deferred revenues (excl. accruals)	2.44	5.86
Quick ratio (current assets-inventory)/current liabilities including short-term provisions and deferred revenues (excl. accruals)	2.41	5.77

The main item in the Selvita Group's equity and liabilities is equity, which amounted to PLN 205,554 thousand as of December 31, 2021. Its increase compared to 2020 is due to net profit generated in 2021 and recognized reserve capitals from incentive scheme valuation of PLN 31,469 thousand.

Another significant source of financing is long term liabilities which amounted to PLN 165,182 thousand at the end of December 2021. The highest value items in the long-term liabilities are credits and bank loans in total PLN 80,966 thousand which increased as a result of a loan granted for Fidelta d.o.o acquisition on January 4, 2021. Other significant items are lease liabilities in total PLN 64,031 thousand which increased by PLN 35,548 thousand mainly due to consolidating Fidelta d.o.o. (recognized rights to use premises and vehicles as well as rights to use the premises in the new location situated in Croatia, Hondlova Street, Zagreb).

The increase of short-term liabilities from PLN 32,848 thousand at the end of 2020 to PLN 95,856 thousand at the end of December 2021 results from increased scale of operations of the Capital Group, consolidation of Fidelta d.o.o. and the loan to finance the acquisition as previously described which in its short term part totals PLN 11,134 thousand.

2.3 Current and projected financial condition

The Group's financial position as of the report date is very good. As of December 31, 2021, the value of the Group's cash and other financial assets (deposit with the Bank Pekao in the amount of EUR 2.2 million) amounted to PLN 96,984 thousand, and at the March 23, 2022, the amount of Selvita Group cash and other financial assets was PLN 97,857 thousand. The change results mainly from generating cash from operating activities compensated by, among others, settlement of the liability related to the real estate being purchased, communicated in ESPI reports No. 5/2022 of February 1, 2022 and March 11, 2022 of March 7, 2022.

The Group meets its obligations timely and maintains sustainable cash levels ensuring its financial liquidity. Cash generated from operations allows the Company to execute its planned investments in the expansion of laboratory infrastructure and acquisitions.

2.4 Significant off-balance sheet items

Significant off-balance sheet items are described in the Note 36 to the consolidated financial statements.

2.5 Explanation of differences between the financial results disclosed in the annual report and previously published forecasts of the financial results

The Issuer did not publish the financial forecast for 2021.

2.6 Data regarding agreement with entity authorized to audit financial statements

The Agreement with an entity authorized to audit financial statements, i.e. Ernst & Young Audyt Polska sp. z o.o., appointed to audit the financial statements of Selvita S.A. and the consolidated financial statements of the Selvita Capital Group was concluded on June 24, 2020 for a period of three years.

The remuneration of the entity authorized to audit financial statements together with the classification of particular types of services is described in the consolidated financial statements.

2.7 Principles of preparation of annual financial statement

These principles and assumptions of preparation of financial statements are described in consolidated financial statement of the Selvita Capital Group.

2.8 Unusual events occuring in the reporting period (Covid-19)

Coronavirus (Covid-19)

Covid-19 pandemic, which began in the first quarter of 2020, continued during the whole reported period. In 2021 the Issuer did not however record a negative impact of Covid-19 on operational efficiency and timeliness in terms of the services provided.

The Issuer - out of concern for the health and safety of employees – still carries out and performs all of the restrictions and rules set out in connection to new sanitary regime implemented by the Issuer at the beginning of the pandemic, which included: decontamination of laboratory surfaces and the entire facility, additional disinfection, permanent obligation to wear a face-mask, relocating employees, who work stationary in such a way to ensure maintenance of appropriate distance (to minimize the risk of infection), ensuring the possibility of remote work for administration employees, or limiting employees' business trips.

The Management Board hopes that in the following quarters, direct business contacts, physical participation in conferences will be possible again, which is essential for the implementation and provision of the services offered by the Issuer and was the greatest challenge from the Issuer's perspective in recent quarters.

The Company's Management Board is analysing the Issuer's situation on an ongoing basis. New circumstances, if any, having a significant effect on the Issuer's financial results and business position, will be communicated promptly after their occurrence.

War in Ukraine

Due to the Russian invasion on Ukraine, the Issuer's Management Board has analyzed the potential impact of the ongoing war on the Issuer's operations. The Management Board did not identify any significant risks that could affect the Issuer's operations as of the date of this report. In particular, it should be noted that the Issuer does not have any assets in Ukraine, and does not conduct business and operations in Ukraine and Russia. The share of entities from Ukraine, Belarus or Russia as customers and suppliers in the Issuer's structure remains insignificant. Nevertheless, due to risks associated with Russia's actions, including the potential risk of spillover from Russia's current invasion of Ukraine into neighboring countries, and the dynamic and unpredictable nature of the current situation in Ukraine, the Management Board of the Company analyzes the Issuer's situation in the context of this geopolitical risk on an ongoing basis. Any new circumstances having a significant impact on the financial results and business situation of the Issuer will be communicated to investors.

3 INFORMATION ON THE GROUP'S ACTIVITY

3.1 The Area of Drug Discovery/Drug Development

Services provided within SLV are driven by efforts to discover new medicines. Thus vast majority of Selvita's revenues come from Drug Discovery projects, commonly carried out based on the FTE (Full Time Equivalent) model. They usually involve work on one of the stages of the drug discovery process. However, more and more collaborations are structured as integrated drug discovery projects (IDD), combining various aspects of chemistry, biochemistry, biology and analytics.

The acquisition of Fidelta allowed significant expansion of our drug discovery services capabilities. The overall headcount of highly experienced scientists increased by over 30%. At the same time Selvita's therapeutic area expertise in oncology and CNS has been expanded by Fidelta's competences in drug development in ares of inflammatory, fibrotic and infectious diseases. The services provided by Fidelta will support Selvita's strategy of building competitive advantage in business areas such as DMPK, *in vivo* pharmacology, and toxicology. It will also enable increase in the scale of operations within medicinal chemistry and *in vitro* pharmacology. Having an animal facility at Fidelta with already developed and routinely run animal models is a significant value driver for the company currently and will remain as such in a near future.

Further support of Selvita's drug discovery capabilities, particularly at the earlier stages of the IDD process, is enabled by the newly established high throughput screening (HTS) facilities including the high-content screening platform (HCS), and the original compound library integrated with the compound management capabilities.

While the "universal" character of the above-mentioned library makes it applicable for identification of active substances in majority of projects run at Selvita, the approaches using focused libraries are often much more effective. In order to be able to produce modern focused libraries Selvita proposed to create the relevant system, the so-called ProBioAI Platform, to produce focused libraries of bioactive compounds by applying machine learning and by integrating the design, parallel synthesis and automatic purification, all of which optimized using artificial intelligence methods in order to accelerate the drug discovery process.

Besides, as a part of our contribution to meeting the challenges posed by the SARS-CoV-2 pandemic Selvita proposed a project to create a service platform, central part of which will be a focused library of innovative compounds having potential antiviral properties and obtained using modern synthetic chemistry approaches recently patented by Selvita. The Platform will accelerate the identification of inhibitors of key proteases involved in the replication of coronaviruses, including SARS-CoV-2. An additional advantage of the proposed service platform is its flexibility to be used for identification of a broad range of other protease inhibitors. The project received financing from the National Center for Research and Development (NCBiR).

Selvita is also expanding the team of scientists working in the DD area particularly with specialists holding a PhD degree. We are recruiting both locally and internationally to ensure the availability of specialists with knowledge and experience in various therapeutic areas, organic, medicinal, computational and analytical chemistry, biochemistry, molecular and cell biology, and ADME / DMPK, which is essential to ensure the high quality of services required by the clients.

During 2021 Selvita chemists continued working in the area of Drug Discovery by providing organic chemistry synthetic support for research projects aimed at developing new therapies. The main task of chemistry teams was the synthesis of a series of libraries of chemical compounds with potential biological activity, their purification and qualitative analysis to support the clients' R&D projects. Collaborations in this area are most often based on long-term relationships with clients and contracts Selvita signed with them in previous years. This is considered an expression of trust in Selvita and a high assessment of the services Selvita provides.

The group of this type of contracts includes, among others, the agreements reported in 2021:

- Current report 32/2021 dated December 14 2021: extension of the cooperation concluded on the basis of the framework agreement of June 20, 2018 between Selvita and one of the largest pharmaceutical companies in the world based in Germany, covering chemical support in the FTE model of the client's research and development projects leading to the discovery of new drugs within the next 12 months.
  With the value of 1.104.312,00 EUR (5.127.983,20 PLN converted at the rate 1 EUR = 4,6436 PLN). The cooperation with the client has been going on since 2011, Selvita reported the extension of the business cooperation with the client in the current report RB 6/2020 of March 30, 2020.
- Current report 19/2021 dated June 30, 2021: extension and expansion of the existing collaboration with the University of California, San Francisco, about which the company informed in the current report 15/2019 dated June 24, 2019 r, with the value of USD 4,183,200 (PLN 15,910,801 converted at the rate 1 USD = 3.8035 PLN),
- Current report 16/2021 dated June 28, 2021 contract with a biotech located in the US, with the value of $1,020,000 (3,853,356 PLN converted at the rate 1 USD = 3,7778 PLN),
- Current report 3/2021 dated January 4, 2021 (reference to the current report No. 25/2020 dated July 4, 2020, published by Selvita SA) – additional purchase orders with a total value of EUR 1.423.293 (PLN 6.473.847 converted at the rate EUR 1 = PLN 4.5485) from an European biotechnological company under the framework agreement which was concluded between the above-mentioned parties on February 01, 2018. It is one of several similar contracts. The fact of expanding cooperation with each of the major clients is important from the point of view of the further development of the Company's operations.

In 2021, Selvita continued working on the IDD projects (mainly for European clients), at the same time expanding the necessary resources in the area of medicinal chemistry. The skills required to run medicinal chemistry within the IDD projects go far beyond the typical organic and computational chemistry, as it is essential to be able to interpret the ADME parameters, to evaluate biological data coming from *in vitro* pharmacological studies, and to predict stability of the compounds in animal and human organisms.

One of the main tasks for our medicinal chemists was to design new scaffolds - molecular skeletons around which small libraries of compounds could be built in order to validate the biological hypothesis of the project to enable the project to move to the next stage of development. Medicinal chemists were responsible for studying the structure-activity relationship (SAR) and designing new, more biologically active compounds using appropriate synthetic strategy.

The team of organic chemists focused on the cost-effective and time-efficient syntheses of a series of compound libraries with potential activity against specific molecular targets. The analytical chemists purified and characterized the synthesized substances which were then subjected to ADME testing, *in vitro* pharmacology studies, and PK profile determination.

During the 2021 the Department of Cell and Molecular Biology (CMBD) has continued the execution of two major types of projects. Drug Discovery projects, belonging to first group, were based on SAR (Structure-Activity Relationship) studies and in which the role of scientists was to develop biochemical and cellular assays to characterize the activity and mechanism of action of novel molecules of potential therapeutic interest. Thus, 30% of the department's scientists carried out FTE projects involving the development of new therapeutic substances for biotechnology companies and pharmaceutical corporations from Europe and the US. It is worth noting that in the last quarter of the year the cooperation with key customers from the UK and EU was extended.

In 2021, ADME and bioanalysis specialists continued integrated drug development projects (IDDs). Additional projects in the field of an extended bioanalytical offer concerning proteomic research of proteins and polypeptides have also been carried out.

Computational chemists supported the IDD projects by analysing the data available in the public domain, tracking the SAR for the duration of the projects, by designing next-generation structures using virtual techniques based on the protein structure, such as virtual screening or focused docking, to identify key ligand-protein interactions. Recently, Selvita has increased the range of available modelling tools and put significant emphasis on the application of the artificial intelligence approaches to drug discovery by employing experienced specialists. Selvita expects AI to become an area of dynamic growth within the DD business.

A very good coordination of the work of medicinal, synthetic, computational and analytical chemists, as well as the ADME and *in vitro* pharmacology team by the IDD Project Managers, as well as significant intellectual contribution of Selvita scientists, supported by good communication with the clients allowed us to generate high-quality data and to achieve the assumed project goals.

Apart from supporting the IDD projects, the activities of computational chemists included: triaging HTS results from standard screening tests and from testing DNA-encoded libraries and support for PROTAC work with the use of protein-protein docking, among other techniques.

In 2021, in addition to the revenues generated by organic chemistry and integrated projects, a significant part of the Drug Discovery area's revenue came from the production and purification of recombinant proteins and the structural analysis of protein-ligand complexes, which the Biochemistry Department specializes in. High-quality recombinant proteins have been produced using both bacterial and eukaryotic (including insect and mammalian cells) expression systems that enable the production of a wide variety of proteins, including those that are relatively difficult to obtain. In addition, in 2021, the Biochemistry Department continued with significant progress

the project co-financed by the Małopolska Center of Entrepreneurship. This project aims to expand the Structural Biology Platform related to the crystallography and structural analysis of protein-ligand complexes. It involves the development and implementation of methods for the production and crystallization of various classes of proteins as molecular targets that are potentially important in the process of drug discovery. Research projects were carried out for a number of European and US clients representing global pharmaceutical and biotechnology concerns, as well as smaller biotech companies related to the Drug Discovery activity. The continuing high number of projects carried out in the Biochemistry Department in 2021 is undoubtedly related to the recognition of the service offer and strengthening the brand of services of the Recombinant Protein Production Platform and Selvita's Structural Biology. This, in turn, allows for the dynamic development of the Biochemistry Department, which is manifested in the increase in employment of experienced scientists and the continuous improvement of the laboratory infrastructure and the offer of research services.

Moreover, in the described period of time, scientists from Selvita`s Cell and Molecular Biology Department have been engaged in the execution of two projects co-financed by National Center for Research and Development (NCBiR). Activities performed within the scope of the first project "HiScAI – Development of phenotypic assay platform, based on high-content screening technology (HCS) with the analysis using artificial intelligence algorithms, to facilitate drug discovery process for treatment of neuroinflammatory and fibrotic diseases" have been focused on development of complex assays enabling multiparametric analysis of phenotypic changes in cells with the use HCS technology and AI computational procedures. At this stage of the projects CMBD scientists work on the elaboration and optimization tests that are supposed to characterize activity of drug candidates used in the treatment of neuroinflammatory disorders. In the second project "Technology platform for new generations of drugs against diseases caused by coronaviruses, in particular SARS-CoV-2" CMBD scientists are supporting the activities of chemists by conducting biochemical and cell-based assays on compounds that are supposed to have anti-viral activity.

In the following quarters / years, in addition to strengthening the team by employing highly qualified staff with diverse therapeutic area and technological experience, as well as by investing in equipment, technologies and laboratories necessary for the balanced functioning of the growing organization, the organic growth of the Drug Discovery area will depend on increasing the efficiency of operations. This will be done, for example, through the implementation of automation of the processes of synthesis, purification and testing of chemical compounds and the wider use of artificial intelligence tools in the processes of data analysis, including the data coming from the HCS assays, compound binding model creation, as well as the prediction of compound structures expected to show improved activity in the IDD projects.

It is worth noting that, similar to H1 2021 CMBD, in second half of the year CMBD has consequently strengthen its presence on the US market. Acquisition of new Drug Discovery projects made USA the second region (after Europe) generating the highest income for the department. The number for projects executed by CMBD for customers from UK, Europe and USA has increased significantly which resulted in joining 20 more scientists to the team.

Services provided in Croatia

Zagreb team combines expertise in the field of medicinal and synthetic chemistry, CADD, in vitro and in vivo pharmacology, ADME/DMPK, toxicology and translational science. Over the past two decades, the team has undertaken numerous drug discovery projects including fully integrated projects (i.e. including in vivo disease models) in the therapeutic areas of inflammatory (respiratory, GI, autoimmune) and infectious diseases (viral and bacterial), building a strong expertise in the field and developing broad packages of assays and animal models. The team has also experience working in other therapeutic areas like CNS and immune-oncology. Our combined experience totals more than 120 integrated drug discovery (IDD) projects for which more than 30 have delivered pre-clinical candidates and 8 entered the clinic.

High volume deals are coming from integrated drug discovery services where our Zagreb team is running Lead Optimisation phases of the project covering medicinal chemistry, ADME/PK, in vitro and in vivo biology. Those are yearly based contracts with multiple FTEs involved.

In 2021 our team achieved great results in all of the departments. We continued working on main collaborations from 2020 but also won some new ones, e.g. signing a contract with an existing client for the new integrated drug discovery project that will bring >€4M of income over the next 18 months. With another existing client we signed a contract for integrated drug discovery project that guarantees €1.2M minimum income yearly. With Clients from both Europe and US we are designing strategies on IDD projects that are to yield new clinical candidates starting from Hit to Lead and Lead Optimisation stage. The biggest achievement this year is nomination of 2 clinical candidates from collaborations with our US clients.

We also continued growth with the number of people and today we are employing 216 people among which more than 190 highly experienced scientific staff. We also continued investing into education of our scientist by mentoring and financially supporting their PhD work.

The project of new facilities in Hondlova has successfully being finished and departments of in vitro pharmacology and DMPK moved in in December as originally planned.

Chemistry & ADME/DMPK

The vast majority of Zagreb team's Chemistry department have continued to work on 4 major IDD collaborations including inflammation, respiratory and oncology therapeutic indications. The successful progression of the projects within these collaborations has resulted in the nomination of two preclinical development candidates. Headcount has continued to increase beyond 10% for the chemistry department during 2021, with revenue growth in excess of 20% compared to 2020.

During 2021 the analytical team have focussed on analytical services to support synthetic chemistry in IDD projects and as well on services in early development of NCEs and generics, offering physical chemistry testing.

ADME/DMPK department has continued to support clients from virtual, biotech and large pharma organisations with services which include; a full suite of standard in vitro ADME assays required to progress discovery projects; in vivo rodent PK, PK/PD and toxicology studies; as well as GLP bioanalytical support (clinical). The work undertaken involves both standalone screening services and IDD projects across the Selvita group. Revenues and staff growth has been particularly strong during 2021 and is on track to exceed 20%. The ADME/DMPK department successfully completed

the move to a new site, ensuring additional resource to support increased demand. Within the new site, further expansion capacity is available to provide continued growth for future years.

***In vitro* pharmacology group** is very experienced at developing assays to assist preclinical drug discovery with expertise in infectious, inflammatory and fibrotic diseases, host-pathogen interaction, and immuno-oncology. Assays are aimed to support hit and lead identification and optimization by determining the activity at the target proteins in cell free and cellular settings, as well as the effect on cell function, such as mediator release, cell surface and intracellular markers expression, proliferation, and chemotaxis. Whenever appropriate assays on human primary cells and tissues are prioritized, from healthy donors and patients, to resemble human disease as much as possible. During 2021, in vitro pharmacology group has supported hit and lead identification and optimization on various drug discovery projects, either by in vitro compound testing or ex vivo analysis of animal samples from in vivo studies. A testing of drug candidates, translational research, biomarker exploration and analysis was performed on collected human tissues for several clients. In addition to regular compound screening, In vitro pharmacology, has developed several whole blood assays for proof of mechanism studies in clinical trials and performed analysis of clinical samples with the same scope.

Finally, at the very end of the year, In vitro pharmacology has moved to the new facility in Hondlova.

***In vivo* pharmacology team** is experienced in using animal models as an irreplaceable tool for a wide range of applications: in vivo target validation, efficacy testing, PK/PD, mechanistic, translational studies as well as PD/tox studies in which early safety read-outs can be assessed. A full panel of automated clinical biochemistry, haematology, and coagulation analyses as well as molecular biology techniques are available to support investigation of the compound efficacy and safety. Experienced pathologists, and an in-house histopathological laboratory that routinely runs all standard and special histological techniques, enable accurate characterization of animal models, elucidation of compound effects and link to clinics. Fully characterized animal models of infection (viral and bacterial), inflammation (respiratory, gastro-intestinal, auto-immune, dermatology) and fibrosis (lung, liver, kidney), validated with clinically relevant pharmacological controls, offer a comprehensive approach to primary and secondary pharmacodynamic profiling of the compounds to ensure generation of high-quality data relevant to human disease. During 2021, in vivo pharmacology group was focused on bacterial and viral infections, fibrosis, gastro-intestinal, inflammation and immuno-inflammation. In addition to performing of compound testing in number of studies across different animal models, a group has put significant focus on developing novel offerings in the areas of infection and inflammation. In addition to large number of returning clients, a significant number of novel clients have contacted Zagreb team with the requests for in vivo studies creating significant potential for the future growth.

In May, an inspection for renewal of the AAALAC accreditation took place.

Translational research team designs, plans and executes prospective medical research studies on carefully selected patient population, and has continued successfully doing that during 2021 in spite of ongoing pandemics.

In addition to very busy business year, Pharmacology and Translational Research has been rather active in external scientific communication. Successful development of assays for testing of human corona viruses in BLS2 conditions was presented at American Thoracic Society (ATS) meeting in

May and a promising data related to the identified potential drug candidates was published by one of the clients in their press release. Our lupus erythematosus model was presented to the broad external audience through the webinar held in June.

A poster related to the animal model of inflammatory bowel disease was presented on 33rd European Congress of Pathology in August, whereas *Club cells as the source of Wnt3α in a mouse model of bleomycin induced lung fibrosis* were discussed at Wnt & β-Catenin Targeted Drug Discovery Summit in November. Furthermore, results of extensive collaboration with the clinical medical centres in the field of IBD was presented at UEG Week in October.

Some earlier work focusing on azalides as anti-malarial agents was published at the beginning of 2021 in British Journal of Pharmacology and Viral Interactions with Adaptor-Protein Complexes was addressed in Int J Mol Sci. in May. Detailed article related to macrolide inspired macrocycles as modulators of the IL-17A/IL-17RA interaction was published in J Med Chem in June.

Publication related to pathogen-associated molecular patterns and extracellular Hsp70 interplay in NLRP3 inflammasome activation in monocytic and bronchial epithelial cellular models of COPD exacerbations was published in APMIS beginning of the year, whereas biological activity of newly synthesized benzimidazole and benzothiazole 2,5-disubstituted furan derivatives was reported in Molecules in August.

Extensive research of claudins in human IBD and animal models was published in November 2021 in Frontiers in Pharmacology.

Finally, a joint publication with our client, related to antiviral activities of halogenated emodin derivatives against human coronavirus NL63, was published in J. Molecules in November.

3.2 Regulatory Studies

In 2021, the Analytical Laboratory of Selvita, as in the previous years, carried out projects for pharmaceutical and agrochemical clients. Research efforts related mainly to the development and optimization of analytical methods were carried out according to the FTE approach, while projects related to validation, method transfer, and release studies followed the FFS format. Projects were executed mainly for regular customers, while new customers commissioned research consisting in the analysis and identification of impurities, transfer and release testing, and the proteomic studies of proteins and polypeptides.

In the field of FTE projects, work was carried out mainly for a global pharmaceutical company as part of CMC analyses - currently several years of cooperation include comprehensive analytical support for several pharmaceutical molecules: development, validation, and transfer of methods, stability studies, and analysis of nitrosamines content. For the above-mentioned client, a project related to the transfer, validation, and stability studies of two biological products was also carried out in 2021. Further research orders related to the development, optimization, and then validation of methods for small molecule products were obtained from another large pharmaceutical client. Similar orders were received from a new US-based client, with whom cooperation began at the beginning of the year and is developing very well.

In the area of regulatory and release studies, certification of active substances as well as biological and small molecule finished products was carried out for several regular pharmaceutical companies, including a well-known global company that increases the scale of the research quarter by quarter - for example, in addition to the release studies, further stability studies are currently planned for the earlier transferred products. Transfer analyses for the full range of specifications for six products have also been started for the new pharmaceutical customer. To ensure the smoothness of analyses in this area, additional HPLC systems were purchased in the third quarter.

For agrochemical companies, work was carried out in the field of method validation, certification of active compounds and impurities, 5Batch tests, and physicochemical analyses. All these activities are carried out in the GLP system. Orders were mainly received from two major global agrochemical companies.

A discussion also started regarding a bioanalytical project for a customer already known to us, a chemical company that, after in-house research, decided to conduct further research at Selvita, consisting in the LCMS analysis of additives in the product and impurities in biological matrices. This project has just started.

A key pillar of CMBD activities constituted transfers of bioanalytical methods as well as batch release and stability testing of several biological drugs from various classes for companies from Europe, US and Australia. These analyzes were carried out in the Good Manufacturing Practice (GMP) standard. It should be emphasized that in H2 2021 CMBD has continued the execution of three new projects for the European customer. Projects concern the development of biological assays to assess the activity of peptide vaccines for the treatment of patients suffering from unresectable/metastatic melanoma. Moreover, CMBD has kept on conducting of the first regulatory collaboration with the client from South Korea. Finally, the laboratory performed several projects in GLP concerning in vitro genotoxicity testing for European agrochemical companies.

In Q4 2021, two contracts for complex regulatory research collaborations were also signed with European customers. The first is for the development and validation of methods for a biological product with cytostatic and immunotherapeutic properties for use in cancer therapy. The second involves the development of a series of assays to analyze a critical reagent used in the bioassay of a potential drug for early symptoms of Parkinson's disease.

3.3 R&D / Research and Development

An additional stream of revenues in 2021 came from the R&D projects.

The main types of projects in this area are typically synthetic chemistry projects for the biotechnology and pharmaceutical industry, development of new, effective, cost-efficient and environmentally safe synthetic processes / alternative technologies to make chemical substances, scaling up chemical processes for production purposes, as well as optimization and parameterization of technologies for registration purposes.

In 2021, Selvita scientists also worked on contract synthesis of pharmaceutical and chemical compounds on a scale from mg to kg – providing the customers with active substances, intermediates, impurities and degradation products.

Based on a wide range of chemical, bioanalytical and proteomic analyzes, Selvita Analytical Laboratory conducted research and development projects for clients with whom cooperation had been established in previous years, as well as new clients acquired thanks to the constantly expanding packages of testing methods.

The R&D area is of interest to both large and medium-size pharmaceutical and biotechnology companies, agrochemical and chemical industries as well as the CRO / CMO organizations. Within this group of projects, the company provides services based on the FFS and FTE models. We work on such projects with clients from Europe, Israel and the US.

Selvita continuously expands the portfolio of available technologies, e.g. in the field of photochemistry, electrochemistry, flow synthesis, high pressure synthesis and the available analytical testing package, in line with the expectations of our clients, which allows for the continuation of the upward trend also in the area of R&D / Research and Development.

3.4 ARDIGEN S.A.

Ardigen is a rapidly growing bioinformatics company operating on the global pharmaceutical and biotechnology market. It specializes in the application of Artificial Intelligence technologies in the process of developing new therapies and innovative drugs.

Using advanced world-class competences in the field of biology and chemistry, bioinformatics, data science, computer science and own computing platforms which apply artificial intelligence, Ardigen aided by computers does research and simulations which replace and extend traditional research and laboratory methods. Thanks to the Company, the drug/therapy discovery and development process is faster, cheaper and carries a lower risk of failure.

The Company's offer is aimed at leading global pharmaceutical and biotechnology companies as well as at research and scientific centres working on new drugs, therapies, biomarkers or involved in other advanced R&D in the field of medical biotechnology.

From the start, Ardigen has rapidly increased its revenues from the sale of services (67% CAGR for 2016-2021), maintaining high EBITDA profitability. The surplus was spent on the development of services and AI computing platforms as well as on raising scientific competences in selected specialist areas (immunology, microbiome, biomedical imaging). Apart from own funds, the development of the Company is financed by grants from the Polish National Centre for Research and Development (NCBiR) as well as by Małopolska Region Centre for Entrepreneurship (MCP).

Ardigen is a player on the global artificial intelligence in drug discovery market. This market has emerged relatively recently as a segment of the bioinformatics market and the drug discovery market. The use of artificial intelligence technology and bioinformatics tools in the pharmaceutical and biotechnology industries offers biologists and chemists opportunities which have been previously unattainable. Even partial replacement of traditional laboratory work by artificial intelligence technologies makes it possible to conduct research on new therapies of a much greater range, on a larger scale, faster, cheaper and with a lower risk of failure than before. This will result in launching a considerably higher number of innovative drugs/therapies on the market. Artificial intelligence is a revolutionary, ground-breaking transformation on the drug discovery market.

Pharmaceutical companies are starting to design their AI strategies and to change their organizational structures to best apply AI technologies.

Artificial intelligence companies for drug discovery operate in the neighbourhood of pharmaceutical, biotech, technology and financial investors. In 2019 the global AI in drug discovery market was estimated at approx. $ 259 m. Forecasts for the coming years indicate very fast growth (40%+ CAGR), at least until 2027. The AI in drug discovery market may be worth as much as $ 1.4 billion in 2024, and $ 3.9 billion in 2027 (Source: Data Bridge Market Research).

In 2021, apart from a wide range of general services (Digital CRO), the Company offered specialized services applying own AI platforms. Focusing knowledge, competences and technologies on a single biological area paves the way to delivering very high added value. In 2021, the Company operated in three such areas. They were:

- biomedical imaging,
- immunology,
- the microbiome.

DIGITAL CRO

In 2021, general services saw a significant increase in revenues, nearly twice the AI in Drug Discovery market growth rate. This was mainly due to:

- more orders in the area of digital health by clients in the Big Pharma segment,
- acquisition of eleven new clients (including two more from the Big Pharma segment),
- interest in tools supporting the drug discovery process in preclinical research (offered by the licensing model), such as Gene Regulation Platform, Frontman or Data Sailor.

The service offer for 2021 was updated not only by new rapidly developing trends in bioinformatics and data science, but above all by process elements and tools for digital transformation of data processing, access, analysis and interpretation (using AI) in order to reduce the duration and increase the likelihood of success of clients' R&D projects.

It is a strategic trend in general services, allowing pharmaceutical and biotechnology companies to implement the AI/Data Driven strategy.

BIOMEDICAL IMAGING

In Biomedical Imaging (BI) the year 2021 began with intense sales and marketing. Marketing and sales materials were developed. The team had the opportunity to present a wide range of applications of the Technology Platform in the BI area at over 17 industry conferences (mainly virtual ones). Sales in early 2021 resulted in the signing of over 8 contracts with new clients as well as continuation of projects started prior to 2021.

An important event of last year was the signing of a contract to continue cooperation in the field of innovative application of computer vision technology in the process of discovery of small molecule drugs with a company ranked among the largest global pharmaceuticals. The aim of the project is to develop a platform enabling virtual screening of small particles based on images from High-Content phenotypic screening (HCS). The scheme focuses on the development of algorithms to predict the properties of small molecule compounds based on images from HCS experiments.

Furthermore, in 2021, the Company continued cooperation with Selvita S.A. as part of a contract with the National Centre for Research and Development (NCBiR) to co-fund a project of developing a phenotypic research platform based on HCS aimed at discovering new drugs in neuroinflammatory and fibrotic diseases. As part of this project, Ardigen is developing a Technology Platform based on computer vision methods that will enable fast and precise analysis of images obtained from the HCS platform.

2021 was also a year of strategic planning for the BI area. The end of the year brought a decision to narrow down the offer and focus on the area of phenotype screening and machine learning methods supporting the drug discovery process.

IMMUNOLOGY

In the field of immunology, the Company focused on the development of two advanced technology platforms: ArdImmune Vax and TCRact, which significantly accelerate, reduce costs and increase the safety of contemporary anti-cancer immunotherapies using artificial intelligence methods.

In the course of work on the ArdImmune Vax and TCRact platforms, an observational clinical trial NCT04994093 was launched to obtain data for the development of the platforms and to experimentally confirm their effectiveness. The results of research in this area were presented at the SITC (Society for Immunotherapy of Cancer) conference.

The ArdImmune Vax platform was applied in a research project with a renowned academic centre to determine potential therapeutic targets for glioblastoma. In addition, in 2021, the first positive results of in vivo validation of the COVID-19 vaccine were obtained in cooperation with CVC, which filed a patent application for the unique composition of this vaccine designed using the ArdImmune Vax platform.

Intensive work was also carried out to apply the developed technology to detect potential side effects of immunotherapy which are difficult to predict prior to clinical trials. The results were presented in the first half of the year at prestigious scientific conferences: CIMT Europe's Cancer Immunotherapy Meeting (CIMT) and the International Society for Cellular Therapy Annual Meeting (ISCT). The topic was received with great interest and this led to the establishment of commercial cooperation with two biotechnology companies (from Asia and Australia) and to scientific cooperation with a renowned European cancer research centre. Such collaboration confirms the usefulness of the created technology in the process of developing cellular immunotherapies.

In order to make new business and scientific contacts, the team attended numerous conferences (both virtual and real-life ones), including the three above-mentioned ones where they presented the results of work on the developed technology platforms. Furthermore, the company was involved in intense marketing such as for instance posting short films and brief scientific texts on a technical blog; it also participated in a webinar and symposium on the use of artificial intelligence in the development of innovative therapies.

In 2021, the Scientific Council was established and Prof. Olivera Finn and Aleksandra Walczak, PhD, two internationally acknowledged experts from the world of science related to the developed platforms, were invited to sit on it. Numerous consultations with the Scientific Council increase the scientific potential of the team and make an invaluable contribution to the strategy of developing innovative technology platforms.

THE MICROBIOME

In the microbiome area, in 2021, the Company continued the development of the advanced technological AI Ardigen Microbiome Translational Platform intended for functional microbiome analysis based on the complete available metagenomic and metabolomic information.

The coming together in one place of immunological and microbiome competences and of an advanced AI platform resulted in the implementation of four projects, including one with a large pharmaceutical company.

The implementation of the project on the use of the potential of the environmental microbiome in forensics was continued. The work is carried out in a consortium with the Central Forensic Laboratory of the Police and with the Jagiellonian University.

In the first half of the year, a patent application was file in cooperation with The Institute of Bioorganic Chemistry of the Polish Academy of Sciences in Poznań as part of the Map of the Polish Microbiome.

The company received a grant in the NCBiR (National Centre for Research and Development) Fast Track mode ("Development of the Microbiome Biomarker Discovery Platform technology allowing the discovery of candidates for predictive biomarkers of microbiome origin with the use of artificial intelligence methods to predict the effectiveness of oncological therapies, in particular ICT (a-PD-1, CTLA-4) and chemotherapy.") in the amount of PLN 9,891,232 (co-funding of PLN 6,025,419). Under this grant, 530 samples will be collected from patients undergoing immunotherapy and chemotherapy for various oncological indications.

Due to the ongoing pandemic, numerous microbiome conferences were attended in only in the virtual form. In addition, the Company continued to work on marketing on the Internet which included mailing campaigns, webinars, posting short films, interviews and posting on a blog.

Ardigen continued its active membership in the Pharmabiotic Research Institute, an organization which brings together the world's leading companies developing LBP therapies, it was also featured in the Microbiome Times report as one of the leading companies in the microbiome field.

3.5 Market and competitive landscape

Global Drug Discovery Outsourcing Market Overview

The cost of taking a drug to market has risen rapidly over the past years. Development costs median for a drug is now estimated to be approximately USD 1 billion, while the average cost amounts to USD 1.3 billion. Pharmaceutical companies now increasingly contract out parts or all aspects of the early-stage drug discovery process to an external provider, otherwise removing the need for expensive in-house manufacturing capacity. The drug discovery operations are typically contracted out to a third-party, such as a contract research organization (CROs). The strategy of outsourcing drug discovery has the following benefits:

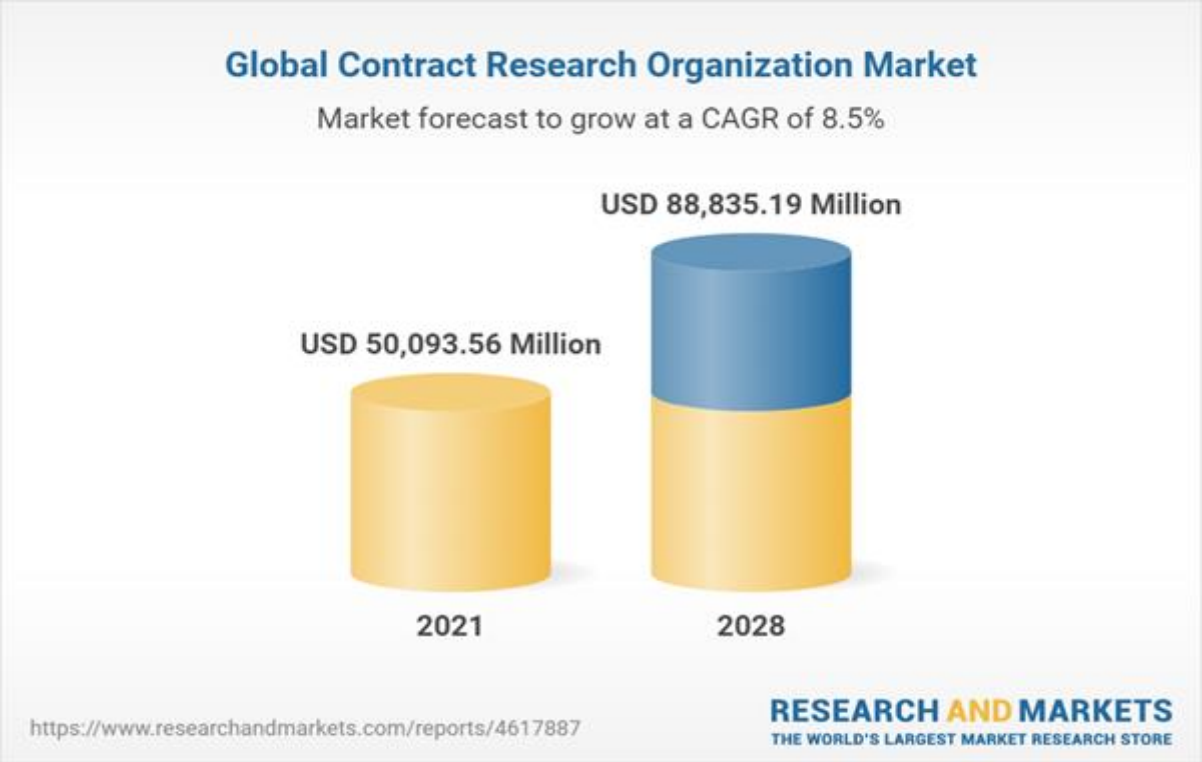
- The ability of biopharma to focus on core competencies such as commercialization and marketing

- The CRO can provide an expansion of technological resources and expertise, without having to spend money on new facilities and equipment
- Increasing the efficiency of drug discovery and hence reducing the development timeline
- With no up-front capital investment in new technology, the pharmaceutical company can experience improved cash flow
- Flexibility that outsourcing affords to pharmaceutical companies, as it allows them to devote resources that would have been tied up in development to other areas of the company
- Knowledge of international and local regulation of biopharmaceutical products may be better understood by CRO

Drug discovery outsourcing is a growing market because the benefits outweigh the costs for pharmaceutical and biotechnology companies. Outsourcing is still a rapidly evolving market and therefore CROs constantly have to adapt to the pharmaceutical business needs.

According to The Insight Partners report („Medical Device and Diagnostics Contract Research Organization Market Forecast to 2028 - COVID-19 Impact and Global Analysis by Type and Services and Geography) on The Global Drug Discovery Outsourcing Market Forecast, the drug discovery outsourcing market reached USD 50 billion in 2021. This market is predicted to expand in the next decade with strong growth in the drug discovery outsourcing resulting in reaching approx. USD 89 billion market worth by 2028. This growth stems from an increasing demand for outsourced services as pharmaceutical companies become more willing to share the burden of high-risk/high-reward novel drug discovery. Another driver is the arrival of big pharma patent cliff, as the pharmaceutical industry has undergone a number of patent expiries over the last few years, it will be looking to infuse the pharmaceutical drug pipelines with a new set of candidates with a high potential of reaching the clinical stage and introduction to the market. The drug discovery outsourcing market is one of the fastest growing sectors of the pharmaceutical contract research markets. Increased costs in the discovery and development of new drugs, due in part to high attrition rate of drug candidates in development, has driven companies to outsource part or all of their discovery process. CROs have evolved rapidly to meet the needs for full spectrum of companies from virtual companies to large pharma. In recent years, Visiongain has observed an increasing number of alliances and partnerships between companies and CROs. This has resulted from plans to reduce the cost of discovery and from the fact that companies are increasingly requiring specialized expertise from CROs whilst seeking to accelerate the drug discovery process. The trend is showing that CROs are becoming the powerhouses behind drug discovery.

Difficult market conditions are forcing pharmaceutical companies to focus on their core-competencies, reduce inefficiencies in their programs and outsource non-core competencies. Toxicity testing and ADME profiling are two functions that are expected to be heavily outsourced to CROs. Pharmaceutical companies will be conscious that cost-savings in clinical trials and discovery processes will reduce the overall costs of drug development.



Source: The Insight Partners („Medical Device and Diagnostics Contract Research Organization Market Forecast to 2028 - COVID-19 Impact and Global Analysis by Type and Services and Geography)

The leading companies in the drug discovery outsourcing market are Covance Inc. (now part of the LabCorp Group); Charles River Laboratories Inc; Evotec AG; Curia (AMRI); IQVIA (QuintilesIMS), WuXi Apptec and Sygnature Discovery.

The drug discovery outsourcing market is becoming increasingly global as pharmaceutical companies and small biotechs increasingly seek partnerships and alliances in order to outsource their drug discovery. According to Coherent Market report, North America was the world's largest market among the region in 2019 with sales of USD 12,174.4 million. Followed by North America market was Europe, with sales worth USD 6,831.2 million in 2017, representing 33.9% share of the global market. In 2028, the Asia-Pacific market is expected to generate sales of USD 13,662.7 million, with a share of 19.9% of the global market with a rise from 19.1% in 2023.

Despite of ongoing Covid-19 pandemic in 2020, the pharmaceutical industry has been the second-best year in terms of the number of drugs approved by the US FDA. This year witnessed the authorization of 53 drugs—a number surpassed only in 2018 with 59 pharmaceutical agents. The 53 approvals in 2020 include 40 new chemical entities and 13 biologics which comprised of 10 monoclonal antibodies, 2 antibody–drug conjugates, 3 peptides, and 2 oligonucleotides. The FDA has authorized 160 drugs in the last three years (2018–2020), compared to the approval of only 21 drugs in 2010. This growth in the number of approved products worldwide is attributed to the growing investments by biopharmaceutical companies in order to develop biologics and biosimilar.

The European drug discovery outsourcing market is expected to grow from USD 6,831.2 million in 2017 to USD 23,494.8 million in 2028, with 2023-2028 CAGR of 11.3%. The Europe will remain as

the second largest region in the drug discovery outsourcing market despite losing market share to emerging economies such as China and India.

The prevailing pandemic and the assumed significant resources from European funds aimed at generating an economic impulse will be reflected in an increase in the stream of money directed at research and development in health care, in particular in drug discovery market in Europe. As a result, funding for biotechnology should be higher, which will lead to more research projects being carried out.

Pharmaceutical Analytical Testing Outsourcing Market

According to GVR's report on the pharmaceutical analytical testing outsourcing market was valued at USD 6,500.00 million in 2021 and is expected to grow with CAGR of 8.9% over the forecast period to reach USD 13,900.00 million in 2030. Innovation in pharmaceutical industry, increasing focus on regulation, safety & quality, rising number of end-users, and pricing benefits of outsourcing are vital drivers for the lucrative growth of the market. Increasing R&D investments is one of the critical sustainability strategies. Not all companies have an infrastructure that is conducive for all types of analytical testing. Hence, outsourcing these operations is the most suitable option, which also helps save time and cost. In the recent times, the R&D expense to revenue ratio is increasing and is expected to continue to increase over the forecast period.

Based on the services, the pharmaceutical analytical testing outsourcing market is segmented into bioanalytical testing, method development & validation, stability testing, and other services. Changing regulations for in vivo and in vitro tests and increasing complexity of these tests are anticipated to strengthen the demand for these services. Other testing services, which include physical characterization of the materials, raw material testing, batch release testing, microbial testing, and environmental monitoring are also anticipated to grow substantially over the forecast period.

Market growth factors:

- Innovation: increasing R&D investments is one of the critical sustainability strategies. Not all companies have infrastructure for all the type of analytical testing. Hence outsourcing these operations is best suitable option which also helps to save time and cost. In recent times amount of R&D expenditures from total revenue is increasing and it is expected to continue increase over the forecast period.
- End-user volume: the performance of market players in pharmaceutical analytical testing domain is greatly influenced by level of demand from end-user side. People today are more concerned about self-care resulting in greater consumption of pharmaceutical products. As a result, companies have to realign their manufacturing capabilities to meet increasing demand. Some companies may conduct these tests are in-house but sometimes can be capacity constrained.
- Pricing: conducting analytical tests in-house and outsourcing it has major price differences. Company may lack the set-up and expertise to perform every possible test in-house. Additionally, there are serval non routine activities which are needed to be performed single times. With outsourcing, companies are benefited on various aspects such as personnel, and equipment purchase, validation & maintenance cost.

Some of the key players in this market include: Eurofins Scientific; Pharmaceutical Product Development LLC; Pace Analytical Services LLC; Boston Analytical; Charles River Laboratories International Inc. Regional & service portfolio expansions and merger & acquisitions are key strategic undertakings of these players.

Asia Pacific region is expected to have the highest CAGR growth rate over the forecast period (up to 2030). This can be attributed to an ever-growing number of clinical trials and number of companies trying to establish themselves on growing countries markets, such as India and China. Moreover, availability of low-cost (in comparison to USA and Europe), qualified employees is yet driver of regional market growth.

North American market has also seen large growth of shares in the global market. Presence of top tier pharmaceutical and medical devices companies along with growing R&D expenses in this region are the key factors driving US market forward. It is expected for the US and European regions to remain the key regions in terms of regulatory outsourcing because of presence of two of the main international regulatory agencies, i.e. EMA and FDA.

Selvita's competitive position

The contract research industry is highly competitive. We often compete for business not only with independent CRO companies, but also with internal departments within some of our customers. If we are not successful in this competition, especially with respect to the competitive advantage of outsourcing requirements, our business will suffer. Whilst there is a small number of larger outsourcing service providers, which have emerged as leaders within the industry, outsourcing market for drug discovery and other outsourced services remains fragmented. Reports indicate that there are still over 1000 CROs around the globe serving the pharmaceutical and biotechnological industry.

Increased competition often leads to price and other forms of competition that might adversely affect our business and financials. As a result of competitive pressures, CRO market has experienced consolidation in recent years and such trend toward consolidation is expected to continue.

An important factor mitigating the above risk and ensuring increased competitiveness of the Selvita Group's services is the acquisition of Fidelta d.o.o. at the beginning of 2021. The addition of Fidelta to the Issuer's Capital Group will have a positive impact on building a competitive advantage on the consolidating market, mainly by introducing services in the areas of in vivo pharmacology and toxicology to the offer, as well as extending the offer and scale of operations in other departments, resulting in strengthening Selvita's market position. It should be noted that customers prefer suppliers that are in a position to provide a comprehensive offer. Supplementing the offer of services provided by the Selvita Capital Group with new areas and competences is in line with the Issuer's Strategy related to building the international position of a CRO providing comprehensive Drug Discovery services for clients from the biotechnology and pharmaceutical industries.

Selvita's most important competitive advantages are:

- PROVEN EXPERTISE & TRACK RECORD: experience working with the biggest, most demanding and quality focused partners

- COMPETENCE: Operational excellence and highest quality science is at the core of how we work
- FLEXIBILITY: We review, we solve, we deliver, but most of all we are here to serve our customer needs
- CULTURE OF INNOVATION: we continuously improve our processes and implement the state-of-the-art strategies in our projects
- LOCATION: being the EU member enables us to provide services to the companies that want to enter their drugs into European market
- PRICES: Winning price vs. quality ratio

Important suppliers and customers

Information on the main business partners with turnovers exceeding 10% of income can be found in details in notes to the consolidated financial statements of Selvita S.A. Group. The key suppliers and customers are not related to the Issuer.

3.6 Changes in the basic principles of managing the Issuer's and its Capital Group enterprise

There were no such changes in the 2021 financial year.

3.7 Sponsoring and charitable activities

As part of its Corporate Social Responsibility, Selvita Group intends to build long-term relationships with charity organizations, making an impact on local and national communities' lives.

Furthermore, the Group supports UNICORN Charitable Association in Krakow, a charitable organization established in 1999, which supports oncology patients and their families. Currently, the Society's activities revolve around three areas: Psychooncology Center, Unicorn Club and volunteering. In addition to local activities addressed to the residents of Krakow and the surrounding area, the Association has for years been implementing projects to help patients from all over Poland. The aim of the Association is to create a place where people diagnosed with cancer will receive comprehensive and professional support in an attempt to tame the oncological disease and overcome the shock associated with a difficult diagnosis.

Selvita Group also supported a Krakow charity run in the form of a relay race organized by Poland Business Run Foundation, supporting people with mobility impairment in overcoming the social barriers. The foundation spreads awareness about musculoskeletal disabilities and tries to change the perception of people affected.

Moreover, the Company cooperates with the "Piekne Anioly" Association helping children and youth who face difficult family and social circumstances on a daily basis.

In 2021, Selvita Group supported financially the General Hospital in Sisak, which suffered greatly due to the earthquake in Croatia. In late 2020, central Croatia was hit by a powerful earthquake that killed several people and injured dozens.

Selvita Group primarily supports the local community as part of its charity activities. The previous year, the Company made a donation to one of the local fundraisers, which aimed to help a person with a physical disability.

Charitable trust in Selvita Group in 2021 amounted to over 54 thousand PLN.

3.8 Employment data

Due to the dynamic development of Issuer and its Capital Group, employment in 2021 increased significantly. At the end of 2021, there were 864 people employed in the Capital Group, including 335 in Selvita S.A. whereas, at the end of 2020, the Group employed 561 employees, including 258 in Selvita S.A. The main driver of the Capital Group's employment growth was the acquisition on January 4, 2021 of Fidelta, which had 204 employees at the end of 2021.

	As of 31.12.2021	As of 31.12.2020
Selvita S.A.	335	258
Selvita's Affiliates	529	303
[TOTAL]	**864**	**561**

3.9 Significant events

A) During the reporting period

Closing of an acquisition of Fidelta's d.o.o.

On 4th of January after the fulfilment of all conditions precedent, including in particular:

i) extension of the lease agreement concluded between Fidelta d.o.o. ("Fidelta") and Pliva Hrvatska d.o.o. concerning office and laboratory space, until 31 December 2027,

ii) ii) conclusion by Fidelta of a pre-lease agreement with Medi-Lab d.o.o. and Emo Mancipo d.o.o. concerning rental of additional office and laboratory space,

Issuer, as the buyer and Galapagos NV with its registered office in Mechelen (Belgium), as the seller, concluded an agreement concerning purchase of 100% of Fidelta's shares for the price of EUR 31.2 mln (adjusted on the basis of the standard adjustments in this type of transactions, specified in the share purchase agreement, concerning the net cash and working capital of Fidelta in the amount of EUR 5.9 million, i.e. PLN 26,775,621).

The Transaction constitutes Selvita Capital Group's long-term investment of a strategic nature and at the same time is a transformative step in the implementation of the Issuer's Capital Group's Strategy for years 2020-2023, which was adopted on 29 April 2020.

Conclusion of significant purchase orders

On 4th of January 2021 the Issuer also informed about obtaining further orders with a total value of EUR 1.423.293 from a biotechnological company with its registered office in Europe ("Customer"), under the framework agreement concluded between the above-mentioned parties on 1st of February 2018. Orders concern the provision of services consisting in the synthesis of chemical compounds aimed at supporting the development of the Customer's innovative

projects. In addition, the Issuer's affiliated company - Fidelta received an order under the contract concluded by Fidelta with the Customer on1st of October 2018, with a value of EUR 2.510.761. The subject of the order are support services of the development of Customer's drug discovery projects in the field of medical chemistry, *in vitro* pharmacology and *in vitro* and *in vivo* DMPK tests.

In view of the above, the total value of services provided by the Issuer's Capital Group to the Customer in 2021 will amount to EUR 3.934.054. Orders are carried out, respectively, in the Issuer's research laboratories in Poland and Fidelta's in Croatia, from January 4, 2021, and the works are planned for the entire period of 2021.

Obtaining a building permit for Selvita Research Centre

On April 12, 2021 the Company received information on issuance by the President of the City of Krakow of an administrative decision on the approval of the architectural and construction design and land development plan, granting the Company a permit to build Selvita Research Centre. The new Centre will be located in Krakow at Podole Street, near the current headquarters of the Company.

Extraordinary Meeting of Shareholders of Selvita S.A. held on May, 17 2021

On May 17, 2021 the General Shareholders Meeting was convinced to adopt a resolution regarding adoption of the Incentive Program for the years 2021-2024.

The incentive program will cover eligible persons (employees or associates remaining with the Company or a company from the Selvita Capital Group in a legal relationship specified in the Program Regulations, "Eligible Persons"). Under the Program, a total of 1,247,720) shares of the Company will be allocated to Eligible Persons, acquired by the Company from Mr. Paweł Przewięźlikowski ("Shares").

The condition for the release of the Shares by the Company as part of the Incentive Scheme settlement will be:

a. signing an agreement with the Company for participation in the Incentive Program ("Incentive Scheme Participation Agreement");

b. the Entitled Person's commitment not to dispose of the Shares granted for the period specified in the Incentive Scheme Participation Agreement, not shorter than 12 months and not longer than 36 months from the date of purchase of the Shares ("Transfer Restriction");

c. staying by the Eligible Person in a business relationship with the Company or a Capital Group Company for the period specified in the Incentive Scheme Participation Agreement, not shorter than 12 months and not longer than 36 months from the date of purchase of the Shares ("Service Relationship Durability");

d. remaining as an employee or associate with the Company or a Company from the Capital Group in a relationship as at the date of issuing the Shares.

Information concerning impact of non-diluting incentive program on Company's consolidated financial statements

In order to assess the impact of the establishment of the non-dilutive incentive scheme program of Selvita S.A. for the years 2021-2024, the Issuer's Management Board, together with advisers, prepared a preliminary analysis of its impact on the Company's consolidated financial statements.

Based on above-mentioned analysis, pursuant to IFRS guidelines, free of charge transaction of donation of shares listed on the Warsaw Stock Exchange, by Mr Paweł Przewięźlikowski to the Company, by which the Company does not incur any cash expenses, cannot be recognized as a revenue. Consequently, it will not affect any item on the Company's balance sheet or profit and loss accounts.

However, granting of shares, which Company will earlier receive in a form of donation from Mr Paweł Przewięźlikowski, during the course of the Program i.e. between years 2021 and 2024 to the employees, will be recognized, pursuant to IFRS 2, as a non-cash salary expense in Company's consolidated financial statements (therefore it will have an impact on the operating result, EBITDA and net profit) and in the equity item as its increase in the same amount as the periodic cost. The total equity of the Company will remain unchanged.

The preliminary estimation, made on the basis of the adopted assumptions and information available as of the date of this Report, concerning, inter alia: the participation of Eligible Persons in the Program after its adoption by the Company's General Meeting, indicates that the total non-cash expense for the Company will amount to PLN 75-88 million, which will be spread over the duration of the Program, i.e. in the years 2021-2024, same as the amount of PLN 11.2 million in 2015-2017 in connection with the previous incentive program at Selvita S.A. (which after the corporate split dated as of 1st of October 2019 is operating under the name Ryvu Therapeutics S.A.).

The cost of the Program will be included in the Company's quarterly consolidated financial statements, and its value in a given reporting period will depend, inter alia, on factors such as employee's participation in the program, the number of shares allocated to the Eligible Persons, and the fact if the Eligible Persons remain in an employment or other professional relationship with the Company.

Significant purchase orders

On June 28, 2021, the Issuer announced that it had obtained an order worth $ 1.020.000 (PLN 3.853.356 converted at the rate of USD 1 = PLN 3.7778) from a biotechnology company based in the United States ("Client"), under the agreement framework, which was concluded between the above-mentioned parties on March 17, 2020. The order concerns the implementation of services for the Client consisting in the synthesis of chemical compounds in the field of drug discovery activities, including the synthesis, purification and characterization of organic intermediates and final compounds that will be used by the Client in tests and vitro and *in vivo*.

Moreover, the Issuer's subsidiary – Selvita Inc. ("Company") on June 30, 2021 concluded an agreement with the University of California, San Francisco ("UCSF"), the value of which is USD 4.183.200 (PLN 15.910.801 converted at the rate of USD 1 = PLN 3.8035) ("Agreement"). The contract extends the existing cooperation between the parties, about which the Issuer informed in the current report No. 15/2019 of June 24, 2019. The contract will be implemented for a period of 36 months, starting from July 1, 2021, and its subject matter includes the implementation of support for research projects UCSF in the field of medical chemistry,

including chemical synthesis, purification, determination of the structure and purity of compounds with potential application in the treatment of neurodegenerative diseases.

Conclusion of grant agreements with the National Center for Research and Development

On September 3, 2021, the Issuer informed that on September 2, 2021, an agreement was concluded with the National Center for Research and Development (NCBiR) for the project titled "Creation of ProBiAI platform to produce focused libraries of bioactive compounds by applying machine learning and by integrating the design, parallel synthesis and automatic purification, all of which optimized using artificial intelligence methods in order to accelerate the drug discovery process" ("Project") within the Smart Growth Operational Programme 2014-2020, measure 1.1.1. "Fast Track", co-financed by the European Regional Development Fund. The Project will enable Company to implement new services for biotech and Pharma clients.

- Project net value: PLN 7.812.900;
- Financing granted: PLN 4.660.975;
- Project timelines: 2021-2023.

The aim of the Project is to significantly improve the early stages of the drug discovery process, leading to identification of the first active substance which may undergo further development. Usually identification is done by searching large libraries of randomly selected chemicals, which results in a low probability of finding a compound with the desired biological properties, is time-consuming and costly. In order to eliminate these problems the Company within the framework of the Project, will create a service platform, that will use much smaller, targeted libraries with a support of dedicated artificial intelligence models. What distinguishes this type of libraries is a much greater probability of identifying biologically active substances with better patentability pathway, which makes the identification process much faster and cheaper.

Furthermore, on September 20, 2021, the Issuer informed about the conclusion of the grant agreement with the National Center for Research and Development for the project implemented within the program POIR.01.01.01-00-2373/20 "Technology platform for new generations of drugs against diseases caused by coronaviruses, in particular SARS-CoV-2" ("Project"). The Project will allow the Company to expand its offer in the area of antiviral drugs development.

- Project net value: PLN 6.260.000;
- Financing granted: PLN 3.260.000;
- Project timeline: 2021-2023.

The aim of the Project is to introduce technology, which will enable to accelerate the identification of inhibitors of key proteases involved in the coronavirus replication, including that of SARS-CoV-2, by means of high throughput screening of a focused library containing innovative compounds with potential antiviral properties. The structures of the library members are unprecedented in the literature and have been designed based on the mechanism of the viral action. The compounds will be made using modern synthetic methodology, patented by the Company.

Conclusion of a significant agreement by affiliated company – Fidelta d.o.o.

On September 22, 2021, the Issuer informed that on 22nd September 2021 Fidelta entered into a framework agreement ("Agreement") with a biotechnological company with its registered office in the UK ("Client") under which the Client committed itself to spent at least EUR 1.200.000

(PLN 5.556.960 converted at the rate EUR 1 = PLN 4.6308) within next 12 months on services to be delivered by Fidelta. The Agreement is an extension of the ongoing collaboration between the parties that was established in 2013.

The objective of the Agreement is multiple FTE based integrated collaboration to support Client's drug discovery projects. Fidelta, in its laboratories in Zagreb, will provide services in the area of *in vitro* and *in vivo* Pharmacology; ADME, DMPK and translational studies based on patient samples study.

Establishing the Polish Association of Innovative Medical Biotechnology Companies BioInMed

On November 3, it was announced that the Polish Association of Innovative Medical Biotechnology Companies BioInMed has joined the group of industry associations present in Poland. The association was established by 11 companies such as Ardigen SA, Selvita SA, Ryvu Therapeutics SA, Captor Therapeutics SA, Celon Pharma SA, ExploRNA Therapeutics SA, OncoArendi Therapeutics SA, Polski Bank Komórek Macierzystych SA, PolTREG SA, Pure Biologics SA and WPD Pharmaceuticals Sp. z o.o. Marta Winiarska, who for the past five years has been managing public affairs and public relations activities at the Employers' Union of Innovative Pharmaceutical Companies INFARMA, has been appointed President of the Association.

The Association was established to work with all stakeholders and public administration to build an ecosystem that will allow medical biotechnology to become a hallmark of Polish innovation, and in the future, perhaps, the driving force of the economy.

Receiving significant purchase orders

On December 13, 2021 the Issuer has received a purchase order with a total value of EUR 1.104.312,00 (PLN 5.127.983,20 converted at the rate EUR 1 = PLN 4,6436) under a framework agreement executed on June 20, 2018 between the Issuer and one of the largest pharmaceutical companies in the world with its registered office in Germany. The Issuer's business cooperation with this client has begun in 2011. The subject of the order is chemistry support in the FTE model in the client's R&D projects leading to the discovery of new drugs over the next 12 months.

Moreover, on December 23, 2021 Fidelta has concluded a statement of work with a total value of EUR 2.280.913 (PLN 10.574.084,57 converted at the exchange rate EUR 1=PLN 4.6359) under a framework agreement executed on 1st October 2018 between Fidelta and one of the largest pharmaceutical companies in Europe. The aim of this collaboration is to identify a lead compound, for the treatment of asthma, including severe asthma, which is suitable for the safety assessment and a development to candidate nomination. Zagreb team will provide services in the area of medicinal chemistry, in vitro and in vivo pharmacology, DMPK and pharmaceutical sciences. The services under this statement of work order will be provided over the next 12 months (until December 31, 2022). The total value of the services that will be provided by Selvita Capital Group to the Client in 2022 currently amounts to EUR 3.302.448.28 (PLN 15.309.820,00 converted at the above-mentioned exchange rate).

Furthermore, on December 23, 2021 our Zagreb Team received further two purchase orders with a total value of EUR 2.288.450,00 (PLN 11.538.059,72 converted at the rate EUR 1 = PLN 4,6359) under a framework of a Master Service Agreement, entered into on the December 16th 2019 by

Fidelta and the customer – a biotechnology company located in the U.S. The scope of the orders includes chemistry collaboration in FTE model with ADME and PK Screening support over the next 12 months in the customer's R&D projects.

B) Events occurred between the end of reporting period until the approval of financial statement

Conclusion of significant purchase orders

On 10 January 2022, the Issuer's subsidiary Selvita Inc. received a purchase order from a biotechnology company based in the United States under a framework agreement that was concluded on 22 August 2016, the subject of which is to support the customer's drug discovery platform in the field of medicinal chemistry consisting in the synthesis of chemical compounds indicated by the customer. The value of the order, which will be executed within the next 12 months, amounts to USD 4,717,440 (PLN 18,899,951.61 converted at the average exchange rate of the National Bank of Poland 1 USD = 4.0064 PLN as of 10 January 2022).

The Issuer's cooperation with the Client has lasted since 2016. The received purchase order is one of the largest single purchase orders ever received by the Issuer.

In addition, on 18 January 2022, the Issuer's subsidiary Ardigen S.A received a purchase order with a total value of EUR 1,191,967.00 (PLN 5,387,810.04 converted at the exchange rate of EUR 1 = PLN 4.5201), under a framework agreement concluded on 19 February 2018 from the largest pharmaceutical companies based in Germany. The subject of the purchase order is to support the client's computational biology business in the digital transformation of data processing, access, analysis and interpretation (using AI) in order to reduce the duration and increase the probability of success of the client's R&D projects. Ardigen's collaboration with the client has been ongoing since 2018.

Conclusion of a preliminary real estate purchase agreement

On March 7, 2022 the Issuer, as the buyer, concluded with Ringier Axel Springer Polska sp. z o.o. with its registered office in Warsaw ("Seller") a definitive agreement for the purchase ("Agreement") of real property located in Krakow, at Podole Street, with a total area of 10.930 m2 ("Property"), adjacent to the property on which construction of the Research and Development Center for Laboratory Services of Selvita S.A. is currently in progress. The acquisition of the Property secures the possibility of further expansion of the laboratory infrastructure for the Issuer in the future, thus enabling further organic growth of the Company. Pursuant to the Agreement Property was purchased for the price of PLN 8.744.000 net.

Changes in the Management Board

On 31 January 2022. The Issuer's Supervisory Board appointed Ms. Adrijana Vinter to the Issuer's Management Board with effect from 1 February 2022. Ms. Adrijana Vinter currently serves as Managing Director of Fidelta d.o.o., based in Croatia, a subsidiary of the Issuer.

Joining the Issuer's Management Board, Ms. Vinter will be responsible for overseeing the drug discovery services provided across the Issuer's group.

At the same time, the Management Board of the Issuer informed that it received a statement on resignation of Ms. Edyta Jaworska from the position of the Member of the Management Board without stating reasons, effective as of 31 January 2022.

3.10 Planned development of Selvita Capita Group and new initiatives

Selvita Capital Group development strategy and new initiatives

On 29th of April 2020, Company published the Strategy of Selvita Capital Group for 2020-2023 (the "Strategy"). The new Strategy assumed dynamic development of the Selvita Capital Group through organic growth supported by acquisitions, thanks to which in 2023 Selvita planned to achieve:

- Revenues in the amount excessing PLN 300 million, with a stable EBITDA margin;
- Capitalization of the Company at the level of over PLN 1 billion;
- Solid basis for further growth to, in the medium term, reach the TOP 10 position among preclinical CROs (Contract Research Organization) in the world.

In view of the implementation of the adopted Strategy, new strategic goals of the Group will be immediately communicated to investors.

4 RISK FACTORS ASSOCIATED WITH GROUP'S ACTIVITIES

The activities of Selvita Capital Group, its financial situation and operational results have been subject to and may be in the future subject to negative changes as a result of the occurrence of any of the risk factors described below. The occurrence of even some of the following risk factors may have a material adverse effect on the business, financial condition and financial results of the Group and may result in the loss of some or all of the invested capital. Risk factors and uncertainties other than those described below, including those which the Issuer is not aware of at present or which it considers to be insignificant, may also have a significant negative impact on the Group's operations, financial condition and results of operations and may result in the loss of some or all of invested capital.

4.1 Risk factors associated with Issuer's Capital Group operational activities

The risk associated with the failure of Issuer's Capital Group Strategy

The main strategic goal of the Issuer's Capital Group is to increase its value for the benefit of the shareholders of Selvita S.A. Achieving this goal is largely dependent on financial results, which is on the other hand dependent, inter alia, on obtaining new customers and increasing sales in Poland and abroad. Revenues from foreign clients have a dominant position in the total Issuer's Capital Group revenues.

As the operations of the Company and the Group are influenced by many unforeseeable and independent from the Company's factors, such as changes in the business environment, including changes in the law, intensification of competition, decreased interest in the services of the Issuer and its Group, dynamic technological development, difficulties in conquering new foreign markets or insufficient number of suitably qualified key employees, their occurrence may hinder the achievement of strategic goals.

However, the Issuer predicts a rapid growth in its business and obtaining new customers, which, in the Issuer's opinion, will translate into an increase in the Issuer's market value. In accordance with the Strategy for 2020-2023, the Issuer intends to continue development through acquisitions, which, in addition to organic growth, will ensure optimal development of the Issuer and its Group.

There is a risk that the implementation of the planned strategic plans may not be possible, or it may not be possible entirely. Obtaining new clients may involve significant expenditure, or the Issuer and its Group may not be able to offer competitive services to potential clients. Potential acquisition plans depend on many factors, including those that are beyond the Issuer's control and which relate to decisions made by the owners of potential entities selected for acquisitions or by regulatory authorities. As a result, a slowdown in the implementation of further acquisitions or their absence in the short-term period cannot be fully avoided, and thus it might have an impact on a slower, than was originally assumed, pace of growth of operations and financial results.

The success of the Group's development strategy also largely depends on its ability to hire and train new employees, effective and efficient financial management and obtaining external financing, effective marketing activities as well as effective quality control.

Risk associated with loss of key customers

A significant part of the Group's income comes from the performance of contracts with a limited number of key customers. Loss or significant reduction of orders from each of them may therefore reduce the revenues and profitability of the Company and the Group and adversely affect the activity, market position, sales, financial results and development prospects of the Issuer or the Issuer's Capital Group.

The Issuer's Management Board believes that there is no significant dependence on the Group's revenues from individual customers. A possible loss of one of the key clients may cause a temporary gap in the planned revenues, however, due to the wide range of activities as well as the network of contacts with a large base of clients and potential clients, in the opinion of the Management Board, replacing a lost client should not be a long-term process.

Risk associated with the inability to attract new customers

The Issuer and its Group provide services to external pharmaceutical, biotechnological and chemical companies, as well as research and development units. The Company offers wide-ranging, cost-effective, innovative services ranging from computer design of the chemical structure of molecules, planning of their synthesis paths, through chemical synthesis, analytical works and biological tests for preclinical and other projects related to the broadly understood analysis of molecules, potential drug candidates, at various stages of their development.

One of the key factors determining the increase in the scale of conducted operations is the ability to attract new customers. It requires maintaining high quality of provided services, effective marketing activities and keeping highly qualified staff.

Lack of success in attracting new customers may adversely affect the operations, market position, sales, financial results and development prospects of the Issuer or its Capital Group.

Risk associated with loss of managerial staff and key employees

The activities of the Issuer's Capital Group and the prospects for its further development largely depend on the competence, commitment, loyalty and experience of its employees, including key managerial staff. Due to the fact that the industry in which the Group operates is competitive, there is a great demand on the market for employees with experience, who constitute one of the Group's basic resources. On one hand, this can lead to difficulties in recruitment process, and on the other hand, the risk of losing current employees through recruitment activities of the competition. This situation applies to a lesser extent to the Polish market, where the supply of jobs in the biotechnology industry is still relatively small, but it is clearly visible at the international level and in the case of employees with the highest qualifications.

Competitiveness on the labour market of the Issuer's Capital Group may additionally create a risk that in order to maintain attractive working conditions for its employees, the Group will be forced to increase labour costs above the previously planned level. The Group may also not be able to attract new or retain key employees on economically acceptable terms.

In the opinion of the Management Board, the activities conducted by the Issuer and its Group constitute an attractive area of professional development for top-class specialists, which has a positive effect on reducing the risk associated with loss of key employees.

This risk has been further mitigated to a significant extent by the introduction of the Issuer's employee incentive program in 2021, which is designed to create incentives that will encourage, retain and motivate qualified individuals, key to the execution of the Company's strategy, to act in the interest of the Company and its shareholders by enabling such individuals to acquire shares in the Company.

Risk associated with failure to extend the lease agreements of laboratories

The activities of the Issuer's Capital Group are conducted in premises leased from Jagiellonian Innovation Center (Jagiellońskie Centrum Innowacji Sp. z o.o.) with its registered office in Kraków, on the basis of lease agreements.

These contracts are generally concluded for a period of 5 years with the option of early termination by the lessor in the event of failure to comply with the essential terms of the contract by the lessee.

There is a risk that the contracts will not be extended for the next years of operation. In such a case, the Group would have to bear additional investment costs related to the relocation of operating laboratories.

The above risk is currently mitigated by Selvita’s own new Research and Development Center for Laboratory Services, the construction of which is planned for the years 2021-2023. This Center will provide the Issuer with additional laboratory space.

Additionally, it should be noted that the Issuer's subsidiary - Fidelta is also adequately secured in terms of the lease area. In accordance with the terms of the share purchase agreement, Fidelta extended the lease agreement with Pliva Hrvatska d.o.o. for the main office and laboratory space by the end of 2027 and concluded a new lease agreement for the rental of additional office and laboratory space, allowing for further organic growth of this company in Croatia.

Risk associated with the breach of trade secrets and other confidential business information

The Issuer's Capital Group, while providing services to customers, obtains access to confidential commercial information which constitute customer’s trade secrets. Research procedures carried out by the Company and the Group also constitute Company’s confidential information and know-how generated and developed by the Company over many years. The protection of the commercial and scientific secrets of customers and the Company itself should be ensured by confidentiality agreements concluded between the Issuer or its Affiliates and its key employees, consultants, customers and suppliers. However, the Group cannot guarantee that these agreements will be respected. This may lead to the access of the above-mentioned confidential and privilege data by the competition. The Group is also not able to fully exclude the possibility of claims that may be brought against it, related to unauthorized transfer or use of third party trade secrets by companies operating within the Issuer's Capital Group or their employees.

4.2 Risk factors associated with the environment in which the Issuer operates

Risk associated with increased competition

Increased competition on the market where the Issuer and its Group operates may have a negative impact on the Issuer's results and financial situation.

The Issuer and its Group conduct CRO (Contract Research Organization) activities, which include research services performed for pharmaceutical and biotechnology entities. This market is competitive and significantly fragmented.

There is a big competition in the research services market. Both Polish and global outsourcing for the pharmaceutical and biotechnology industries are developing very dynamically, with a high probability of further intensification of competition on the international market. This applies to many aspects of the business, especially technology, quality, ability to protect confidential information, intellectual property, timeliness, good manufacturing practice and pricing. By offering advanced, complex services along the drug value chain, the Group should be successful in winning against other market players. In view of the competition on the global market of services developing so dynamically, the Issuer and its Group cannot guarantee that the existing and potential competitive factors will not have a negative impact on its operations.

There is a risk related to the aggravation of competitors' activities. This may adversely affect the operations, market position, sales, financial results and development prospects of the Issuer or its Capital Group.

Risk associated with decline in demand for research and development services

The development of the Issuer's Capital Group depends largely on the number of orders and the size of contracts obtained from pharmaceutical, biotechnological and chemical companies. In recent years, an increase in demand for CRO outsourcing has been noticed and subsequently, industry analysts predict that this trend will continue. Nevertheless, the Capital Group cannot exclude that this trend will be slowed down or reversed by, for example, a significant reduction in the research and development (R&D) budgets of pharmaceutical companies caused by the global economic crisis, their consolidation tendencies or a change in priorities in terms of spending on research and development. Such situation can lead to lowering the growth rate of sales of the Issuer's Group's services.

The above may adversely affect the operations, market position, sales, financial results and development prospects of the Issuer or its Capital Group.

Risk related to acquisitions

In the Group's Strategy announced for the years 2020-2023, an important factor of strengthening the Group's position and further development are acquisitions that enable Selvita to achieve a significant increase in its operations. The inability to acquire potential targets or the inability to acquire potential targets on terms and conditions that are attractive due to the Management Board’s opinion may adversely affect the dynamics of the future growth or the scale of operations, and thus the financial and economic situation of the Group and its market position.

In the absence of acquisitions or in case the acquired companies are not properly integrated, the dynamics of the future growth of the Capital Group's revenues may slow down. This may be the result of (among others): i) lower than expected profitability of the acquired entities, especially in the short term after the transaction, ii) significant differences between the results actually achieved by the acquired entities and assumptions made under investment decision, iii) personnel changes and changes in relations with business partners, resulting from the change of control over the acquired entity, iv) delays in the process of integrating the acquired company into the Group's structures resulting from, inter alia, with the specificity of a given market or differences in organizational culture; v) lower than assumed synergistic benefits, vi) lower than assumed expansion of the Group's services portfolio with complementary services, which may not guarantee the assumed improvement of the Group's competitive position in the long term, vii) changes in the business or legal environment of the acquired entity.

The above-mentioned risks are mitigated by conducting diligent due-diligence processes by dedicated teams within the Issuer supported by external advisors, as well as a strong back-office of the Capital Group created as part of the corporate division accomplished in 2019 in order to effectively integrate new entities.

Risk associated with changes of currency exchange rates

The Group operates on the international market. Most of the sales revenues from services and costs and investments (laboratory equipment, reagents) of the Company and the Group are denominated in foreign currencies (mainly in EUR and USD). At the same time, a significant part of the costs (salaries, salary mark-ups) are incurred in the Polish currency. There is a risk related to the negative impact of changes in foreign exchange rates on the financial results achieved by the Group.

In order to reduce the risk of exchange rate fluctuations, the Issuer's Management Board tries to maximize natural hedging by adjusting the purchase currency to the currencies in which the Group's revenues are realized and by denominating significant costs. These activities are carried out, inter alia, by establishing the billing currency in the lease agreements for laboratory space at Jagiellonian Innovation Center (Jagiellońskie Centrum Innowacji Sp. z o.o.) in EUR and conclusion of leasing contracts for laboratory equipment denominated in EUR.

With regard to Fidelta, most of sales revenues and costs are also related to EUR and USD exchange rates. Therefore, fluctuations in the exchange rates of these currencies in relation to the Croatian kuna may have an impact on the future results of operations and cash flow (same as in case of the Issuer). In order to omit or mitigate this risk Fidelta uses natural hedging by adjusting the currency of purchases to the currencies of sales revenues. It is worth pointing out that in July 2020 Croatia joined the European Exchange Rate Mechanism (ERM II), which subordinated the state's monetary policy to the rules adopted in the euro area, and moreover Croatia is planning to join EU zone on 1 January 2023.

Risk associated with interest rates

Changes in market interest rates may adversely affect the financial result of the Selvita Group. The Group is exposed to this risk in the area of changes in the value of interest charged on loans and

leases granted by external financial institutions. In view of the above, the Group aim to operate on the basis of variable interest rates, calculated in correlation with market (interbank) rates.

Risk associated with macroeconomic situation

The financial situation of the Issuer and its Group depends on the macroeconomic situation of Poland as well as Croatia in connection with the acquisition of Fidelta at the beginning of 2021 and other countries to which the Company's services and products are directed. The following factors have a direct and indirect impact on the financial results obtained by the Issuer: the dynamics of GDP growth, inflation, the state's monetary and tax policy, the level of unemployment, and the demographic characteristics of the population. Both the above-mentioned factors, as well as the direction and level of their changes, have an impact on the achievement of the goals set by the Issuer.

Risk associated with unfavorable changes in the domestic and international legal environment

The Issuer and its Group conduct business activities in Poland and Croatia (in connection with the acquisition of Fidelta at the beginning of 2021), targeting their services mainly at international customers. Therefore, Issuer is exposed to the risk of changes in regulations in the Polish, EU and international legal environment, as well as in the legal environment of those countries where its customers operate. Legal regulations in Poland are subject to frequent changes and Polish courts and public administration bodies do not apply particular regulations in an uniform manner. In addition, the Issuer, in connection with the acquisition of Fidelta, as well as in connection with potential subsequent acquisitions, must control changes in the regulations applicable not only in Poland, but also in countries where the acquired companies operate or will conduct their operations. Some provisions raise interpretational doubts due to their ambiguity, which entails the risk of imposing administrative or financial penalties in the event of adopting an incorrect legal interpretation. The legal regulations related to the conduct of business activity by the Company, which have changed frequently in recent years, include: tax law, labour, social security law, and commercial law. Both the above-mentioned changes and the direction of these changes have an impact on the achievement of the goals set by the Issuer's Group.

The issuer conducts its activity in the area of specific legal regulations, largely related to legislation in the area of health care. A number of procedures related to the activities of the Issuer and its Group must meet the requirements of EU certificates and directives. It cannot be ruled out that the EU will introduce, for example, additional technical standards, the fulfilment of which will prove to be a necessity for the Company, and which will involve significant expenditure. Therefore, there is a risk of unfavourable changes in regulations or their interpretation in the future.

The Issuer's revenues largely depend on the services provided to the international pharmaceutical and biotechnology industry. Therefore, the development of the Issuer's and its Group's activities is directly dependent on the development of biotech industry. All over the world, the pharmaceutical industry is facing changes in the regulatory environment and increased regulatory oversight requiring even greater guarantees of the safety and efficacy of medicinal products. Pharmaceutical company regulators impose new, onerous requirements in terms of the amount of data needed to demonstrate product efficacy and safety, which reduces the number of

approved products. In addition, products which are already on the market are regularly re-assessed under their risk-benefit ratio.

Unfavourable changes in the tax and social security systems may have a negative effect on the Group's operations. One of the factors that may affect the activities of the Issuer and its Capital Group are: changes in the tax system and tax regulations as well as social security regulations. There is a risk of changing the current regulations in such a way that the new regulations may turn out to be less favourable for the Issuer's Capital Group. This may directly or indirectly translate into the financial results of the Group. Moreover, many of the tax regulations currently in force have not been formulated precisely enough and there is no clear interpretation of them. This may cause differences in interpretation between the Issuer and its Capital Group, and tax authorities. Therefore, it cannot be ruled out that the risk that tax declarations and declarations concerning social security contributions (including those submitted for previous years) will be questioned by the relevant institutions, and the new tax or fees will be much higher than the one assessed before. The necessity to settle any tax arrears or liabilities to the Social Insurance Institution, together with interest, could have a significant negative impact on the development prospects, achieved results and the financial situation of the Issuer's Capital Group.

In Poland, the law is changing frequently, including the regulations governing the taxation of business activity and social security. There is a risk of changing the current tax regulations in such a way that the new regulations may turn out to be less favourable for the Issuer and its Group, which may translate, directly or indirectly, into the financial results of the Issuer or its Group. As a significant part of the revenues of the Issuer's Capital Group is carried out abroad, tax risks also relate to changes in regulations, interpretations and settlements in other countries, especially with regard to issues related to withholding tax, which concerns, among others license revenues from technologies developed by the Issuer.

5 STATEMENT REGARDING IMPLEMENTATION OF CORPORATE GOVERNENCE PRINCIPLES

5.1 Principles of corporate governance applying to the Issuer

The Issuer's Management Board hereby informs that in 2021 the Company complied with all the rules and recommendations of corporate governance contained in the document: "Best Practice for GPW Listed Companies 2021" (GPW – Warsaw Stock Exchange), with the exceptions described and appropriately justified below:

1.3. Companies integrate ESG factors in their business strategy, including in particular:

1.3.1. environmental factors, including measures and risks relating to climate change and sustainable development;

Explanation of the Issuer:

The Company is not subject to non-financial reporting on ESG. However, the Company plans to implement an ESG strategy in 2022.

1.4. To ensure quality communications with stakeholders, as a part of the business strategy, companies publish on their website information concerning the framework of the strategy, measurable goals, including in particular long-term goals, planned activities and their status, defined by measures, both financial and non-financial. ESG information concerning the strategy should among others:

Explanation of the Issuer:

The Company is not subject to non-financial reporting on ESG. However, the Company plans to implement an ESG strategy in 2022.

1.4.1. explain how the decision-making processes of the company and its group members integrate climate change, including the resulting risks;

Explanation of the Issuer:

The Company is not subject to non-financial reporting on ESG. However, the Company plans to implement an ESG strategy in 2022.

1.4.2. present the equal pay index for employees, defined as the percentage difference between the average monthly pay (including bonuses, awards and other benefits) of women and men in the last year, and present information about actions taken to eliminate any pay gaps, including a presentation of related risks and the time horizon of the equality target.

Explanation of the Issuer:

The Company operates in a highly competitive industry. The diversity in Company's employees' remuneration results from the specific nature and type of positions held and the general dynamics of salary fluctuation in individual specialisations. The Company follows the principle of equal remuneration for men and women employed in comparable positions/functions, and gender issues are not a factor affecting the terms and conditions of employment at the Company.

2.1. Companies should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%.

Explanation of the Issuer:

The Company is meeting its targets for implementing diversity standards; one third of its Board members are women, which is well above the average for large listed companies in Europe. The company has not however established a formal diversity policy which covers the scope indicated in rule 2.1 and which is subsequently approved by the general meeting of shareholders. However, the Company seeks to select members of its corporate bodies on based on experience and knowledge, and also considers gender diversity as a secondary factor. The company promotes equal opportunities for all employees and gender equality at all levels of the Company, and over the past several years has undertaken initiatives to promote equality and diversity.

2.2. Decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in principle 2.1.

Explanation of the Issuer:

Personal decisions on appointing members of the Company's Management Board or Supervisory Board are made by the Supervisory Board and the General Meeting of Shareholders, respectively, taking into account their qualifications to perform specific functions and their professional experience. Factors such as gender or age are not determinants justifying appointments to the Company's bodies.

2.11. In addition to its responsibilities laid down in the legislation, the supervisory board prepares and presents an annual report to the annual general meeting once per year. Such report includes at least the following:

2.11.5 assessment of the rationality of expenses referred to in rule 1.5;

Explanation of the Issuer:

The Board is informed annually of the expenditures referred to in Rule 1.5, but does not formally assess the rationality of such expenditures.

2.11.6. information regarding the degree of implementation of the diversity policy applicable to the management board and the supervisory board, including the achievement of goals referred to in principle 2.1

Explanation of the Issuer:

The Company has not implemented a formal diversity policy applicable to the Management and Supervisory Board.

3.3. Companies participating in the WIG20, mWIG40 or sWIG80 index appoint an internal auditor to head the internal audit function in compliance with generally accepted international standards for the professional practice of internal auditing. In other companies which do not appoint an internal auditor who meets such requirements, the audit committee (or the supervisory board if it performs the functions of the audit committee) assesses on an annual basis whether such person should be appointed.

Explanation of the Issuer:

The Company has not appointed an internal auditor to head the internal audit function; however functions related to the internal audit are performed by the Company's employees within the finance and controlling department of the Shared Services Center (Centrum Usług Wspólnych) in a dispersed format.

4.1. Companies should enable their shareholders to participate in a general meeting by means of electronic communication (e-meeting) if justified by the expectations of shareholders notified to the company, provided that the company is in a position to provide the technical infrastructure necessary for such general meeting to proceed.

Explanation of the Issuer:

Currently, the Company does not enable shareholders to participate in a general meeting by means of electronic communication (e-meeting), due to the lack of interest in such a solution among the Company's shareholders. If the Company's shareholders express their wish to participate in the general meeting by means of electronic communication (e-meeting) in the future, the Company will implement such a solution and provide the necessary technical infrastructure.

4.3 Companies provide a public real-life broadcast of the general meeting.

Explanation of the Issuer:

The Issuer's shareholding structure does not justify broadcasting the General Meeting and real-time two-way communication and exercising the voting right by means of electronic communication.

4.7. The supervisory board issues opinions on draft resolutions put by the management board on the agenda of the general meeting.

Explanation of the Issuer:

The Supervisory Board issues opinions on draft resolutions put the Management Board on the agenda of the General Meeting, at least with respect to resolutions of strategic importance for the Company.

5.2 Internal control and risk management systems

Management Board of Selvita S.A. is responsible for keeping the company's accounting in accordance with the Polish Accounting Act of September 29, 1994 and in accordance with the requirements set out in the Polish Regulation of the Minister of Finance of October 18, 2005 on the scope of information disclosed in financial statements and consolidated financial statements required in the prospectus for issuers based in the territory of the Republic of Poland, for which

Polish accounting principles are applicable and in the Polish Regulation of the Minister of Finance of March 29, 2018 on current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by law of the country that is not a member state, as well as in accordance with the International Accounting Standards and International Financial Reporting Standards.

Internal control and risk management in relation to the process of preparation of financial statements in the Selvita Capital Group are carried out in accordance with the Group's internal procedures for the preparation and approval of financial statements. The company keeps documentation describing the accounting principles adopted by it, which includes, inter alia, information on the method of valuation of assets and liabilities and the determination of the financial result, the method of keeping accounting books, the data protection system and their files. Accounting of all economic events is made using the eNova computerized accounting system, which is protected against unauthorized access and has functional access restrictions.

Both individual and consolidated statements are prepared by employees of the accounting department with the support of the controlling department, under the control of the Chief Accountant and the Chief Financial Officer. The financial statements are audited by an independent statutory auditor selected by the Company's Supervisory Board, while the semi-annual statements are reviewed by an independent statutory auditor.

5.3 Management and Supervisory Boards

Management Board (as of 31.12.2021)

1) Bogusław Sieczkowski – President of the Management Board
2) Miłosz Gruca – Vice President of the Management Board
3) Mirosława Zydroń – Member of the Management Board
4) Edyta Jaworska – Member of the Management Board
5) Dariusz Kurdas – Member of the Management Board
6) Dawid Radziszewski – Member of the Management Board

Management Board (as of publication date)

1) Bogusław Sieczkowski – President of the Management Board
2) Miłosz Gruca – Vice President of the Management Board
3) Mirosława Zydroń – Member of the Management Board
4) Adrijana Vinter* – Member of the Management Board
5) Dariusz Kurdas – Member of the Management Board
6) Dawid Radziszewski – Member of the Management Board

*After the reporting period, effective 31.01.2022 Ms. Edyta Jaworska has resigned from the Management Board. On 01.02.2022 Ms. Adrijana Vinter has been appointed to the Management Board.

Supervisory Board

1) Piotr Romanowski – Chairman of the Supervisory Board
2) Tadeusz Wesołowski – Vice Chairman of the Supervisory Board

3) Paweł Przewięźlikowski – Supervisory Board Member
4) Rafał Chwast – Supervisory Board Member
5) Wojciech Chabasiewicz – Supervisory Board Member
6) Jacek Osowski – Supervisory Board Member

In 2021 there were no changes in Issuer's Supervisory Board.

Audit Committee

1) Rafał Chwast – Chairman of the Audit Committee
2) Piotr Romanowski – Member of the Audit Committee
3) Tadeusz Wesołowski – Member of the Audit Committee
4) Wojciech Chabasiewicz - Member of the Audit Committee

In 2021 there were no changes in Audit Committee.

Remuneration Committee

1) Paweł Przewięźlikowski – Chairman of the Remuneration Committee
2) Jacek Osowski – Member of the Remuneration Committee
3) Piotr Romanowski – Member of the Remuneration Committee

In 2021 there were no changes in Renumeration Committee.

Members of the Audit Committee in the indicated composition met the independence criteria and other requirements specified in Art. 129 sec. 1, 3, 5 and 6 of the Act of 11 May 2017 on statutory auditors, audit firms and public supervision.

Moreover, the Management Board of the Company indicates that in the scope of the Audit Committee operating within the Company:

1. Persons who meet the statutory criteria of independence are: Mr. Rafał Chwast, Mr. Piotr Romanowski, Mr. Wojciech Chabasiewicz.
2. A person with knowledge and skills in accounting or auditing of financial statements is Mr. Rafał Chwast.
3. All Audit Committee's Members are the persons with knowledge and skills in the industry in which the Issuer operates.

Main provisions of Policy for selecting an audit company which will carry out the statutory audit of financial statements of Selvita S.A. and Selvita Capital Group

1. The audit company which will carry out the statutory audit of Selvita's and Selvita Capital Group's financial statements is selected by the Supervisory Board of the Company.

2. When selecting the entity authorized to audit, the Supervisory Board of the Company will get acquainted with the recommendations submitted by the Company's Audit Committee.

3. The Supervisory Board of the Company is in no way bound by the recommendations of the Company's Audit Committee indicated in par. 2 above. In particular, it may select an entity other than that proposed by the Audit Committee in its recommendations. Any contractual clauses in the agreements concluded by the Company that is limiting the possibility of selecting an audit company for the purpose of carrying out the statutory audit of financial statements by the

Supervisory Board for example to the specific lists of audit companies or specific categories of such companies shall be deemed illegal and invalid.

4. When selecting an audit company which will conduct the audit of the Company, the following principles should be observed (in particular):

a) the impartiality and independence of the audit company;
b) the quality of the audit work performed;
c) knowledge of the industry in which Selvita and Selvita Capital Group operate;
d) the previous experience of the audit company in auditing reports of public interest entities;
e) professional qualifications and experience of persons directly providing services in the scope of the conducted research;
f) the ability to provide the required scope of services;
g) the territorial scope of the audit company and the international nature of the network in which it operates (operating in most countries in which the Company and Selvita Capita Group operate);
h) the proposed price of the service provided

5. The Audit Committee of the Company may request information, explanations and documents necessary to perform its tasks related to the selection of the audit company.

6. The Company's Audit Committee may submit recommendations aimed at ensuring the reliability of the audit company selection process.

The main goals of Issuer's policy on the permitted non-audit services provided by the audit company which conducts the statutory audit of Selvita S.A.'s and Selvita Capital Group's financial statements or by the entities associated with this company and by a member of the audit company's network

1. Neither the statutory auditor nor an audit company which carries out the statutory audit of Selvita S.A. („Company") and Selvita Capital Group or an entity affiliated with this audit company, nor any of the members of the network to which the statutory auditor or the audit company belongs, shall not provide, directly or indirectly, any prohibited non-audit services or financial audit activities to the Company or its affiliated entities (if any).
2. A detailed catalogue of prohibited services is specified in Article 5 of the Regulation of European Parliament and of the Council (EU) No 537/2014 of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/.
3. The prohibited services referred to in point 2 above are not the services indicated in art. 136 sec. 2 of the Act on statutory auditors and their self-government, entities authorized to audit financial statements and on public supervision ("Permitted non-audit services").
4. Providing of Permitted non-audit services is possible only to the extent unrelated to the tax policy of the Company, after the Audit Committee will assesses the threats and safeguards to auditors' independence.
5. Providing of services other than audit will be carried out in accordance with the independence requirements specified for such services in the rules of professional ethics and standards for performing such services.

The auditing company auditing the Issuer's and Issuer's Capital Group's financial statements, that is E&Y Audyt Polska spółka z ograniczoną odpowiedzialnością spółka komandytowa, did not provide the Issuer with permitted non-audit services in the period covered by this report and in the period after the balance sheet data (statement made as of the date of this Report).

Shares held by members of the Management and Supervisory Board of Selvita S.A. as of 31.12.2021

Shareholder	Series A*	Other Series	No. of shares	% of share capital	No. of votes	% votes at GM
Management Board						
Bogusław Sieczkowski	550 000	392 417	**942 417**	5,13%	**1 492 417**	6,66%
Miłosz Gruca	-	60 760	**60 760**	0,33%	**60 760**	0,27%
Mirosława Zydroń	-	42 909	**42 909**	0,23%	**42 909**	0,19%
Edyta Jaworska	-	24 927	**24 927**	0,14%	**24 927**	0,11%
Dawid Radziszewski	-	4 472	**4 472**	0,02%	**4 472**	0,02%
Dariusz Kurdas	-	4 286	**4 286**	0,02%	**4 286**	0,02%
Supervisory Board						
Paweł Przewięźlikowski	3 500 000	380 663	**3 880 663**	21,14%	**7 380 663**	32,94%
Tadeusz Wesołowski (directly)	-	100 975	**100 975**	0,55%	**100 975**	0,45%
Tadeusz Wesołowski (through Augebit FIZ)	-	1 031 738	**1 031 738**	5,62%	**1 031 738**	4,60%
Piotr Romanowski	-	200 000	**200 000**	1,08%	**200 000**	0,89%
Rafał Chwast	-	121 115	**121 115**	0,66%	**121 115**	0,54%

**Series A Shares are privileged - one share gives the right to two votes at the General Meeting of Selvita S.A.*

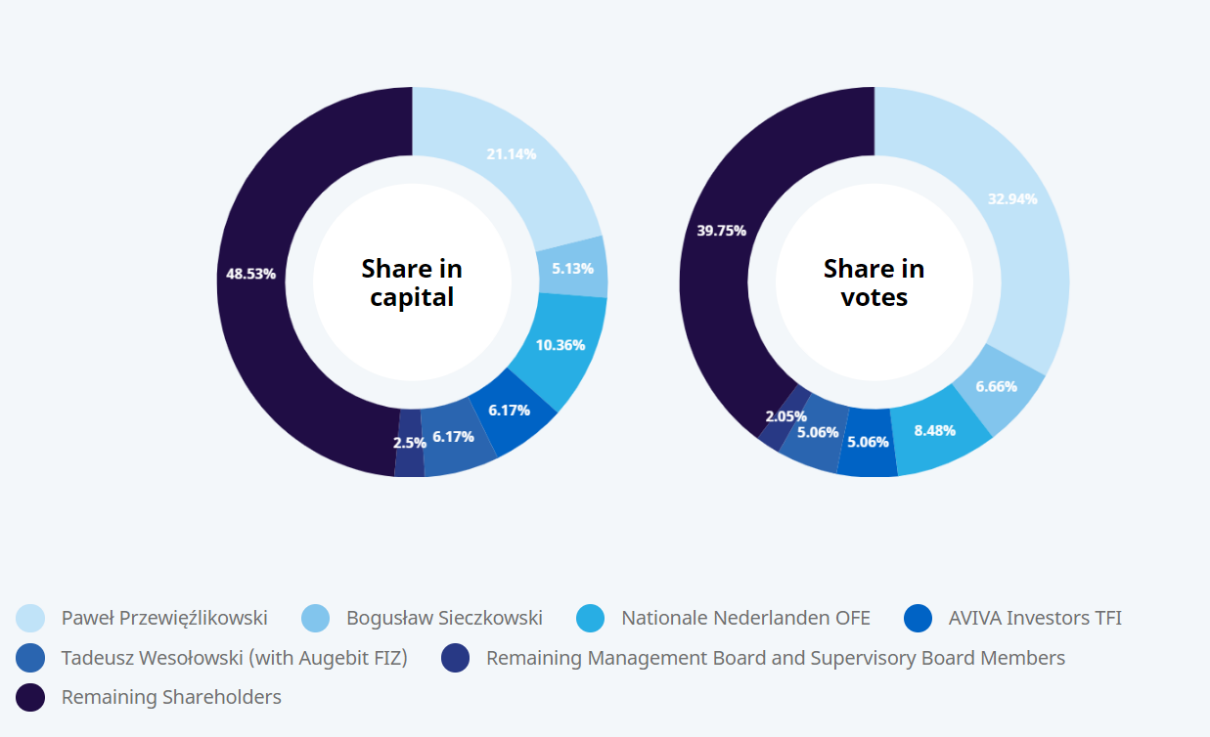
In the reporting period, there was one change resulting from the sale of 40,000 shares by Mr. Piotr Romanowski, about which the Issuer informed in the current report No. 8/2022 of February 4, 2022. Before the transaction, Mr. Piotr Romanowski held 200,000 shares entitling to the same number of votes at the Issuer's general meeting, which constituted 1.08% of shares in the share capital and 0.89% of votes, respectively. After the transaction, Mr. Piotr Romanowski holds 160,000 shares entitling to the same number of votes (0,87% in the share capital and 0,71% of votes, respectively).

The Issuer is not aware of any other agreements that may have an impact on changes in the proportion of shares held by the existing shareholders. There are no other restrictions on the transfer of ownership of the Issuer's securities.

Shares held by significant shareholders of the Company as of Annual Report publication date

Shareholder	Shares	% (Shares)	Votes	% (Votes)
Paweł Przewięźlikowski	3 880 663	21,14%	7 380 663	32,94%
Bogusław Sieczkowski	942 417	5,13%	1 492 417	6,66%
Nationale Nederlanden PTE S.A.	1 901 000	10,36%	1 901 000	8,48%
AVIVA Investors TFI	1 133 009	6,17%	1 133 009	5,06%
Tadeusz Wesołowski (including Augebit FIZ)	1 132 713	6,17%	1 132 713	5,06%

Shareholders structure as of Annual Report publication date



Restrictions on the exercise of voting rights

Not applicable.

Restrictions on the transfer of ownership of the issuer's securities

Not applicable.

Description of the rules concerning the appointment and dismissal of managing persons and their rights, in particular the right to decide on the issue or buyback of shares

Pursuant to § 24 sec. 1 of Company's Articles of Association and § 2 sec.1. of Bylaws of the Management Board, Members of the Management Board are appointed and dismissed by Supervisory Board.

Pursuant to § 27 sec. 1 and 2 of Company's Articles of Association the Management Board manages the Company's business and represents the Company. The scope of activities of the Management Board comprises in particular all of the Company's matters that are not clearly reserved for the competencies of the General Meeting or the Supervisory Board. According to §3 of Bylaws of the Management Board, Management Board's responsibilities include in particular:

1. The Management Board manages the Company's activities, handles the Company's matters, manages the Company's property and represents the Company.

2. The Management Board looks after the transparency and effectiveness of the management system in the Company and handles its matters in accordance with the law and good practices.

3. The Management Board's responsibilities include all Company matters which are not reserved for the competence of the General Shareholders' Meeting or Supervisory Board, including, in particular:

a) defining business goals and financial assumptions for the Company's activities;

b) defining the Company's development strategy;

c) handling the Company's matters;

d) concluding contracts;

e) shaping the Company's employment policy;

f) compliance with information obligations of a public company;

g) convening General Shareholders' Meetings within deadlines stipulated by the law or resulting from the Company's needs;

h) preparing financial statements and written reports on the Company's operations (Directors' Reports) and providing them to the General Shareholders' Meeting and Supervisory Board;

i) implementing and complying with corporate governance rules;

j) reporting changes relating to the Company to the Register of Entrepreneurs of the National Court Register;

k) ensuring the correct maintenance of the Company's documentation, including in particular the share register, book of resolutions of the Management Board, book of minutes of the General Shareholders' Meetings.

Description of the rules for changing the Issuer's Articles of Association

Pursuant to § 19 sec. 1 letter h of Company's Articles of Association, amendment of Company's Articles of Association is an exclusive competency of General Meeting.

The manner of operation of the general meeting and its basic competencies

Competencies of General Meeting are described in Company's Articles of Association:

„General Meeting of the Shareholders

§ 14

1. The General Meeting of Shareholders will be convened as an ordinary or extraordinary meeting.

2. The Ordinary General Shareholders Meeting will be convened by the Company's Management Board, at least once a year, but no later than six months after the end of each financial year.

3. The Extraordinary General Meeting of Shareholders will be convened by the Company's Management Board on its own initiative or at the written request of the Supervisory Board or the shareholders representing at least one-twentieth of the share capital, no later than within two weeks of the date of submitting the respective application to the Management Board in writing or in electronic form.

4. The Supervisory Board may convene the Ordinary General Meeting of Shareholders if the Management Board does not convene it in the regulatory period referred to in section 2 and an Extraordinary General Meeting of Shareholders, if it considers it advisable.

§ 15

The General Meeting of Shareholders may be held in the Company's registered office, in Łódź, Katowice or in Warsaw.

§ 16

Resolutions of the General Meeting of Shareholders are passed by an absolute majority of votes, unless the Commercial Companies Code or these articles of Association stipulate otherwise.

§ 17

1. Voting at the General Meeting of Shareholders is by open ballot.

2. A secret ballot will be ordered in elections and in voting motions to dismiss members of the Company's bodies or liquidators, or to call them to account for their acts, and in personal matters.

§ 18

1. The General Meeting will be opened by the Chairman of the Supervisory Board or the Deputy Chairman, and subsequently, the Chairman will be elected from among the persons authorized to participate in the General Meeting. In the event of the absence of those persons, the General Meeting will be opened by the Chairman of the Management Board or a person appointed by the Management Board.

2. The General Meeting of Shareholders passes its rules that determine in detail the procedures for conducting the Meeting.

§ 19

1. Apart from the issues described in the legal regulations and in other provisions of the Articles of Association the General Meeting's competencies comprise:

- *a) purchasing and disposing of real estate, permanent usufruct or share in real estate or permanent usufruct;*
- *b) reviewing and approving the Directors' Report and the financial statements for the prior financial year;*
- *c) passing a resolution on profit appropriation or offset of loss;*

d) *discharging the members of the Company's bodies from liability;*
e) *taking decisions relating to claims to remedy any damage caused in the course of forming the Company or its management or supervision;*
f) *disposing of and leasing the enterprise or its organized part and placing restricted property rights upon them;*
g) *passing a resolution, in accordance with Article 394 of the Commercial Companies Code related to the conclusion of an agreement on the acquisition of any assets for the Company and for a subsidiary or cooperative subordinated to the Company for price exceeding one-tenth of the paid-up share capital, from the Company's founder or shareholder, or for a company or cooperative subordinated to the Company's founder or shareholder, if the agreement is to be concluded before two years have passed since the date of the Company's registration;*
h) *amending the Company's Articles of Association;*
i) *increasing or reducing the share capital;*
j) *appointing and dismissing members of the Supervisory Board, in recognition of § 20 section 3;*
k) *approving the Rules of the Supervisory Board;*
l) *determining the principles for remunerating members of the Supervisory Board and the amount of the remuneration;*
m) *determining the amount of remuneration of members of the Supervisory Board delegated to perform constant individual supervisory functions;*
n) *setting up and reversing reserves;*
o) *merging the Company with other companies, transforming or demerging the Company;*
p) *dissolving the Company."*

Description of the operation of the Issuer's management, supervisory or administrative bodies and their committees

Management Board

Composition of the Management Board

1. Members of the Management Board are appointed and dismissed by the Supervisory Board.
2. The Management Board consists of 1 (one) to 7 (seven) people, including the President of the Management Board. In the case of the Management Board consisting of several people, a Vice President or Vice Presidents and Members of the Management Board can be appointed.
3. The number of members of the Management Board in each term of office will be determined by the Supervisory Board.
4. Both shareholders and non-shareholders may be appointed to the Management Board.
5. The term of office of the Management Board is five years. Members of the Management Board are appointed for a common term of office. The mandate of a Member of the Management Board appointed before the end of a given term of the Management Board expires upon the expiry of the mandates of the other members of the Management Board.
6. Any Member of the Management Board can be dismissed at any time.
7. Dismissal of a Member of the Management Board does not prejudice his/her claims under an employment agreement or another legal relationship related to his/her function as a Member of the Management Board.

Meetings of the Management Board

1. Meetings of the Management Board are convened and chaired by the President of the Management Board, and in the President's absence – by the Vice President of the Management Board.
2. The President of the Management Board, and in the President's absence – the Vice President of the Management Board calls meetings of the Management Board on his/her initiative, at the request of a Member of the Management Board, or at the request of the Supervisory Board.
3. Meetings of the Management Board may be attended by people invited from outside the Management Board, after prior arrangement with the person convening the meeting. The invited people may not vote at the meetings.
4. The date and time of a meeting of the Management Board is notified to Members of the Management Board in writing, by fax, e-mail or in another agreed way, at least 1 (one) day before the date of the meeting

Adopting of the resolutions

1. Resolutions of the Management Board are adopted at meetings of the Management Board
2. Resolutions of the Management Board are passed by an absolute majority of votes. If voting results in a tie, the President has the casting vote.
3. Resolutions may be adopted if all members of the Management Board have been correctly notified of the meeting.
4. The appointment of a proxy requires the consent of all members of the Management Board. A proxy can be dismissed by any Member of the Management Board.

Minutes of the meetings

1. Minutes are drawn up of all meetings of the Management Board.
2. The minutes of the meeting are taken by one of the members of the Management Board or a person from outside the Management Board appointed for this function.
3. The minutes should specify at least:
   a) the date of the meeting;
   b) names of Members of the Management Board and other people attending the meeting;
   c) agenda of the meeting;
   d) texts of resolutions passed and information about other matters which were not subject to resolutions;
   e) the number of votes cast for specific resolutions and dissenting opinions
4. The minutes are signed by Members of the Management Board present at the meeting and the person who took the minutes.

Obligations of the Members of the Management Board

1. All members of the Management Board are obliged and entitled to handle jointly the Company's matters.
2. A Member of the Management Board in all his/her dealings is obliged to perform his/her duties with due care appropriate for the actions performed in business trading, in strict compliance with the law and the provisions of the Company's Articles of Association.
3. A Member of the Management Board may not, without the permission of the Supervisory Board, engage in competitive interests or participate in a competitive undertaking as a partner

of a partnership or a member of a body of a corporate entity, or participate in another competitive legal entity as a member of its body. This ban also covers participation in a competitive company, if a Member of the Management Board holds at least 10% of shares or the right to appoint at least one Member of the Management Board.

4. In the event of a conflict of interest of the Company with the interest of a Member of the Management Board, his/her spouse, relatives or next of kin to the second degree and people with whom he/she is personally related. A Member of the Management Board should refrain from participation in the consideration of such matters and may request a respective mention in the minutes.

Supervisory Board

1. The Supervisory Board comprises from 3 (three) to 9 (nine) persons, and from the moment the Company becomes a public company the Supervisory Board will comprise from 5 (five) to 9 (nine) persons.
2. Members of the Supervisory Board, including its Chairman, are appointed and dismissed by the General Meeting of Shareholders.
3. Members of the Supervisory Board are appointed for a joint five-year term.
4. In respect of the voting for members of the Supervisory Board in individual groups, the Chairman of the Supervisory Board is selected from among the members of a particular group.
5. If the mandate of a member of the Supervisory Board expires before the end of the term of office, the Management Board is required to immediately convene a General Meeting of Shareholders to complete the composition of the Supervisory Board.
6. The Supervisory Board adopts the Rules that it submits to the General Meeting of Shareholders for approval.
7. The Supervisory Board exercises continuous supervision over the Company's operations.
8. In particular, the competencies of the Supervisory Board comprise:
   a) assessing the Company's financial statements, the Directors' Report and the respective conclusions as to the appropriation of profit and offset of loss, and submitting the annual reports on the results of the assessments;
   b) appointing an independent statutory auditor to audit the Company's financial statements and the Group consolidated financial statements;
   c) appointing and dismissing members of the Company's Management Board;
   d) determining the principles for remunerating members of the Management Board and the amount of the remuneration;
   e) representing the Company in agreements and disputes between the Company and members of the Management Board unless the General Meeting appoints a plenipotentiary for this purpose;
   f) approving the Rules of the Management Board;
   g) approving the financial plan prepared by the Management Board;
   h) granting consent to members of the Management Board for engaging in activities competitive against the Company's or to participate in companies or ventures competitive against the Company.
9. The Supervisory Board will hold meetings at least once a quarter.
10. The members of the Supervisory Board will exercise their rights and responsibilities in person. The Supervisory Board may delegate members to individually perform particular supervisory

activities. Those members will receive separate remuneration, the amount of which will be decided by the General Meeting of Shareholders. Those members are required to meet non-competition obligations.

11. In order for the Supervisory Board's resolutions to be valid, it is necessary to invite all the Supervisory Board members to the meeting and to ensure that at least one-half of all Supervisory Board members are present at the meeting.
12. The resolutions of the Supervisory Board are passed by an absolute majority of votes of the Supervisory Board members. In the event of an equal number of votes, the Chairman of the Supervisory Board has the casting vote.

Audit Committee

Audit Committee is operating within the Supervisory Board.

1. Members of the Audit Committee are appointed among the members of the Supervisory Board.
2. The Audit Committee consists of at least three members.
3. Most members of the Audit Committee, including its chairman, meet the criterion of independence, in particular within the meaning of Art. 129 section 3 of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (Journal of Laws of 2017, item 1089), and at least one member of the Audit Committee, shall meet the knowledge and skills criteria specified in art. 129.1.5 of the abovementioned Act.
4. The tasks of the Audit Committee include in particular:
    1) monitoring of:
        a) the financial reporting process;
        b) effectiveness of internal control systems and risk management systems as well as the internal audit, also in respect of financial reporting;
        c) carrying out financial audit activities, in particular audits carried out by an audit company, taking into account all the conclusions and findings of the Audit Supervision Commission which result from an inspection carried out in the audit company;
    2) controlling and monitoring the independent status of the auditor and the audit company, in particular when other, non-audit services are provided to the public interest company by the audit firm;
    3) informing the supervisory board or another supervisory or controlling body of the public interest entity of the results of the audit and explaining how the audit contributed to the reliability of the financial reporting in the public interest entity, and the role of the audit Committee in the auditing process;
    4) reviewing the independence of the auditor and giving consent to permitted non-audit services provided by him to the public interest entity;
    5) drawing up a policy for selecting an audit company to be charged with the audit of the company;
    6) drawing up a policy for providing permitted non-audit services by the audit company which conducts the audit, its related entities, and by a member of the audit company's network;
    7) determining the procedure for the public interest entity selecting an audit company;

8) presenting the supervisory board or another supervisory or controlling body, or the body referred to in Art. 66 (4) of the Accounting Act of 29 September 1994, the recommendations referred to in Art. 16 (2) of Regulation 537/2014, in accordance with the policies referred to in points and 6;
9) submitting recommendations aimed at ensuring the reliability of the financial reporting process in the public interest entity. 6. The principles of the Supervisory Board's operation, i.e. in particular holding meetings and adopting resolutions by the Supervisory Board shall apply accordingly to the functioning of the Audit Committee, unless the Audit Committee decides otherwise.

5. The principles of the Supervisory Board's operation, i.e. in particular holding meetings and adopting resolutions by the Supervisory Board shall apply accordingly to the functioning of the Audit Committee, unless the Audit Committee decides otherwise.

Remuneration Committee

Remuneration Committee is operating within the Supervisory Board

1. The Supervisory Board appoints and dismissed members of the Remuneration Committee, including its Chairman.
2. Members of the Remuneration Committee, including its Chairman, are appointed among the Supervisory Board Members.
3. The Remuneration Committee consists of at least three Members.
4. In particular, the competencies of the Supervisory Board comprise:
    1) Regarding the remuneration of members of the Company's Management Board:
        a) assessing the basic salary, bonuses and share-based compensation received by members of the Company's Management Board in relation to the scope of duties of members of the Company's Management Board and the manner of their performance, as well as market conditions,
        b) presenting proposals to the Supervisory Board regarding appropriate forms of contracts with members of the Company's Management Board and the amount of their remuneration,
    2) Regarding directors and senior employees' remuneration:
        a) making a general assessment of the correctness of the Company's policy regarding remuneration of the directors and senior employees,
        b) issuing general recommendations to the Company's Management Board regarding the level and of remuneration for directors and senior employees,
        c) monitoring the level and structure of remuneration for directors and senior employees based on relevant information provided by the Company's Management Board,
    3) Regarding share-based compensation that can be granted to members of the Management Board and employees of the Company:
        a) discussing the general principles for implementing equity incentive programs based on shares, share options, subscription warrants,
        b) presenting proposals to the Supervisory Board in this respect,

c) presenting proposals to the Supervisory Board regarding equity incentive programs.

5. The principles of the Supervisory Board's operation, in particular holding of meetings and the adoption of resolutions by the Supervisory Board shall apply accordingly to the Remuneration Committee, unless the Remuneration Committee decides otherwise.

Agreements signed between the Issuer and managing persons, providing for compensation in the event of their resignation or dismissal

The Issuer has not concluded any agreements with managing persons providing for compensation in the event of their resignation or dismissal from their position without valid reason.

Remuneration of the members of management and supervisory bodies

Remuneration of the members of the Management Board of Selvita S.A. for period 1.01.2021- 31.12.2021 [in PLN]

Members of the Management Board	Remuneration for performing functions in the Management Board	Remuneration for employment contracts concluded with the Issuer	Renumeration for contracts concluded with Selvita Services sp. z o.o.	Total remuneration in 2021
Bogusław Sieczkowski	1 018 100	124 142,22	198 400	**1 340 642,22**
Miłosz Gruca	878 100		318 851,52	**1 196 951,52**
Mirosława Zydroń	716 300		286 302,97	**1 002 602,97**
Edyta Jaworska	703 200,00	131 653,57	110 000	**944 853,57**
Dariusz Kurdas	448 900	127 503,72	113 000	**691 653,72**
Dawid Radziszewski	699 500,00	1 500 (civil contract)	189 773,50	**892 273,50**

Renumeration of the members of the Supervisory Board of Selvita S.A. for period 1.01.2021-31.12.2021 [in PLN]

Members of the Board	Remuneration for performing functions in the Supervisory Board	Total Remuneration in 2021
Paweł Przewięźlikowski	37 453,05	37 453,05
Piotr Romanowski	46 052,46	53 872,09
Tadeusz Wesołowski	41 184,00	41 184,00
Rafał Chwast	38 115,69	38 115,69
Wojciech Chabasiewicz	37 782,36	37 782,36
Jacek Osowski	37 224,00	37 224,00

System of control of employee share scheme

There are currently no employee share schemes in Issuer's Capital Group.

The diversity policy implemented by the Issuer with regard to its administrative, management and supervisory bodies

The aim of the diversity policy implemented by the Company is to build awareness and organizational culture open to diversity, which leads to increased work efficiency and prevents

discrimination. When selecting the Company's governing bodies and its key managers, the Company strives to ensure versatility and diversity, especially in the area of gender, education, age and professional experience. The basis of diversity management is to provide equal opportunities in access to professional development and promotion. Currently, the Management Board of the Company consists of two woman and four men, while the Supervisory Board of the Company consists of only men. The decisive aspects are, above all, the qualifications and substantive preparation to perform a specific function.

6 STATEMENT OF THE MANAGEMENT BOARD REGARDING APPLICABLE ACCOUNTING PRINCIPLES

The Management Board of Selvita S.A. confirms that, to the best of its knowledge, the annual financial statements of Selvita Capita Group have been prepared in accordance with the applicable accounting principles and reflect in a true, reliable and clear manner the financial situation of Selvita Capital Group and its financial results.

Report of the Management Board on the activities of Selvita S.A. and Selvita Capital Group contains a true picture of the development and achievements as well as Group's situation, including a description of the basic threats and risks.

7 STATEMENT OF THE MANAGEMENT BOARD TOGETHER WITH INFORMATION REGARDING CHOICE OF STATUTORY AUDITOR

Management Board of Selvita S.A. with its registered office in Krakow, declares that the entity authorized to audit financial statements auditing the annual financial statements for the financial year 2021 was selected in accordance to the provisions of law and that the entity and the statutory auditors auditing these statements met the conditions for expressing an impartial and independent opinion on the audit, pursuant to relevant provisions of national law and professional standards.

Management Board of Selvita S.A. hereby informs that the selection of the audit company conducting the audit of the annual financial statements, i.e. Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością spółka komandytowa, was made in accordance with the applicable law, including those relating to the selection and selection procedure of an auditing company, and also:

a) the audit company and members of the team conducting the audit met the conditions for the preparation of an impartial and independent report from the audit of the annual financial statements in accordance with the applicable regulations, professional standards and professional ethics rules,
b) the Issuer complied with all of the applicable regulations regarding the rotation of the audit company and the key statutory auditor as well as the mandatory grace periods,
c) The issuer adopted a policy for the selection of an audit firm and a policy for additional nonaudit services, including services conditionally exempt from prohibition of providing services by audit company, provided to the issuer by the audit company, entity affiliated to the audit company or a member of its network.

8 OTHER INFORMATION

8.1 Information on organizational or capital affiliations of the Issuer's Capital Group with other entities

The Capital Group of Selvita S.A. as at the publication date of this Report includes:

- Selvita S.A. – parent entity;
- Selvita Services sp. z o.o. – affiliate, 100% of shares held by Selvita S.A.;
- Selvita Inc. – affiliate, 100% of shares held by Selvita S.A.;
- Selvita Ltd. – affiliate, 100% of shares held by Selvita S.A.;
- Ardigen S.A. – affiliate, 46,67 % of shares held by Selvita S.A.;
- Ardigen Inc. - affiliate, 100% of shares held by Ardigen S.A.;
- Fidelta d.o.o. – affiliate, 100% of shares held by Selvita S.A.

8.2 Credits and Loans

Currently, the Issuer (and Selvita Services sp.z o.o. together with Fidelta d.o.o. as guarantors) is a party to the facility agreement with Bank Polska Kasa Opieki S.A. with its registered office in Warsaw, under which the creditor granted the Issuer: a) a term credit in the total amount of EUR 21,840,000 to finance the acquisition of 100% shares in Fidelta, consisting of credit A in the amount of up to EUR 16,340,000 and credit B in the amount up to EUR 5,500,000. Under the above-mentioned facility agreement, the Issuer is also entitled to launch a construction credit in the maximum amount of up to PLN 65,000,000 for the construction of a new Research and Development Center for Laboratory Services in the area of drug discovery and development in Krakow at Podole Street in Krakow along with laboratory equipment.

8.3 Structure of major capital deposits and investments

Investments in financial assets include purchased bonds and deposits of cash for the purpose of effective management of these funds. During the current financial year, the Capital Group invested cash in term deposits with a fixed interest rate. As at the balance sheet date, Capital Group had no cash in deposits.

During the current financial year, which effectively concerns only the last quarter, the Capital Group made investments in tangible stable assets worth PLN 40,950,646 - mainly laboratory equipment.

8.4 Court Proceedings

In the financial year 2021, neither the Issuer nor its affiliates were a party to any material court, arbitration or public administration proceedings.

8.5 Assurances and guarantees

Selvita Services sp. z o.o. and Fidelta d.o.o. are guarantors of the facility agreement concluded on December 21, 2020 with Bank Polska Kasa Opieki S.A. with its registered office in Warsaw. The facility agreement contains a mechanism of extending the liability for obligations under it to the Issuer's affiliate, in case the Issuer's and Guarantor's share in the consolidated EBITDA of the Selvita Capital Group fell below 75%.

8.6 Purchase of own shares

Event did not occur in 2021.

8.7 Information about owned branches (plants)

Company does not own any branches.

8.8 Information on risks arising from held financial instruments

Risks affiliated with held financial instruments were described above.

***

The annual report of Selvita Capital Group for the financial year 1 January 2021 - 31 December 2021 is hereby approved.

Krakow, March 28, 2022

Signature Not Verified
Dokument podpisany przez Bogusław Stanisław Sieczkowski
Data: 2022.03.28 20:00:42 CEST

Bogusław Sieczkowski

President of Management Board

Signature Not Verified
Dokument podpisany przez Miłosz Kazimierz Gruca
Data: 2022.03.28 18:48:42 CEST

Miłosz Gruca

Vice-President of Management Board

Signature Not Verified
Dokument podpisany przez Mirosława Monika Zydroń
Data: 2022.03.28 19:20:01 CEST

Mirosława Zydroń

Member of Management Board

Signature Not Verified
Digitally signed by Adrijana Vinter
Date: 2022.03.28 18:03:40 CEST

Adrijana Vinter

Member of Management Board

Signature Not Verified
Dokument podpisany przez Dariusz Tomasz Kurdas
Data: 2022.03.28 16:43:42 CEST

Dariusz Kurdas

Member of Management Board

Signature Not Verified
Dokument podpisany przez Dawid Patryk Radziszewski
Data: 2022.03.28 20:54:40 CEST

Dawid Radziszewski

Member of Management Board

CONTACT

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Selvita

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