



SELVITA S.A. GROUP

CONSOLIDATED FINANCIAL STATEMENTS

**Prepared for the year
from 01/01/2021
to 31/12/2021**

in accordance with the International Financial Reporting Standards
as endorsed by the European Union,
together with the independent auditor's audit report

It is the translation of Polish original document

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM 1 JANUARY 2021 TO 31 DECEMBER 2021**

	Note	Year ended 31/12/2021	Year ended 31/12/2020
		PLN	PLN
Continuing operations			
Sales revenue	5	310,920,815	137,356,285
Grant income	5	4,803,725	4,570,400
Total operating revenue		315,724,540	141,926,685
Amortization and depreciation	5	(27,488,010)	(13,525,722)
Consumption of materials and supplies		(59,664,615)	(21,001,384)
External services	5	(44,184,128)	(19,993,830)
Employee benefit expense	5	(121,527,018)	(65,198,967)
Employee Capital Plans		(768,918)	-
Valuation of the incentive program	34	(31,469,049)	-
Other expenses		(3,454,667)	(1,938,919)
Taxes and charges		(1,757,608)	(1,174,920)
Loss from impairment of trade receivables	21	(520,390)	(25,208)
Total operating expenses		(290,834,403)	(122,858,950)
Other operating revenue	9	1,406,441	540,876
Other operating expenses	9	(212,422)	(64,453)
Operating profit		26,084,156	19,544,158
Financial revenue	7	13,930	12,830
Financial expenses	8	(5,030,545)	(703,132)
Profit on business activities		21,067,541	18,853,856
Profit before income tax		21,067,541	18,853,856
Income tax expense	10	(2,845,574)	1,068,063
Net profit on continuing operations		18,221,967	19,921,919
NET PROFIT		18,221,967	19,921,919
Net other comprehensive income			
Change in goodwill	13	1,224,627	-
Foreign subsidiaries results translation differences		1,741,445	(286,708)
Total net other comprehensive income		2,966,072	(286,708)
TOTAL INCOME FOR THE PERIOD		21,188,039	19,635,211
Net profit attributed to:			
Majority shareholders	11	14,899,164	17,998,078
Non-controlling shareholders		3,322,803	1,923,841
Total income attributed to:			
Majority shareholders		17,865,236	17,711,370
Non-controlling shareholders		3,322,803	1,923,841
Earnings per share			
(expressed in PLN cents per share)			
With continued and discontinued operations:			
Basic		81.2	104.6
Diluted		81.2	104.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
PREPARED AS AT 31 DECEMBER 2021

	Note	Balance as at 31/12/2021	Balance as at 31/12/2020
		PLN	PLN
ASSETS			
Non-current assets			
Tangible fixed assets	12	62,105,614	23,317,372
Right of use assets	22	88,177,392	38,915,731
Goodwill	13	76,732,465	280,740
Other intangible assets	14	37,178,309	627,640
Deferred tax asset	10	22,444,778	12,339,284
Other assets	18	829,032	345,235
Total non-current assets		287,467,590	75,826,002
Current assets			
Inventory	19	1,941,627	2,230,344
Short-term receivables	21	65,615,687	33,997,866
Contract assets	5.3	10,319,461	2,514,463
Other financial assets	18	13,434,509	10,152,560
Other assets	20.1	4,263,361	1,069,264
Cash and other monetary assets	32	83,549,979	93,005,328
Total current assets		179,124,624	142,969,825
Total assets		466,592,214	218,795,827
EQUITY AND LIABILITIES			
Equity			
Share capital	23	14,684,379	14,684,379
Share premium	23	86,448,193	86,448,193
Reserve capital resulting from the acquisition of OPE	23	22,993,414	22,993,414
Other reserve capitals	23	31,706,116	-
Change in goodwill		1,224,627	-
Currency differences on translation of foreign operations		1,392,783	(348,662)
Retained earnings / Accumulated losses		23,521,080	5,523,002
Net profit for the period		14,899,164	17,998,078
Equity attributed to majority shareholders		196,869,756	147,298,404
Equity attributed to non-controlling shareholders	17	8,683,991	5,361,188
Total equity		205,553,747	152,659,592
Long-term liabilities			
Credit facilities and loans	24;32	80,966,475	-
Lease liabilities	28.8	64,031,174	28,482,741
Liabilities due to retirement benefits	27	530,208	259,824
Deferred tax provision	10	17,611,770	4,470,563
Deferred income	29.2	2,042,780	74,904
Total long-term liabilities		165,182,407	33,288,032
Short-term liabilities			
Trade and other liabilities	26	31,331,046	10,428,959
Contract liabilities	5.3;26	3,621,166	363,196
Lease liabilities	28.8	23,577,059	12,766,340
Short-term loans and bank credits	24;32	11,225,304	4,641
Current tax liabilities	10;26	2,762,232	416,458
Short-term provisions	25	-	-
Accruals	29.1	22,484,704	8,440,089
Deferred income	29.2	854,549	428,520
Total short-term liabilities		95,856,060	32,848,203
Total liabilities		261,038,467	66,136,235
Total equity and liabilities		466,592,214	218,795,827

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE REPORTING PERIOD ENDED 31 DECEMBER 2021**

	Note	Share capital	Share premium	Reserve capital resulting from the acquisition of OPE	Other reserve capitals	Change in goodwill	Currency differences on translation of foreign operations	Retained earnings/ Accumulated losses from previous years	Retained earnings/ Accumulated losses	Equity attributed to majority shareholders	Equity attributed to non-controlling shareholders	Total equity
		PLN	PLN	PLN	PLN	PLN	PLN	PLN	PLN	PLN	PLN	PLN
Balance as at 1 January 2020		12,876,983	2,888,750	22,993,414	(2,988,750)	-	(61,954)	-	5,523,002	41,231,445	3,437,347	44,668,792
Net profit for the period		-	-	-	-	-	-	-	17,998,078	17,998,078	1,923,841	19,921,919
Share issuance	23	1,907,396	86,448,193	-	-	-	-	-	-	88,355,589	-	88,355,589
Other comprehensive income		-	-	-	-	-	(286,708)	-	-	(286,708)	-	(286,708)
Transfer of result from previous years		-	-	-	-	-	-	5,523,002	(5,523,002)	-	-	-
Redemption of shares		(100,000)	(2,888,750)	-	2,988,750	-	-	-	-	-	-	-
Balance as at 31 December 2020		14,684,379	86,448,193	22,993,414	-	-	(348,662)	5,523,002	17,998,078	147,298,404	5,361,188	152,659,592
Net profit for the period		-	-	-	-	-	-	-	14,899,164	14,899,164	3,322,803	18,221,967
Other comprehensive income		-	-	-	-	1,224,627	1,741,445	-	-	2,966,072	-	2,966,072
Payments for the transfer of shares to employees		-	-	-	237,067	-	-	-	-	237,067	-	237,067
Creation of reserve capital as part of the incentive program	34	-	-	-	31,469,049	-	-	-	-	31,469,049	-	31,469,049
Transfer of result from previous years		-	-	-	-	-	-	17,998,078	(17,998,078)	-	-	-
Balance as at 31 December 2021		14,684,379	86,448,193	22,993,414	31,706,116	1,224,627	1,392,783	23,521,080	14,899,164	196,869,756	8,683,991	205,553,747

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 1 JANUARY 2021 TO 31 DECEMBER 2021

	Note	Period ended 31/12/2021	Period ended 31/12/2020
		PLN	PLN
Cash flows from operating activities			
Profit for the period		18,221,967	19,921,919
Adjustments:			
Amortization and depreciation and impairment losses on fixed assets		27,488,010	13,525,722
Exchange gains (losses)		142,431	(46,819)
Interest and profit-sharing (dividends), net		3,787,408	613,316
Cost of acquiring shares		687,525	-
Change in receivables	38	(16,387,631)	(6,431,302)
Change in inventory	38	288,717	(1,045,462)
Change in short-term liabilities and provision excluding credits and loans	38	15,418,530	2,408,899
Change in deferred income	38	5,609,403	2,638,986
Change in provisions	38	13,027,915	1,687,732
Change in other assets	38	(12,281,298)	(3,916,788)
Valuation of the incentive program	34	31,469,049	-
Net cash flows from operating activities		87,472,026	29,356,203
Cash flows from investing activities			
Purchase of tangible and intangible fixed assets		(27,526,409)	(15,003,636)
Purchase of other financial assets		(3,281,949)	(10,152,560)
Acquisition of shares in Fidelta d.o.o. after adjustment for acquired cash	13	(133,534,830)	-
Interest received		13,930	12,830
Repayment of loans		-	-
Loans granted		-	-
Net cash flows from investing activities		(164,329,258)	(25,143,366)
Cash flows from financing activities			
Proceeds from shares issuance	23.1	-	90,601,310
Costs of share issuance	23.1	-	(2,245,721)
Proceeds from the transfer of shares		237,067	-
Repayment of finance lease liabilities		(22,245,175)	(9,613,784)
Proceeds from credits and loans		101,800,962	4,641
Repayment of credits and loans		(9,173,099)	(6,989)
Interest paid		(3,801,338)	(626,146)
Acquisition of shares in connection with the spin-off of OPE		-	(2,988,750)
Net cash flows from financing activities		66,818,417	75,124,561
Net increase in cash and cash equivalents		(10,038,816)	79,337,398
Cash and cash equivalents at the beginning of the period		93,005,328	13,667,930
Net currency differences on cash and cash equivalents		583,467	-
Cash and cash equivalents at the end of the period	32	83,549,979	93,005,328

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED AS AT 31 DECEMBER 2021

1. General information

1.1. The parent company

The parent company of the Selvita Capital Group was established in 2019 on the basis of a notarial deed of 22 March 2019 prepared at B. Lipp's notary office (Rep. A No. 670/2019). The parent company has its registered office in Poland. Currently, the company is registered in the National Court Register in the District Court for the City of Kraków - Śródmieście, 11th Commercial Department under the number KRS 0000779822.

Composition of the parent's management and supervisory bodies as at the date of these consolidated financial statements:

Management Board:

Bogusław Sieczkowski	-	President of the Management Board
Miłosz Gruca	-	Vice-President of the Management Board
Mirosława Zydróż	-	Member of the Management Board
Dariusz Kurdas	-	Member of the Management Board
Dawid Radziszewski	-	Member of the Management Board
Adrijana Vinter	-	Member of the Management Board

Supervisory Board:

Piotr Romanowski	-	Chairman
Tadeusz Wesołowski	-	Vice- Chairman
Rafał Chwast	-	Member
Wojciech Chabasiewicz	-	Member
Przewięźlikowski Paweł	-	Member
Osowski Jacek	-	Member

As at 31 December 2021, the shareholder structure of the parent company was as follows:

	Registered office	Number of shares	Percentage interest in capital	Percentage share in voting rights
			As at 31 December 2021	
Paweł Przewięźlikowski	Poland	3,880,663	21.14%	32.50%
Bogusław Sieczkowski	Poland	942,417	5.13%	6.57%
Nationale -Nederlanden Open-End Pension Fund and Nationale -Nederlanden Voluntary Pension Fund	Poland	1,901,000	10.36%	8.37%
AVIVA Investors TFI	Poland	1,133,009	6.17%	4.99%
Tadeusz Wesołowski (with Augebit FIZ)	Poland	1,132,713	6.17%	4.99%
Other shareholders (less than 5% of votes at the GM)		9,365,672	51.03%	42.58%
Total		18,355,474	100.00%	100.00%

As at 31 December 2020, the shareholder structure of the parent company was as follows:

	Registered office	Number of shares	Percentage interest in capital	Percentage share in voting rights
			As at 31 December 2020	
Paweł Przewięźlikowski	Poland	4,990,880	27.19%	37.90%
Bogusław Sieczkowski	Poland	924,384	5.04%	6.58%
Nationale -Nederlanden Open-End Pension Fund and Nationale -Nederlanden Voluntary Pension Fund	Poland	1,900,000	10.35%	8.48%
Other shareholders (less than 5% of votes at the GM)		10,540,210	57.42%	47.04%
Total		18,355,474	100.00%	100.00%

1.2. The Capital Group

As at the balance sheet day, the Selvita Capital Group includes Selvita S.A. as the parent company and 6 subsidiaries - Ardigen S.A., Selvita Services Spółka z o.o, Selvita Inc., Selvita Ltd., Fidelta d.o.o. and Ardigen Inc.

In January 2021 the Croatian company Fidelta d.o.o. joined the Selvita S.A. Group and in June 2021 Ardigen Inc. was established.

	Registered Office	% of capital held	% of voting rights
		As at 31 December 2021	
Selvita Services Spółka z ograniczoną odpowiedzialnością	Poland	100.00%	100.00%
Selvita Inc.	USA	100.00%	100.00%
Selvita Ltd.	UK	100.00%	100.00%
Ardigen S.A.	Poland	46.67%	53.98%
Fidelta d.o.o.	Croatia	100.00%	100.00%
Ardigen Inc.	USA	46.67%	53.98%

The duration of the Capital Group companies is not fixed. The financial statements of all controlled entities have been prepared as of 31 December 2021, using consistent accounting principles.

The calendar year is the financial year of the parent company. The consolidation of subsidiaries covers the period from 01/01/2021 to 31/12/2021, i.e. the period in which the Parent Company had control over these entities, also in the case of Fidelta d.o.o., in which the acquisition of control took place on January 4, 2021, however, there were no significant transactions between that date and January 1, 2021.

The core business of the Capital Group comprises research and development in biotechnology.

1.3. Functional and reporting currency

These consolidated financial statements have been prepared in the Polish zloty (PLN). The Polish zloty is the functional and reporting currency of the Capital Group. Figures in the financial statements are expressed in full Polish zlotys unless it is stated otherwise.

1.4. Split of Ryvu Therapeutics S.A. (formerly Selvita S.A.)

There was no split of companies in 2021 and in 2020.

2. International Financial Reporting Standards

2.1. Statement of compliance

These interim financial statements have been prepared in accordance with the requirements of the International Accounting Standard No. 34 "Interim Financial Reporting" endorsed by the EU ("IAS 34").

These interim consolidated financial statements for the period from January 1, 2021 to December 31, 2021 are complete financial statements containing disclosures in accordance with the International Financial Reporting Standards approved by the EU (hereinafter referred to as "IFRS"). As at the date of approval of these financial statements for publication, taking into account the ongoing process of introducing IFRS in the European Union, the IFRS applicable to these financial statements do not differ from the EU IFRS.

Some entities of the Group maintain their accounting books in accordance with the accounting policy (principles) specified by the Accounting Act of 29 September 1994 (the "Act") as amended and regulations issued on its basis ("Polish accounting standards") and in the case of Fidelta d.o.o. in accordance with the accounting policy (principles) set out by the law of Croatia. The consolidated financial statements include adjustments not included in the accounting books of the Group entities introduced in order to bring the financial statements of these entities to comply with IFRS.

The consolidated financial statements of the Group cover the period from 1 January 2021 to 31 December 2021 and include the comparative periods which are the period from 1 January 2020 to 31 December 2020 and in case of the statement of financial position, they include comparative data as at December 31, 2020.

Status of IFRS endorsement by the EU

2.2. Changes in the applied accounting principles

The accounting principles (policies) used to prepare these financial statements are consistent with those used in the preparation of the consolidated financial statements of the Group companies for the year ended December 31, 2020, except for the application of new or amended standards and interpretations applicable to annual periods starting from 1 January 2021 and later.

2.3. The following standards and interpretations were published by the International Accounting Standards Board, but are not applicable to these financial statements (i.e. for the financial statements for the period ended December 31, 2021)

- IFRS 14 Regulatory Deferral Accounts (published on January 30, 2014) - in accordance with the decision of the European Commission, the approval process of the standard in its draft version will not be initiated before the publication of the final version - until the date of approval of these financial statements, not approved by the EU - applicable to annual periods beginning on or after January 1, 2016;
- Amendments to IFRS 10 and IAS 28: Transactions of sale or contribution of assets between the investor and its associate or joint venture (published on September 11, 2014) - the work leading to the approval of these amendments has been postponed indefinitely by the EU - the effective date has been postponed by the IASB for an indefinite period;
- IFRS 17 Insurance Contracts (published on May 18, 2017), including Amendments to IFRS 17 (published on June 25, 2020) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on or after January 1, 2023;
- Amendments to IAS 1: Presentation of financial statements - Division of liabilities into short-term and long-term (published on January 23, 2020) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on January 1, 2022 or later;
- Amendments to IFRS 3 Amendments to references to the Conceptual Framework (published on May 14, 2020) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on or after January 1, 2022;
- Amendments to IAS 16 Property, plant and equipment: revenues achieved before putting into use (published on May 14, 2020) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on January 1, 2022 or later;
- Amendments to IAS 37 Onerous Contracts - Costs of Meeting Contractual Obligations (published on May 14, 2020) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on or after January 1, 2022;
- Amendments resulting from the review of IFRS 2018-2020 (published on May 14, 2020) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on or after January 1, 2022;
- Amendments to IFRS 4: Insurance contracts - deferral of IFRS 9 (published on June 25, 2020) - applicable to annual periods beginning on or after January 1, 2021;
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Reform of interest rate benchmarks - Phase 2 (published on August 27, 2020) - applicable to annual periods beginning on January 1, 2021 or later;
- Amendments to IAS 1 and Practice Statement 2: Disclosure of information regarding accounting principles (policy) (published on February 12, 2021) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on January 1, 2023 or later;
- Amendments to IAS 8: Definition of Accounting Estimates (published on February 12, 2021) - until the date of approval of these financial statements, not approved by the EU - applicable to annual periods beginning on or after January 1, 2023,
- Amendments to IFRS 16: Rental Concessions related to Covid-19 after June 30, 2021 (published on March 31, 2021) - applicable to annual periods beginning on April 1, 2021 or later;
- Amendments to IAS 12: Deferred tax on assets and liabilities arising from a single transaction (published on May 6, 2021) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on or after January 1, 2023.

The dates of entry into force are the dates resulting from the content of the standards announced by the International Financial Reporting Council. The dates of application of the standards in the European Union may differ from the dates of application arising from the content of the standards and are announced at the time of approval for use by the European Union.

In the Group's opinion, the above-mentioned new standards and amendments to existing standards would not have an impact on the financial statements if they had been applied by the Group as at the balance sheet date.

3. Summary of significant accounting policies

3.1. Going concern

The consolidated financial statements have been prepared on the assumption that the Group companies will continue as a going concern in the period of at least 12 months following the end of the reporting period, i.e. December 31, 2022. As at the date of preparation of the consolidated financial statements, there were no circumstances that would indicate a risk to the Group companies' ability to continue as a going concern.

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

The Management Board of Group companies hope 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 Group companies' perspective in recent quarters.

For more information, see Note 41 to the consolidated financial statements.

Due to the negative impact of Covid-19 on global economies, Covid-19 is expected to be a threat to the entity, but due to the mitigating measures taken and the events listed above and the specific nature of the business (industry in which the Company operates), the Management Board of the Company believes that the pandemic had no significant impact on revenues or financial liquidity. The Management Board does not see any significant uncertainty related to the going concern status.

The outbreak of the war in Ukraine did not affect the operations of the Group's companies. More information is provided in Note 42 to the consolidated financial statements.

3.2. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis.

The key accounting principles used by the Group have been presented below.

3.3. Consolidation principles

Accompanying consolidated financial statements include the financial statements of Selvita S.A. and financial statements of the entities it controls (subsidiaries) prepared each time for the 12-month period ended December 31, 2021 also in the case of Fidelta d.o.o., in which the transfer of control took place on January 4, 2021, however, there were no significant transactions between this date and January 1, 2021.

The financial statements of subsidiaries, after taking into account the adjustments to comply with IFRSs, are prepared for the same reporting period as the parent company's statements, using consistent accounting principles, based on uniform accounting principles applied for transactions and economic events of a similar nature. Adjustments are made to eliminate any discrepancies in the accounting policies used.

All significant balances and transactions between the Group's units, including unrealized gains arising from transactions within the Group, have been completely eliminated. Unrealized losses are eliminated unless they prove impairment.

Subsidiaries are subject to consolidation in the period from the date of taking control over them by the Group, and cease to be consolidated from the date of cessation of control. The parent company exercises control when:

- has power over a given entity,
- is exposed to variable returns or has rights to variable returns for its involvement in the entity,
- has the ability to use power to shape the level of returns generated.

The Group verifies the fact of exercising control over other entities, if there is a situation indicating a change in one or more of the above-mentioned conditions of exercising control.

In a situation where the Group has less than a majority of voting rights in a given entity, but the voting rights held are sufficient to unilaterally direct the significant activities of that entity, it means that it exercises power over it. When assessing whether voting rights in a given entity are sufficient to ensure power, the Group analyzes all relevant circumstances, including:

- the size of the voting rights held in relation to the size of the shares and the degree of dispersion of voting rights held by other shareholders;
- potential voting rights held by the Group, other shareholders or other parties;
- rights arising from other contractual arrangements; and
- additional circumstances that may prove that the Group has or does not have the power to direct material activities at the time of decision making, including voting patterns observed at previous shareholders' meetings.

3.3.1 Changes in the Group's ownership shares in the subsidiaries

Changes in the Group's shares in the subsidiaries which do not result in losing control are recognized as equity transactions. In order to reflect changes in the relative shares in the subsidiaries, the carrying amount of the Group's controlling interest and non-controlling interest is adjusted as appropriate. Any differences between the value of the adjustment to non-controlling interest and the fair value of the consideration paid or received are recognized directly in equity and attributed to the Company's equity holders.

3.4. Business combinations

Acquisitions of other entities are accounted for using the acquisition method. The payment transferred in a business combination transaction is measured at fair value, calculated as the aggregate amount of fair values as at the date of the acquisition of the assets transferred by the Group, liabilities incurred by the Group towards the previous owners of the acquiree and equity instruments issued by the Group in exchange for acquiring control over the acquiree. Acquisition costs are recognized in profit or loss when incurred.

Identifiable assets and liabilities are measured at fair value as at the acquisition date, with the following exceptions:

- assets and liabilities arising from deferred income tax or related to employee benefit contracts are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits;
- liabilities or equity instruments relating to share-based payments at the acquiree or the Group, which are to replace similar contracts in place at the acquiree, are measured in accordance with IFRS 2 Share-based Payment as at the acquisition date; and
- assets (or disposal groups) classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in compliance with the requirements of the standard.

Goodwill is measured as the surplus of the consideration paid, the value of non-controlling interest in the acquiree and the fair value of shares in the acquiree that were held by the acquirer before over the fair value of the acquired identifiable net assets and liabilities measured as at the acquisition date. If, after subsequent verification, the net value of identifiable assets and liabilities measured as at the acquisition date exceeds the total amount of the consideration paid, the value of non-controlling interest in the acquiree and the fair value of shares in that entity that were held by the acquirer before, the surplus is recognized directly in profit or loss as a gain on a bargain purchase.

Non-controlling interest that forms part of the ownership share and entitles the holder to a proportionate share in the entity's net assets in the event of its liquidation may initially be measured at fair value or based on the share of non-controlling interest in the recognized identifiable net assets of the acquiree, as appropriate. The measurement method is selected separately for each acquisition transaction. Other types of non-controlling interest are measured at fair value or using another method, as prescribed by IFRS.

If the consideration paid in a business combination transaction includes any assets or liabilities arising from a contingent consideration contract, the consideration is measured at fair value as at the acquisition date and recognized as a portion of the consideration paid in the business combination transaction. Changes in the fair value of the contingent consideration, classified as measurement period adjustments, are recognized retrospectively, along with the relevant goodwill adjustments. Measurement period adjustments are adjustments made as a result of obtaining additional information relating to the "measurement period" (which may not exceed one year of the acquisition date) and concerning the facts and circumstances that existed as of the acquisition date.

Changes in the fair value of the contingent consideration which do not meet the measurement period adjustment criteria are accounted for depending on the classification of the contingent consideration. A contingent consideration classified as equity is not measured later on and its subsequent payment is recognized in equity. A contingent consideration classified as an asset or liability is subsequently revalued at the end of each reporting period in line with IAS 39 or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and the resulting gains or losses are recognized in profit or loss.

Where a business combination is achieved in stages, shares in the acquiree that were held by the Group before are measured at fair value as at the acquisition date and the resulting gain or loss is recognized in profit or loss. Amounts resulting from interest held in the acquiree before the acquisition date, previously recognized as other comprehensive income, are reclassified to profit or loss if such treatment were appropriate at the time of disposal of such interest.

If the initial accounting recognition of a business combination at the end of the reporting period in which it occurred is not complete, the Group presents provisional amounts relating to items which were not fully recognized in its financial statements. During the measurement period, the Group adjusts the provisional amounts recognized as at the acquisition date (see above) or recognizes additional assets or liabilities to reflect new facts and circumstances that existed as of the acquisition date and which, if known, would have had an effect on the recognition of the said amounts as at that date.

3.5 Goodwill

Goodwill arising from acquisition of another entity is measured at cost determined as at the acquisition date (see Note 3.4) less impairment loss.

For purposes of impairment tests, goodwill is allocated to the Group's cash generating units (or their groups) that should benefit from the synergy of the business combination.

A cash generating unit which goodwill is allocated to is tested for impairment once a year or more frequently if there are any indications of impairment. If the recoverable amount of a cash generating unit is lower than its carrying amount, the impairment loss is allocated to reduce the carrying amount of goodwill allocated to that unit in the first place, and the remaining amount is allocated to other assets of the cash generating unit in proportion to their carrying amounts. Impairment of goodwill is recognized directly in profit or loss. Impairment of goodwill is not reversed in the following periods.

Goodwill allocated to a cash generating unit being sold is taken into account in determination of gain or loss on sale.

3.6 Investments in associates

In 2021 and 2020, the Group did not have any shares in associates.

3.7 Interests in joint ventures

Not applicable.

3.8 Non-current assets held for sale

Not applicable.

3.9 Revenue recognition

3.9.1 Grants

Subsidies are recognized in accordance with IAS 20. Subsidies are not recognized until there is reasonable certainty that the Group will meet the necessary conditions and will receive such subsidies, government subsidies are recognized at their fair value as deferred income.

Government subsidies for a given cost item are recognized as revenue from subsidies systematically, for each period in which the Group recognizes expenses as costs, the compensation of which is to be a subsidy.

If the subsidy relates to an asset, then its fair value is recognized as deferred income, and then gradually, through equal annual write-offs, recognized in the income from the subsidy over the estimated useful life of the related asset.

Two types of subsidy are awarded: research subsidies and infrastructure subsidies.

In research grants, eligible costs may be the remuneration of employees related to co-financed projects, external services, depreciation of equipment, etc. Revenue from subsidies is calculated in proportion to the eligible costs incurred, the co-financing ratio in accordance with the signed grant agreement. If, under the subsidy, the Company is entitled to a bonus, e.g. due to publication of the results of work, the Management Board of the Company each time assesses whether there is reasonable certainty that the conditions for obtaining the bonus are met, and if there is such justified certainty, it recognizes the revenue from the subsidy, taking into account the Company's right.

The purchase of fixed assets is co-financed in infrastructural subsidies. Revenue from subsidies is calculated in proportion to the depreciation costs, co-financing rate in accordance with the signed subsidy agreement. Accrued income from subsidies is referred to other receivables (receivables from subsidies). Cash that flows into the bank account is referred to deferred income.

3.9.2 Sales of goods and services

Revenues, except for subsidies, are recognized in accordance with IFRS 15, the Group recognizes revenue in a manner that presents the transaction of transferring to the customer promised goods or services, in the amount reflecting the value of remuneration that the Company expects in exchange for these goods or services. In view of the above, it is crucial to correctly determine the moment and amount of revenue recognized by the Group.

The standard introduced the following unified 5-stage revenue recognition model:

- Stage 1: Identification of the contract with the client,
- Stage 2: Identification of the performance obligations contained in the contract,
- Stage 3: Determining the transaction price,
- Stage 4: Allocation of the transaction price to the performance obligations contained in the contract,
- Stage 5: Income recognition when the performance obligation is met (or being met).

Pursuant to IFRS 15, the Group recognizes revenue when the performance obligation is met (or being met), i.e. when the control over the goods or services that are the subject of the obligation is transferred to the customer. Revenues are recognized as amounts equal to the transaction price that has been assigned to the given performance obligation.

The Group transfers control over a good or service over time and thus meets the obligation to provide a service and recognizes revenue over time if one of the following conditions is met:

- the customer simultaneously receives and receives benefits from the service as it is performed,
- an asset is created or improved as a result of the performance of the service, and the control over that asset - as the customer creates or improves it,
- as a result of the performance of the service, no alternative component is created for the Group, and the Group has an enforceable right to pay for the service performed so far.

To measure the degree of complete fulfillment of the obligation to perform a performance fulfilled over time, the Group uses the cost-based method, i.e. it recognizes revenues based on the stage of completion of the work in proportion to the share of costs incurred in the total contract costs.

When it is likely that the total contract costs will exceed the total contract revenue, the expected loss is recognized immediately in costs.

If the sum of contractual costs incurred on a given day and recognized profits less the recognized losses exceeds the invoiced value, the surplus is shown in the assets under the contract. If the value of invoiced costs on a given day exceeds the sum of contractual costs incurred on a given day and recognized profits less recognized losses, the surplus is shown in contractual obligations. The amounts received before carrying out the works to which they relate are recognized in the consolidated statement of financial position in liabilities as advances received. The amounts invoiced for completed works, but not yet paid by customers, are recognized in the consolidated statement of financial position in trade receivables and in net result.

3.10 Interest and dividend income

Dividend income is recognized at the record date (provided that it is probable that the Group will derive economic benefits and the income may be measured reliably).

Interest income is prorated with respect to the outstanding principal using the effective interest method, which is the rate used for discounting future cash flows over the useful life of a financial asset to its carrying amount on initial recognition.

3.11 Leases

The Group as a lessee

Assets due to the right of use

The Group recognizes assets due to the right to use on the lease commencement date (ie the date when the underlying asset is available for use). Assets under the right to use are valued at cost, less total depreciation and impairment losses, adjusted for any revaluation of lease liabilities. The cost of assets due to the right to use includes the amount of lease liabilities recognized, initial direct costs incurred and any lease payments paid on or before the start date, less any leasing incentives received. Unless the Group has sufficient assurance that it will obtain ownership of the subject of the lease at the end of the lease period, the recognized rights under usufruct rights are amortized using the straight-line method over the shorter of the two periods: estimated useful life or lease period. Assets under the right to use are subject to impairment.

Lease liabilities

At the start of the lease, the Group measures the lease liabilities in the amount of the current value of the lease payments remaining on that date. Leasing fees include fixed fees (including essentially fixed leasing fees) less any leasing incentives due, variable fees that depend on the index or rate, and amounts expected to be paid under the guaranteed final value. Lease payments also include the price of the call option if it can be assumed with sufficient certainty that the Group will exercise it and payment of fines for termination of the lease, if the lease conditions provide for the possibility of the lease being terminated by the Group. Variable lease payments that do not depend on an index or rate are recognized as costs in the period in which the event or condition giving rise to the payment occurs.

When calculating the current value of lease payments, the Group uses the lessee's marginal interest rate on the day the lease starts, if the leasing interest rate cannot be easily determined. After the start date, the amount of the lease liability is increased to reflect interest and reduced by the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if the lease period changes, the lease payments change substantially or the judgment regarding the purchase of underlying assets changes.

Interest on leasing

In the statement of cash flows, interest on lease is presented together with other interest under interest paid.

Short-term leasing and leasing of low-value assets

The Group applies the exemption from recognizing short-term leases to its short-term lease contracts (i.e. contracts whose lease period is 12 months or less from the commencement date and does not include a call option). The Group also applies an exemption regarding the recognition of leases of low-value assets in relation to low-value leases i.e. up to USD 5 thousand. Leasing fees for short-term leasing and leasing of low-value assets are recognized as costs using the straight-line method over the duration of the lease.

Significant judgments and estimates regarding leases are described in Note 4.1.

3.12 Foreign currencies

Transactions in currencies other than the functional currency (foreign currency transactions) are presented at the exchange rate ruling at the transaction date. As at the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling as at that date. Non-monetary items measured at fair value and denominated in foreign currencies are measured at the exchange rate effective as at the date of fair value measurement. Non-monetary items are measured at historical cost.

Exchange differences on monetary items are recognized in profit or loss for the period when they occur, except exchange differences on assets under construction intended to be used for manufacturing purposes in the future, which increase the cost of such assets and are treated as adjustment to interest expense related to foreign currency loans.

	As at 31/12/2021	As at 31/12/2020
EUR / PLN	4.5994	4.6148
USD / PLN	4.0600	3.7584
GBP / PLN	5.4846	5.1327
CHF / PLN	4.4484	4.2641
JPY / PLN	0.0353	0.0365
SEK / PLN	0.4486	0.4598
HRK / PLN	0.6118	0.6112

3.12.1 Functional and presentation currency

The consolidated financial statements of the Group are presented in PLN, which is also the functional currency of the parent company. The functional currency is determined for each subsidiary and the entity's assets and liabilities are measured in that functional currency. The Group uses the direct consolidation method and has chosen a method of accounting for gains or losses on translation that is consistent with this method.

3.12.2 Exchange differences from translation of foreign operations

As at the balance sheet date, the assets and liabilities of these foreign subsidiaries are translated into the currency of the Group's presentation at the exchange rate as at the balance sheet day, and their statements of comprehensive income are translated at the weighted average exchange rate for the financial period. Exchange rate differences resulting from such a conversion are recognized in other comprehensive income and accumulated in a separate item of equity. Upon the disposal of a foreign entity, exchange differences accumulated in equity regarding a given foreign entity are recognized in profit or loss.

3.13 Borrowing costs

Borrowing costs directly related to the acquisition or construction of assets that require a longer period of time to bring them to use, are included in the production costs of such assets until the assets are substantially ready for their intended use or sale. The phenomenon did not occur in the reporting period.

Revenues from investments obtained as a result of short-term investment of obtained external funds intended directly for financing the purchase or production of assets reduce the value of borrowing costs subject to capitalization. The phenomenon did not occur in the reporting period.

All other borrowing costs are charged directly to the result in the period in which they were incurred.

3.14 Costs of employee benefits and contract termination

Provisions for employee benefits, i.e. retirement benefits, are estimated at the end of each reporting period using simplified methods similar to actuarial ones.

3.15 Taxes

The entity's income taxes comprise current and deferred tax.

3.15.1 Current tax

The current tax liability is measured on the basis of the taxable profit or loss (tax base) for the reporting period. The taxable profit (loss) differs from the accounting profit (loss) due to elimination of revenue that is temporarily not taxable and temporarily non-deductible expenses as well as expenses and revenue which will never be subject to tax. The tax charge is determined using the tax rates effective in the financial year.

3.15.2 Deferred tax

Deferred tax is recognized with respect to temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax base used for purposes of calculation of taxable profit, as well as unused tax losses and unused tax credits. As a rule, the deferred tax liability is recognized for all temporary taxable differences. A deferred tax asset is recognized with respect to all temporary deductible differences insofar as it is probable that the entity will generate taxable profit against which such differences may be offset. Such deferred tax asset and liability is not recognized if the temporary differences arise from goodwill or from initial recognition (except business combinations) of other assets and liabilities in a transaction which does not affect the tax or accounting profit.

The value of the deferred tax asset is reviewed at the end of each reporting period and if the expected future taxable profit is insufficient to realize the asset or its part, an impairment loss is recognized as appropriate.

The deferred tax is calculated using tax rates that will be applicable when the asset is realized or the liability becomes due and payable. The measurement of the deferred tax liability and asset reflects the tax effects expected depending on the Group's method of realizing or accounting for the carrying amounts of assets and liabilities at the end of the reporting period.

On 11 June 2014, Selvita Services Sp. z o.o. obtained a permit to operate in the Kraków Technology Park special economic zone. Under Section II.2 thereof, the Company is allowed to use a tax exemption due to creation of new jobs. The maximum amount of the exemption (valid till 31 December 2017) was 60% of the cost of salaries and wages paid to new hires. From 1 January 2018, the maximum amount of the exemption is 50%.

In the field of income tax, the Group is subject to general provisions in this area. The Group is not a tax capital group. The tax and balance sheet years coincide with the calendar year.

The Group recognizes a deferred tax asset used to transfer the unused tax loss to the extent that it is probable that there will be future taxable profit against which the unused tax losses can be used off. When assessing whether it is probable that the available future taxable profit will be sufficient, the Group takes into account the nature, origin and schedule of such income and makes sure that convincing evidence has been collected. The Group assesses the realizability of the deferred tax asset as at each balance sheet date. This assessment requires the involvement of professional judgment and estimates, including in terms of future tax results. The unrecognized deferred tax asset is subject to reassessment at each balance sheet date and is recognized up to the amount that reflects the probability of generating taxable income in the future, which will allow the asset to be recovered.

Selvita Services Sp. z o.o. calculated the deferred tax asset due to the discount granted on the basis of the decision on operations in the Special Economic Zone. The method of calculating the asset is described in note 4.2.4

Uncertainty related to income tax recognition

In accordance with IFRIC 23, if, in the Group's opinion, it is probable that the Group's approach to a tax issue or group of tax issues will be approved by the tax authority, the Group determines taxable profit (tax loss), tax base, unused tax losses, unused tax credits and tax rates, taking into account the approach to taxation planned or applied in your tax return. In assessing this likelihood, the Group assumes that the tax authorities empowered to audit and challenge the tax treatment will perform such an audit and will have access to any information. If the Group determines that it is unlikely that the tax authority will accept the Group's approach to a tax matter or group of tax issues, then the Group reflects the effects of the uncertainty in accounting for the tax in the period in which it determines it. Therefore, the Group recognizes the income tax liability using one of the two methods listed below, depending on which of them better reflects the way in which the uncertainty may materialize:

- The group determines the most likely scenario - it is a single amount from among the possible outcomes or
- The Group recognizes the expected value - it is the sum of the probability-weighted amounts among the possible results.

3.15.3 Current and deferred tax for the period

The current and deferred tax is recognized in profit or loss, except for items recognized in other comprehensive income or directly in equity. In such a case, the current and deferred tax is also charged to other comprehensive income or equity, respectively. If the current or deferred tax results from initial recognition of a business combination, the tax effect is taken into consideration in the subsequent entries related to that business combination.

3.16 Property, plant and equipment

Fixed assets are measured at cost or revalued amounts less depreciation and impairment losses.

Costs incurred after a fixed asset has been commissioned, such as costs of repairs, inspections or maintenance fees, are recognized in profit or loss for the period during which they were incurred. However, where it may be proven that the said costs resulted in an increase of the expected future economic benefits related to holding the asset above those assumed initially, they increase the initial value of the fixed asset. Where the payment for fixed assets purchased by the Group is made in a foreign currency, the initial value is not increased by exchange differences.

Fixed assets under construction are measured at total cost related directly to their acquisition or manufacturing, including financial expenses, less impairment losses. Fixed assets under construction include payments of patent fees related to research.

Fixed assets, except land and the right of perpetual usufruct of land, are depreciated on a straight-line basis over the period of their estimated useful life or the shorter of the useful life or the period of the right to use the assets, which is as follows:

- building, premises, civil and water engineering structures – 10 years;
- technical equipment and machines – 3-10 years;
- vehicles – 5 years;
- other fixed assets – 3-5 years.

Machines and equipment are recognized at cost less depreciation and accumulated impairment losses.

Depreciation is recognized so as to reduce the cost or the measurement of an asset (other than land and fixed assets under construction) to its residual value using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period (with prospective application of all changes in estimates).

An item of property, plant and equipment is derecognized from the balance sheet upon its disposal or when it is expected that no further economic benefits will flow to the entity in relation to its use. Any gains or losses resulting from disposal of an item of property, plant and equipment or its decommissioning are charged to profit or loss for the period when the item was derecognized (calculated as the difference between proceeds from sale and the carrying amount of the asset).

3.17 Intangible assets

3.17.1 Intangible assets purchased by the Group

Intangible assets with fixed useful life, purchased by the Group, are recognized at cost less amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over the estimated useful life. The estimated useful life and amortization method are reviewed at the end of each reporting period and the effects of changes in the estimates are accounted for prospectively. Intangible assets with indefinite useful life, purchased by the Group, are recognized at cost less accumulated impairment losses.

Intangible assets are depreciated on a straight-line basis over the period corresponding to their estimated useful lives or the shorter of their useful lives or the right to use, which is as follows:

- Software - HD - 10 years,
- Other intangible assets - from 2 to 5 years,
- Contractors database - 13.5 years.

3.17.2 Intangible assets developed internally – R&D cost

R&D cost is recognized in profit or loss when incurred.

Intangible assets developed as a result of R&D work are recognized in the statement of financial position only if the Group has:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- knowledge of how the intangible asset will generate future economic benefits;
- access to adequate technical and financial resources to complete the development and to use or sell the intangible asset;
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The initial value of internally developed intangible assets is the total of expenses incurred from the date at which the asset satisfied the above recognition criteria for the first time. If internal R&D cost cannot be recognized on the balance sheet, it is charged to profit or loss for the period in which it was incurred.

After initial recognition, an intangible asset developed internally is carried at cost less accumulated amortization and accumulated impairment losses, in line with the principles applicable to intangible assets purchased by the entity.

3.17.3 Derecognition of intangible assets

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Any gains or losses arising from derecognition of an intangible asset from the balance sheet (determined as the difference between proceeds from sale and the carrying amount of the asset) are recognized in profit or loss for the period when the asset was derecognized.

3.18 Impairment of property, plant and equipment and intangible assets, except goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets in order to determine whether there are any indications of impairment. If such indications are identified, the recoverable amount of the asset is estimated in order to determine the value of the potential impairment loss. Where the recoverable amount of an asset may not be estimated, an analysis of the recoverable amount is performed for the cash generating unit which the asset has been allocated to. Where a reliable and consistent basis for allocation can be identified, the Group's non-current assets are allocated to individual cash generating units or to the smallest groups of cash generating units for which a reliable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives or those which have not been commissioned yet are tested for impairment annually and additionally whenever indications of their impairment are identified.

The recoverable amount is determined as the higher of the fair value less costs to sell or the value in use. The value in use is the present value of the projected future cash flows discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash generating unit) is lower than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss of the period in which impairment was identified.

Where an impairment loss is subsequently reversed, the net value of the asset (or a cash generating unit) is increased to the revised estimate of the recoverable amount, which, however, may not exceed the carrying amount of the asset which would have been determined had an impairment loss of the asset/cash generating unit not been recognized in previous years. Reversal of an impairment loss is recognized immediately in profit or loss.

3.19 Inventories

Inventories are measured at the lower of cost or realizable value. The cost of inventories is determined using the FIFO method. The realizable value is the estimated sale price of inventories less any estimated costs necessary to complete the manufacturing process/provide a service or to complete the sale transaction.

Purchased materials are recognized directly in operating expenses and measured at the end of the reporting period in line with the aforementioned principles based on a physical inventory.

The Group's inventories are reagents and laboratory materials used in the implementation of research work for customers.

3.20 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the amount required to fulfil the present obligation at the end of the reporting period, taking into account the risks and uncertainties related to the obligation. Where a provision is measured using the method of projected cash flows required to fulfil the present obligation, the carrying amount corresponds to the present value of such cash flows (if the effect of the time value of money is material).

When some or all of the economic benefits required to settle the provision are expected to be recovered from a third party, the amount due is recognized as an asset if it is almost certain that the amount will be recovered and it can be measured reliably.

3.20.1 Onerous contracts

Current liabilities under onerous contracts are recognized and measured as provisions. An onerous contract is a contract entered into by the Group, in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

3.20.2 Restructuring

A restructuring reserve is recognized only where the Group has developed a detailed and formal restructuring plan and announced its intention to implement the plan or achieve its key objectives to all the parties concerned. The restructuring reserve comprises only direct restructuring costs, that is such amounts as may be necessary to carry out the restructuring project, which are not related to the day-to-day running of the business.

3.21 Cash and cash equivalents

Cash and short-term deposits shown in the balance sheet include cash at bank and in hand, cash at bank on split payment account and short-term deposits with the original maturity of up to three months.

The balance of cash and cash equivalents disclosed in the consolidated statement of cash flows consists of the above-mentioned cash and cash equivalents, less outstanding loans in current accounts.

As at the balance sheet date, the Group has PLN 25,969 in split payment accounts.

3.22 Financial instruments

3.22.1 Classification and initial recognition of financial instruments

The Group assigns financial instruments in accordance with the IFRS 9 to one of three categories:

- measured on the basis of the amortized cost,
- measured at fair value through other total income,
- measured at fair value through profit or loss.

The classification depends on the business model used by an entity with respect to financial asset management and on whether cash flows arising from the contracts include solely the payments of principal and interest ('SPPI').

If a financial instrument is maintained in order to generate cash flow, it is classified as measured based on the amortised cost, provided that it meets the SPPI requirement.

Debt instruments meeting the SPPI requirement, maintained both in order to generate contractual cash flows arising from assets and to sell assets, are classified as measured at fair value through other total income.

All other debt instruments are measured at fair value, where the results of measurement are recognised in the financial result.

Financial liabilities and financial assets, excluding trade receivables which do not contain a significant financing component, are measured at fair value during the initial recognition.

Trade receivables that do not contain a significant financing component are measured at the transaction value during the initial recognition.

Cessation of recognition

Financial assets are excluded from the books of accounts when:

- the rights to obtain cash flows from financial assets have expired, or
- the rights to obtain cash flows from financial assets have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Valuation after initial recognition

For the purpose of valuation after initial recognition, financial assets are classified into one of four categories:

- debt instruments measured at amortized cost,
- debt instruments measured at fair value through other comprehensive income,
- equity instruments measured at fair value through other comprehensive income,
- financial assets at fair value through profit or loss.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met:

- (a) the financial asset is held in accordance with a business model whose purpose is to hold financial assets for obtaining contractual cash flows, and
- (b) the terms of the contract relating to the financial asset give rise to cash flows on certain dates that are only repayment of principal and interest on the principal amount outstanding.

The Group classifies into the category of financial assets measured at amortized cost:

- trade receivables,
- loans granted that meet the SPPI classification test and which, according to the business model, are shown as held to obtain cash flows,
- cash and cash equivalents.

Trade and other receivables and other receivables

Receivables from sales of goods and services are recognized and disclosed according to the initially invoiced amounts, taking into account the write-down for expected credit losses in the entire lifetime.

If the effect of the time value of money is material, the value of receivables is determined by discounting the projected future cash flows to the present value using a discount rate that reflects current market assessments of the time value of money. If the discounting method was used, the increase in receivables due to the passage of time is recognized as financial income.

Other receivables include, in particular, advance payments for future purchases of property, plant and equipment, intangible assets and inventories. Advances are presented in accordance with the nature of the assets to which they relate - as fixed or current assets, respectively. Advances as non-monetary assets are not discounted.

Budget receivables are presented as other non-financial assets, with the exception of corporate income tax receivables, which constitute a separate item on the balance sheet.

Financial assets at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income, if both of the following conditions are met:

- (a) the financial asset is held in accordance with a business model whose purpose is both to receive contractual cash flows and to sell financial assets; and
- (b) the terms of the contract relating to the financial asset give rise to cash flows on certain dates that are only repayment of principal and interest on the principal amount outstanding.

Interest income, exchange rate differences and impairment gains and losses are recognized in profit or loss and calculated in the same way as for financial assets measured at amortized cost. Other changes in fair value are recognized in other comprehensive income. When the financial asset is discontinued, the total profit or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Interest income is calculated using the effective interest method and is recognized in the statement of comprehensive income under 'Interest income'.

The Group classifies listed debt instruments to the category of debt instruments valued at fair value through other comprehensive income.

Equity instruments at fair value through other comprehensive income

At the time of initial recognition, the Group may make an irrevocable choice regarding the recognition in subsequent comprehensive income of subsequent changes in the fair value of an investment in an equity instrument that is not held for trading or is not a conditional consideration recognized by the acquirer in a business combination to which IFRS 3 applies. Such selection is made separately for each equity instrument. Accumulated gains or losses previously recognized in other comprehensive income are not reclassified to profit or loss. Dividends are recognized in the statement of comprehensive income when the entity's entitlement to receive dividends arises, unless those dividends are obviously recovering part of the investment costs.

The Group classifies unlisted equity instruments as equity instruments measured at fair value through other comprehensive income.

Financial assets at fair value through profit or loss

Financial assets that are not measured at amortized cost or at fair value through other comprehensive income are measured at fair value through profit or loss.

The Group classifies listed equity instruments as financial assets at fair value through profit or loss.

Profit or loss on the measurement of these assets at fair value is recognized in profit or loss.

Dividends are recognized in the statement of comprehensive income when the entity's entitlement to receive dividends arises.

As at December 31, 2021, no financial assets have been classified as measured at fair value through profit or loss.

Trade liabilities and other liabilities

Short-term liabilities due to deliveries and services are shown in the amount due.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities originally classified as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near future. Derivatives, including separated embedded instruments, are also classified as held for trading, unless they are considered effective hedging instruments.

As at December 31, 2021, no financial liabilities have been classified as measured at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are measured at fair value, taking into account their market value as at the balance sheet date, excluding sales transaction costs. Changes in the fair value of these instruments are recognized in profit or loss as financial costs or revenues, except for changes due to own credit risk for financial liabilities initially classified as measured at fair value through profit or loss, which are recognized in other comprehensive income.

Other financial liabilities other than financial instruments at fair value through profit or loss are measured at amortized cost using the effective interest rate method.

The company excludes from its balance sheet a financial liability when the liability has expired - that is, when the obligation specified in the contract has been fulfilled, redeemed or expired.

Other non-financial liabilities include, in particular, liabilities to the tax office due to value added tax and liabilities due to received advance payments, which will be settled by the delivery of goods, services or fixed assets. Other non-financial liabilities are recognized at the amount due.

Interest-bearing bank loans, loans and debt securities

At initial recognition, all bank loans, borrowings and debt securities are recognized at fair value, less costs associated with obtaining the loan.

After initial recognition, interest-bearing loans, borrowings and debt securities are measured at amortized cost using the effective interest method.

When determining the amortized cost, account is taken of the costs associated with obtaining the loan or borrowing as well as discounts or premiums obtained in connection with the liability.

Income and expenses are recognized in profit or loss when the liability is removed from the balance sheet, as well as as a result of settlement using the effective interest rate method.

3.22.2 Impairment of financial instruments

At the end of each fiscal year, the Group carries out the analysis of financial instruments in order to determine their impairment and prepare an impairment loss.

To this end, the Group applies the impairment model based on expected credit losses, as a result of which the impairment loss is recognised before the occurrence of credit loss. This model requires taking into account both the current conditions as well as reasonable and documented information concerning the future, available without excessive costs and efforts, in the process of calculating the expected credit loss.

Two approaches are used for the estimation of financial instrument impairment losses:

- General approach – applied to financial assets measured at fair value through other total income and to financial assets measured at the amortised cost, excluding trade receivables.
- Simplified approach – applied to trade receivables and contract assets that do not include a significant financing element. The Group calculates the expected credit loss in the entire life cycle for this category of assets with the use of a provision matrix. The basis for the calculation is the loss rate calculated on the basis of data on the repayment of trade receivables from the period of 4 years. The rate calculated this way is referred to balances of unpaid trade receivables recognised as at the balance sheet date, within ranges defined in the ageing analysis.

3.22.3 Hedge accounting

The Group companies do not use hedge accounting.

4. Significant accounting judgements and estimates

When applying the accounting policies adopted by the Group, the Management Board of the parent is obliged to make estimates, judgments and assumptions regarding measurement of individual assets and liabilities. Estimates and the related assumptions are based on past experience and other factors which are considered to be material. The actual figures may be different from the adopted estimates.

The estimates and the underlying assumptions are subject to ongoing review. Changes in estimates are recognized in the period of review if they apply to that period only, or in the current and future periods if the changes apply equally to such periods.

4.1 Professional judgment in accounting

The key judgments other than those related to estimates (see Note 4.2) made by the Management Board in the process of application of the entity's accounting policies, having the most significant effect on the amounts recognized in the financial statements, are presented below.

Recognition of grants

The Group recognizes revenue from subsidies from the commencement of work related to a given subsidy agreement. Due to the Management Board's judgment that there is reasonable assurance that the Group is able to meet all the conditions resulting from the subsidy agreements and will not be obliged to return received subsidies, revenues from subsidies are recognized over time in the period of works related to the subsidy.

Leasing - the Group as a lessee

The Company applied the following judgments and estimates:

Lease period for contracts with extension options

The Company determines the lease term as an irrevocable lease period, including periods covered by the option to extend the lease, if it can be assumed with sufficient certainty that the option will be exercised, and periods covered by the option to terminate the lease, if it can be assumed with sufficient certainty that the option will not be exercised.

The Company has the option, under some lease contracts, to extend the duration of the asset lease. The Company applies a judgment when assessing whether there is sufficient certainty about using the extension option. This means that it takes into account all relevant facts and circumstances that constitute an economic incentive to extend it or an economic penalty for not extending it. After the commencement date, the Company reassess the lease period if there is a significant event or change in circumstances under its control and affects its ability to exercise (or not exercise) the extension option (e.g. change of business strategy).

The Company has included the extension period as part of the leasing period for the leasing of business premises and parking spaces due to the importance of these assets for operations.

Lease period for contracts of unlimited duration

The Company has lease contracts concluded for an indefinite period and contracts that have evolved into indefinite contracts in the situations provided for in the Civil Code, in which both parties have the option to terminate. When determining the leasing period, the Company determines the period of contract enforceability. Leasing ceases to be enforceable when both the lessee and the lessor have the right to terminate the contract without having to obtain permission from the other party without incurring more than insignificant penalties. The Company assesses the significance of broadly understood penalties, i.e. apart from strictly contractual or financial matters, it takes into account all other significant economic factors discouraging the termination of the contract (e.g. significant investments in leasing, availability of alternative solutions, relocation costs). If neither the Company as the lessee nor the lessor incurs a significant penalty for termination (broadly understood), leasing ceases to be enforceable and its period constitutes the notice period. However, in a situation where either party - in accordance with professional judgment - incurs a significant penalty for termination (broadly understood), the Company determines the leasing period as sufficiently reliable (i.e. the period for which it can be assumed with sufficient certainty that the contract will last).

Lessee's marginal interest rate

The Company is not able to easily determine the interest rate for leasing contracts, which is why it uses the lessee's marginal interest rate when measuring the leasing liability. This is the interest rate that the Company would have to pay to borrow for a similar period, in the same currency and with similar collateral, the funds necessary to purchase an asset with a similar value as the asset due to the right to use in a similar economic environment.

Exercising control over a related entity

Controlling of Ardigen S.A. was described in note 15.1. Ardigen Inc. is controlled by Ardigen S.A., which owns 100% of Ardigen Inc.

4.2 Uncertainty of estimates

Presented below are the main assumptions concerning the future and other uncertainties as at the end of the reporting period, which pose a considerable risk of material adjustments to the carrying amounts of assets and liabilities in the following financial year.

As regards the incentive program, detailed judgments and estimates are presented in Note 34.

4.2.1 Provisions for bonuses

Provisions for bonuses are presented in Note 29. Provisions for bonuses are estimated in line with an algorithm based on a margin achieved and realized on individual projects or project groups. The Management Board estimates the value of bonuses to be paid on the basis of the results of the aforesaid calculations. The Management Board considers numerous factors, such as the current and anticipated economic and financial position of the Group. Bonuses are discretionary.

4.2.2 Useful lives of property, plant and equipment

As described in Note 3.16 and Note 3.17, the Group reviews the estimated useful lives of items of property, plant and equipment and intangible assets at the end of each annual reporting period. In the current financial year, the Management Board did not identify the necessity to reduce the value in use of any assets.

4.2.3 Accounting for long-term contracts using the estimated stage-of-completion method

As described in Note 3.9, the Group determines the stage of completion of long-term contracts by comparing the project costs incurred thus far with the total estimated project costs. Due to the nature of the Group's projects and the possibility of unexpected difficulties in project completion, it may turn out that the total actual project costs differ from the estimates. A change in the estimated total project costs may require that the stage of completion determined at the end of the reporting period, thus the revenue recognized by the Group, be determined again.

4.2.4 Deferred tax asset

The Group recognizes a deferred tax asset based on the assumption that a tax profit will be available in the future to allow its use. Deterioration of tax results in the future could cause that this assumption would become unjustified.

The Group carefully assesses the nature and extent of evidence justifying the conclusion that it is probable that future taxable income will be sufficient to deduct the unused tax losses, unused tax credits or other negative temporary differences.

When assessing whether it is probable that future taxable profit will be achieved (probability above 50%), the Group shall take into account all available evidence, both confirming the existence of probability and evidence of its absence.

Based on the forecasts for the following years, the Management Board of the Parent Company makes a decision on calculating the deferred tax asset. Asset due to tax relief in the Special Economic Zone in Selvita Services Sp. z o.o. the amount of 50% of the average annual remuneration for newly created jobs is calculated for a period that can be used, not longer than 24 months. Tax relief asset at Fidelta d.o.o. it is charged in the amount of 25% of the deductible investment costs incurred. The tax relief can be settled within 10 years.

4.2.5 Tax settlements

Regulations regarding value added tax, corporate income tax and social security charges are subject to frequent changes. These frequent changes result in a lack of well-established benchmarks, inconsistent interpretations, and few precedents established that could apply. There are no explicit interventions clearly defining tax regulations and relations between both state authorities as well as state authorities and enterprises.

Tax settlements and other areas of activity may be subject to control by authorities that are entitled to impose penalties and fines, and any additional tax obligations resulting from the control must be paid together with interest. These conditions cause increased tax risk.

Consequently, the amounts presented and disclosed in the financial statements may change in the future as a result of the final decision of the tax inspection authority.

On July 15, 2016, the Tax Code was amended to take into account the provisions of the General Fraud Prevention Clause (GAAR). GAAR is to prevent the emergence and use of artificial legal structures created to avoid payment of tax in Poland. GAAR defines tax avoidance as an act performed primarily to achieve a tax benefit, which is in conflict with the subject and purpose of the provisions of the Tax Act. According to GAAR, this does not result in a tax benefit if the method of operation was artificial. Any occurrence of (i) unjustified division of operations, (ii) the involvement of intermediaries despite the lack of economic or economic justification, (iii) elements that mutually abolish or compensate each other, and (iv) other activities similar to those mentioned above, may be treated as a premise for existence artificial activities subject to GAAR. The new regulations will require much more judgment when assessing the tax consequences of individual transactions.

The GAAR clause should be applied to transactions made after its entry into force and to transactions that were carried out before the GAAR clause entered into force, but for which benefits were or are still being achieved after the date of entry into force of the clause. The implementation of the above provisions will enable Polish tax inspection authorities to question the legal arrangements and agreements implemented by taxpayers, such as the restructuring and reorganization of the group.

The Group recognizes and measures current or deferred tax assets or liabilities using the requirements of IAS 12 Income tax based on profit (tax loss), tax base, unused tax losses, unused tax credits and tax rates, taking into account the uncertainty associated with settlements tax.

If, in the opinion of the Group, it is likely that the Group's approach to the tax issue or group of tax issues will be accepted by the tax authority, the Group determines taxable income (tax loss), tax base, unused tax losses, unused tax credits and tax rates taking into account the approach to taxation planned or applied in your tax return. Assessing this probability, the Group assumes that the tax authorities authorized to audit and challenge the tax treatment will carry out such control and will have access to all information.

If the Group determines that it is not probable that the tax authority will accept the Group's approach to the tax issue or group of tax issues, then the Group reflects the effects of uncertainty in accounting terms of tax during the period in which it determined it. The Group recognizes an income tax liability using one of the following two methods, depending on which of them better reflects the way in which uncertainty can materialize:

- The Group determines the most likely scenario - this is a single amount among the possible outcomes or
- The Group recognizes the expected value - it is the sum of probability weighted amounts among the possible results.

4.2.6 Fair value of financial instruments

The fair value of financial instruments for which there is no active market is determined using appropriate valuation techniques. When selecting the appropriate methods and assumptions, the Group is guided by professional judgment. The method of determining the fair value of individual financial instruments is presented in note 20.

4.2.7 Impairment of trade receivables and contract assets

The Group uses reserve matrices to value the write-down for expected credit losses in relation to trade receivables and contract assets. In order to determine the expected loan losses, trade receivables and contract assets were grouped based on the similarity of the credit risk characteristics. The Group uses its historical data on credit losses, adjusted, where appropriate, by the impact of future information. An increase or decrease in the adjustment regarding the impact of future factors used to estimate the expected loan losses by 10% would result in an increase or decrease in impairment losses on loans by PLN 38,013 respectively (31 December 2020: PLN 16,468).

4.2.8 Revenue recognition

Judgments made by the Group that significantly affect the determination of the amount and timing of obtaining revenues from contracts with clients are presented in note 3.9.

5. Sales revenue

5.1. Revenues

The sales revenues obtained by the group can be divided into 3 types:

1. Agreements based on the fixed price model.

In the "fixed price" model under the concluded contract, the Group provides specific services for a specific amount of remuneration. In such cases, invoicing usually takes place in the following pattern: a certain percentage of the advance (the so-called upfront payment) and the remainder at the time of the contract.

In accordance with the Group's policy, some of this type of contracts were measured in accordance with the cost-advanced method as long-term contracts. These types of contracts is considered individually in the context of the moment of fulfilling the obligation to perform the service and thus the impact on the moment of recognition of revenues.

2. Agreements based on the FTE (Full-Time Equivalent) model

Under the contract, the Group provides appropriately qualified employees. Revenue is defined as the working time of employees of the Group measured at the rate from the contract. Invoices in accordance with the contract are issued at the end of the set settlement period (usually monthly). The Group's obligation to perform the service is therefore met at the time the employees render the service.

3. Sale of administrative services

The Group provides administrative services for all entities within the Group and for Ryvu Therapeutics S.A.

Analysis of the Group's sales revenue for the period from 1 January 2021 to 31 December 2021:

	Year ended 31/12/2021	Year ended 31/12/2020
	PLN	PLN
Contract research - fixed priced agreements	113,943,969	39,851,745
Contract research - FTE agreements	192,715,517	92,065,576
Revenues from the sale of administrative services	4,261,329	5,438,964
Operating income (excluding grants)	310,920,815	137,356,285

The above analysis does not reflect the Group's operating segments, which are described in note 6.

In the reporting period, the Group signed some orders to be implemented in the form of contracts settled over time.

5.2. Revenues from subsidies

The amount of revenues from subsidies is presented in the table below:

	Year ended 31/12/2021	Year ended 31/12/2020
	PLN	PLN
Infrastructure subsidies	32,123	29,689
Grants for research	4,771,602	4,540,711
Revenues from subsidies	4,803,725	4,570,400

5.3. Contract assets and liabilities

The scope of changes of contract assets	As at 31/12/2021	As at 31/12/2020
	PLN	PLN
Balance at the beginning of the reporting period	2,514,463	4,226,665
Contracts acquired as part of the purchase of Fidelta	2,904,771	-
Revenue accrued in proportion to the costs incurred	23,075,311	18,088,328
Invoiced revenues	(18,175,084)	(19,800,530)
Balance at the end of the reporting period	10,319,461	2,514,463

The scope of changes of contract liabilities	As at 31/12/2021	As at 31/12/2020
	PLN	PLN
Balance at the beginning of the reporting period	363,196	557,787
Contracts acquired as part of the purchase of Fidelta	435,452	-
Invoicing beyond the obligation to provide	5,255,804	30,819,095
Execution of contracts without invoicing	(2,433,286)	(31,013,686)
Balance at the end of the reporting period	3,621,166	363,196

5.4 Geographical information

The Group operates in two major geographical regions – in Poland, where its registered office is located, and in Europe. In regards to other countries, the United States are a major market.

Group's revenue from external customers by geographical area:

	Revenue from external customers	
	Year ended 31/12/2021	Year ended 31/12/2020
	PLN	PLN
Poland	8,817,629	8,543,612
EU members	137,722,315	57,005,308
USA	86,285,333	44,187,613
Switzerland	27,116,826	6,917,799
UK	37,942,505	14,037,932
Israel	6,903,761	5,682,469
Other countries	6,132,446	981,552
Total	310,920,815	137,356,285

5.5. Operating expenses

5.5.1 Amortization and impairment	Year ended 31/12/2021	Year ended 31/12/2020
	PLN	PLN
Amortization of tangible assets	8,826,785	3,729,645
Amortization of equipment usage rights	5,613,304	5,001,946
Amortization of rights to use the premises and cars	9,787,345	4,589,222
Amortization of intangible assets	469,980	204,909
Amortization of contractor base	2,790,596	-
Total amortization expense	27,488,010	13,525,722

5.5.2 Employee benefit expense	Year ended 31/12/2021	Year ended 31/12/2020
	PLN	PLN
Salaries and wages	102,601,188	55,872,804
Social security charges	13,194,670	7,385,342
Medical and other benefits	2,833,015	927,665
Trainings	1,511,861	445,076
Workwear	1,386,284	568,080
Employee benefit expense	121,527,018	65,198,967

5.5.3 External services	Year ended 31/12/2021	Year ended 31/12/2020
	PLN	PLN
B2C Services*	25,116,831	10,310,358
Research services, scientific advisory services	6,183,186	3,269,539
Building and laboratory services	2,864,703	2,198,082
IT services, databases, software licenses	4,943,337	1,613,334
Legal services	2,728,759	1,667,287
Transportation services	2,347,312	935,230
Total external services	44,184,128	19,993,830

* The costs of B2C include the costs of outsourcing human resources and the costs of subcontractors used in research projects in the amount of PLN 13,947 thousand in 2021. In 2020, human resources outsourcing costs amounted to PLN 7,575 thousand.

6. Operating segments

The Management Board monitors separately segment operating results to take appropriate decisions concerning resources allocation, to assess results of resource allocation and segment performance results. The basis for the assessment is segment operating profit or loss. Group financing (including finance costs and finance income) and deferred tax are monitored at the level of the Group and are not allocated to individual segments.

6.1 Products and services representing a source of revenue of the reporting segments

For management purposes, the Group has been divided into parts based on the services provided. There are therefore three operating segments.

The first segment accounting for the major part of the Group's revenue is the Segment of Services executed in Poland. The Group provides services through its two major departments, i.e. Contract Chemistry and Contract Biology. Services provided to external contractors are in the field of chemistry, analytics, regulatory, biochemistry and cell biology.

The second segment is Segment of Services executed in Croatia, which provide services in the field of integrated research and development projects commissioned by biotechnology and pharmaceutical companies. The segment includes only the subsidiary Fidelta d.o.o.

The third segment within the Group is Bioinformatics Segment. The segment provides bioinformatics services to external contractors and conducts its own research in the field of bioinformatics. The segment includes the subsidiaries: Ardigen S.A. and Ardigen Inc.

6.2 Segment revenue and profit or loss

Analysis of the Group's reporting segment revenue and profit or loss:

	Revenue		Operating profit	
	Year ended 31/12/2021	Year ended 31/12/2020	Year ended 31/12/2021	Year ended 31/12/2020
	PLN	PLN	PLN	PLN
Segment 1 - Services executed in Poland, including	157,797,353	121,424,189	(10,001,393)	15,409,401
<i>revenue from external customers (FTE)</i>	95,996,419	74,858,165		
<i>revenue from external customers (fixed price)</i>	51,975,522	39,256,216		
<i>revenues from sales of administrative services</i>	4,261,329	5,438,964		
<i>intersegment revenue</i>	3,093,688	289,137		
<i>grant income</i>	1,588,084	1,093,236		
<i>other operating income</i>	882,311	488,471		
Segment 2 - Services executed in Croatia, including	127,532,744	-	27,652,830	-
<i>revenue from external customers (FTE)</i>	65,903,044	-		
<i>revenue from external customers (fixed price)</i>	61,195,885	-		
<i>intersegment revenue</i>	-	-		
<i>grant income</i>	-	-		
<i>other operating income</i>	433,815	-		
Segment 3 - Bioinformatics, including	34,894,572	21,332,509	8,432,719	4,134,757
<i>revenue from external customers (FTE)</i>	30,816,055	17,207,411		
<i>revenues for fixed price clients</i>	772,561	595,529		
<i>intersegment revenue</i>	-	-		
<i>grant income</i>	3,215,641	3,477,164		
<i>other operating income</i>	90,315	52,405		
Elimination of intersegment revenue	3,093,688	289,137		
Total – continuing operations	317,130,981	142,467,561	26,084,156	19,544,158

	Expenses	
	Year ended	Year ended
	31/12/2021	31/12/2020
	PLN	PLN
Segment 1 - Services executed in Poland, including	167,798,746	106,014,788
amortization and depreciation	14,648,732	12,619,822
costs of central administration, Management Board remuneration and selling costs	27,941,295	21,993,721
intersegment expenses	5,840	7,550
Valuation of the incentive program	31,469,049	-
Segment 2 - Services executed in Croatia, including	99,879,914	-
amortization and depreciation	8,869,244	-
costs of central administration, Management Board remuneration and selling costs	2,790,595	-
intersegment expenses	15,627,462	-
	2,566,280	-
Segment 3 - Bioinformatics, including	26,461,853	17,197,752
amortization and depreciation	1,179,439	905,900
costs of central administration, Management Board remuneration and selling costs	5,930,517	4,110,898
intersegment expenses	521,568	281,587
Elimination of intersegment expenses	3,093,688	289,137
Total - continuing operations	291,046,825	122,923,403

Administrative costs arise in individual administrative units assigned to individual segments. The allocation of costs to individual segments remains at the level of individual subsidiaries.

The accounting principles applied to the operating segments are the same as the Group's accounting policies presented in Note 3. Segment profit is profit generated by individual segments after the allocation of the costs of central administration and the remuneration of the management as well as the selling costs. This result does not include other profits and losses as well as revenues and financial costs. This information is provided to persons deciding about the allocation of resources and assessing the financial results of the segment. The transaction prices used in transactions between operating segments are established on an arm's length basis, as in transactions with unrelated parties.

6.3 Segment assets and liabilities

Segments assets	As at 31/12/2021	As at 31/12/2020
	PLN	PLN
Segment 1		
Services executed in Poland	196,309,213	203,840,162
Segment 2		
Services executed in Croatia	245,909,348	-
Segment 3		
Bioinformatics	24,373,653	14,955,665
Total segment assets	466,592,214	218,795,827
Segment liabilities		
Segment 1		
Services executed in Poland	183,206,015	63,085,573
Segment 2		
Services executed in Croatia	71,721,393	-
Segment 3		
Bioinformatics	6,111,059	3,050,662
Total segment liabilities	261,038,467	66,136,235

For purposes of monitoring segment performance and allocating resources:

- goodwill, research and development in progress, non-current receivables, cash and cash equivalents, property, plant and equipment, inventories, trade receivables, trade receivables, assets arising from long-term contracts and deferred tax asset are allocated to the reporting segments;
- trade liabilities, liabilities under long-term contracts, provisions for liabilities, deferred income and financial liabilities are allocated to the reporting segments;

6.4 Other segment information

	Depreciation and amortization		Fixed assets additions	
	Year ended 31/12/2021	Year ended 31/12/2020	Year ended 31/12/2021	Year ended 31/12/2020
	PLN	PLN	PLN	PLN
Segment 1				
<i>Services executed in Poland</i>	14,648,732	12,619,822	52,672,299	39,996,958
Segment 2				
<i>Services executed in Croatia</i>	11,659,839	-	14,722,420	-
Segment 3				
<i>Bioinformatics</i>	1,179,439	905,900	487,817	794,130
Total	27,488,010	13,525,722	67,882,536	40,791,088

6.5 Major customers

	Year ended 31/12/2021	Year ended 31/12/2020
	PLN	PLN
Segment 1 - Services executed in Poland	*	
Customer A	n.a.	11,572,960
Segment 2 - Services executed in Croatia		
Customer B	34,420,511	n.a.
Customer C	21,533,360	n.a.
Segment 3 - Bioinformatics		
Customer D	7,016,398	3,252,919
Customer E	3,776,001	5,094,258
Total	66,746,270	19,920,137

* There are no clients in the segment whose revenues in 2021 exceed 10% of the segment's sales.

Customers A,B,C,D,E are customers for which the sales revenue exceeds 10% of segment sales revenue.

7. Finance income

	Year ended 31/12/2021	Year ended 31/12/2020
	PLN	PLN
Financial revenue due to financial instruments	13,930	12,830
Interest	13,930	12,830
Gains on currency differences	-	-
Total finance income	13,930	12,830

8. Finance cost

	Year ended 31/12/2021	Year ended 31/12/2020
	PLN	PLN
Finance cost due to financial instruments	3,650,827	75,802
Interest	2,490,252	602
Losses on currency differences	1,160,575	75,200
Other finance cost	1,379,718	627,330
Interest on leases	1,311,086	625,544
Interest on state liabilities	-	1,786
Other	68,632	-
Total finance cost	5,030,545	703,132

9. Other operating income and expenses

9.1 Other operating income

	Year ended 31/12/2021	Year ended 31/12/2020
	PLN	PLN
Gain on disposal of property, plant and equipment	40,439	22,121
Other operating income:	1,366,002	518,755
Salary of the internship supervisor	67,736	-
Compensation obtained	5,397	-
Repayment of debts covered by the allowance for expected credit losses	403,460	-
Discount received	39,581	-
Other – sales of services to employees (LUX MED, Benefit, Genfit)	848,693	518,755
Other	1,135	-
Total other operating income	1,406,441	540,876

9.2 Other operating expenses

	Year ended 31/12/2021	Year ended 31/12/2020
	PLN	PLN
Loss on disposal of property, plant and equipment, including:	-	-
Other operating expenses:	212,422	64,453
Penalties, fines and damages paid	25,000	-
Cost refund to employees - prescription glasses	10,000	4,749
Employee reimbursement	-	728
Other	21,166	-
Write-off of receivables	-	11,659
Donation	156,256	47,317
Total other operating expenses	212,422	64,453

10. Income taxes on continuing operations

10.1 Income taxes presented in the statement of comprehensive income

	Year ended 31/12/2021	Year ended 31/12/2020
	PLN	PLN
Current income tax:	5,881,287	1,219,336
<i>Current income tax charge</i>	5,881,287	1,219,336
<i>Corrections relating to previous years</i>	-	-
Deferred income tax	(3,035,713)	(2,287,399)
Tax charge presented in the statement of comprehensive income	2,845,574	(1,068,063)

10.2 Reconciliation of the tax profit to the accounting profit

	Year ended 31/12/2021	Year ended 31/12/2020
	PLN	PLN
Recorded revenue and profit	317,144,911	142,480,391
Non-taxable and tax-exempt income, including:	6,814,504	10,027,364
Exchange differences	3,814,786	4,448,213
Long-term contracts	(1,828,879)	988,923
Grant income	4,828,598	4,590,228
Total taxable income (1-2+3)	310,330,407	132,453,027
Recorded expenses and losses	296,077,370	123,626,535
Expenses and losses classified permanently as non-deductible:	39,417,679	5,556,463
PFRON	816,285	677,084
Business entertainment costs	327,540	213,209
Costs of the incentive program	31,469,049	-
Subsidized costs	4,828,598	4,590,228
Other non-deductible expenses	1,976,207	74,156
Penalty interest for the budget	-	1,786
Expenses and losses classified temporarily as non-deductible:	9,872,751	5,851,731
Recognized accrual for bonus and unused holidays	1,882,176	2,194,763
Established accruals for liabilities	2,296,359	(202,713)
Provisions for retirement	352,551	156,796
Exchange differences	5,312,754	3,654,424
Business trip settlement not paid	28,911	48,461
Total deductible expenses	246,786,939	112,218,341
Taxable Income	63,543,467	20,234,686
Tax-exempt income ("+")	-	-
Deductions from income ("+")	11,416,414	2,287,933
Tax losses carried forward	(271,912)	-
Other - R&D tax relief	11,688,327	2,287,933
Tax base	52,127,053	17,946,753
Income tax at the applicable rate	9,904,140	3,409,883
Deductions from income tax	4,022,853	2,190,547
Income tax due	5,881,287	1,219,336

The tax charge is determined using the tax rates effective in the financial year. Since 2004, under the amended legislation, the CIT rate has been 19%. In the case of Croatia, the tax rate is 18%.

10.3 The effective tax rate reconciliation is as follows:

	Year ended 31/12/2021	Year ended 31/12/2020
	PLN	PLN
Gross profit before tax	21,067,541	18,853,856
Tax at the statutory tax rate applicable in Poland, 19%	4,002,833	3,582,233
Tax relief for activities in the economic zone	(1,546,524)	(2,190,547)
The tax relief for investments in Croatia	(2,476,330)	-
Permanent non-taxable costs	7,489,359	1,055,728
Permanent non-taxable income	(917,434)	(872,143)
R&D tax relief used in the tax year	(683,275)	(434,707)
R&D tax relief remains to be used	(1,217,900)	(1,103,998)
Increasing the SEZ tax relief	(893,205)	(1,207,603)
Increasing of the tax relief for investments in Croatia	(840,469)	-
Other (including 18% taxable income)	(71,481)	102,974
Tax at the effective tax rate	2,845,574	(1,068,063)

10.4 Current tax asset and liabilities

	As at 31/12/2021	As at 31/12/2020
	PLN	PLN
Current tax asset		
Tax refund due	-	-
Current tax liabilities		
Income taxes due	2,762,232	416,458
	2,762,232	416,458

10.5 Deferred income tax

Analysis of the deferred tax asset / (liability) in the consolidated statement of financial position:

	As at 31/12/2021	As at 31/12/2020
	PLN	PLN
Deferred tax asset	22,444,778	12,339,284
Deferred tax liability	17,611,770	4,470,563
	4,833,008	7,868,721

Basis for temporary differences – difference between the tax value and carrying amount of:	DTA as at	DTA as at	Change in DTA recognized in profit and loss account for the period	Change in DTA recognized in equity
	As at 31/12/2021	As at 31/12/2020	from 01/01 to 31/12/2021	from 01/01 to 31/12/2020
- fixed assets and intangible assets (excluding leases)	-	5,242	(5,242)	(1,186)
- due to SEZ	6,649,052	5,755,847	893,205	1,207,603
- settlements on business trips	2,472	-	2,472	-
- the tax relief for investments in Croatia	840,469	-	840,469	-
- trade and other receivables (impairment, exchange differences)	286,617	599,538	(312,921)	566,241
- customer contracts	689,896	-	689,896	-
- payables for future reserves	662,570	411,788	250,782	230,306
- retirement provision	100,740	49,367	51,373	29,791
- bonus provision	1,233,404	934,265	299,139	189,989
- unused holiday provision	626,780	568,306	58,474	227,016
- liability under the right of use	10,134,878	2,910,935	7,223,943	407,142
- R&D relief to be settled in the following years	1,217,900	1,103,998	113,902	961,434
Total	22,444,778	12,339,284	10,105,493	3,818,336

The SEZ relief can be accounted for through 2026.

10.6 Tax losses to be used in subsequent periods

Period ended 31/12/2021 Year	Loss amount	Use	Possible to use	Max period of use
2021	-	-	-	2026

10.7 Accrued R&D relief to be settled

Period ended 31/12/2021 Year	Relief amount	Use	Possible to use	Max period of use
2019	750,335	750,335	-	2025
2020	5,810,514	5,810,514	-	2026
2021	10,006,184	3,596,184	6,410,000	2027

10.8 Unrecognized deferred tax asset and unused tax credits

	As at 31/12/2021	As at 31/12/2020
As at the end of the reporting period, the following items of the deferred tax asset remained unrecognized:		
Tax losses	-	-
Tax credits	-	-
Accrued expenses	-	-
Unrecognized provision for deferred income tax	-	-
Total unrecognized deferred tax asset	-	-
Total (recognized and unrecognized) deferred tax asset	22,444,778	12,339,284

DTA computation method has been described in note 4.2.4.

10.9 Deferred tax liability

Basis for temporary differences – difference between the tax value and carrying amount of:	DTL	DTL	Change in DTL recognized in profit and loss account for the period	Change in DTL recognized in equity
	As at 31/12/2021	As at 31/12/2020	from 01/01 to 31/12/2021	from 01/01 to 31/12/2020
- fixed assets and intangible assets (excluding leases)	111,235	209,944	(98,709)	209,944
- trade receivables and liabilities and others (positive exchange differences)	74,653	758,886	(684,233)	646,815
- customer contracts	1,137,730	731,510	406,220	442,760
- right-of-use assets	9,793,433	2,770,223	7,023,210	231,417
- change of company value	232,679	-	232,679	-
- contractor databases	6,262,040	-	(502,307)	-
Total	17,611,770	4,470,563	6,376,860	1,530,936

11. Earnings per share

	Year ended 31/12/2021	Year ended 31/12/2020
	PLN/100	PLN/100
	per share	per share
Basic earnings per share:	81.2	104.6
From continuing operations	81.2	104.6
Total basic earnings per share	81.2	104.6
Diluted earnings per share:	81.2	104.6
From continuing operations	81.2	104.6
Total diluted earnings per share	81.2	104.6

11.1 Basic earnings per share

Earnings and weighted average number of ordinary shares used for calculation of basic earnings per share:

	Year ended 31/12/2021	Year ended 31/12/2020
	PLN	PLN
Current year profit attributable to equity holders of the parent company	14,899,164	17,998,078
Current year profit attributable to non-controlling interest	3,322,803	1,923,841
Profit used for calculation of total basic earnings per share	18,221,967	19,921,919

	Year ended 31/12/2021	Year ended 31/12/2020
	pcs	pcs
Weighted average number of ordinary shares used for calculation of earnings per share	18,355,474	17,212,658

There were no dilutive instruments in 2021 and 2020.

11.2 Dividends paid and proposed

The Management Board of the parent company is not planning to pay dividends for period from 1 January to 31 December 2021.

12. Tangible fixed assets

Net carrying amount	As at 31/12/2021	As at 31/12/2020
	PLN	PLN
Land	10,000,000	10,000,000
Buildings	1,819,863	1,900,065
Machinery and equipment	1,749,040	780,484
Vehicles	144,675	11,029
Other tangible assets (including lab equipment)	34,553,316	8,995,958
Other tangible assets usage rights (including lab equipment)	36,743,079	24,659,210
Rights to use the premises	49,651,658	14,015,117
Car usage rights	1,782,655	241,404
Assets under construction	13,838,719	1,629,836
Advances for assets under construction	-	-
	150,283,006	62,233,103

In the period covered by the consolidated financial statements, due to the lack of premises, the Group did not make revaluation write-offs for fixed assets.

The Group did not have any land in perpetual usufruct in the periods presented in the consolidated financial statements.

In 2022 the Group is planning to incur expenditure on non-financial non-current assets in the amount of PLN 150 million. No expenditures on environmental protection purposes are planned.

12.1. Changes in the value of fixed assets by type in the current financial period from 01/01 to 31/12/2021

Item	Land	Buildings	Machinery and equipment	Vehicles	Other tangible assets (including lab equipment)	Assets under construction	Other tangible assets usage rights (including lab equipment)	Rights to use the premises	Car usage rights	Total
Gross value at the beginning of the period	10,000,000	3,108,706	5,296,530	162,813	25,172,086	1,629,836	32,996,655	19,031,109	519,030	97,916,765
Increases in gross value:	-	125,070	3,833,469	144,554	33,647,516	46,637,921	17,715,911	44,993,120	1,972,018	149,069,579
- Purchases	-	-	-	-	1,710	43,739,777	-	21,900,651	739,565	66,381,703
- Transfer from assets under construction	-	125,070	2,335,281	144,554	13,339,403	-	17,715,911	-	-	33,660,219
- Acquisition of Fidelta d.o.o.	-	-	1,066,630	-	20,067,650	2,870,018	-	22,868,359	1,220,492	48,093,149
- Other - transfer to fixed assets	-	-	376,185	-	-	-	-	-	-	376,185
- Liquidation	-	-	44,920	-	42,090	-	-	-	-	87,010
- exchange differences from the translation of the financial statements of foreign entities	-	-	10,453	-	196,663	28,126	-	224,110	11,961	471,313
Decreases in gross value:	-	-	650,048	-	1,249,961	34,429,038	376,185	-	-	36,705,232
- Disposals	-	-	650,048	-	1,249,961	768,819	-	-	-	2,668,828
- Other - transfer to fixed assets	-	-	-	-	-	33,660,219	376,185	-	-	34,036,404
Gross value at the end of the period	10,000,000	3,233,776	8,479,951	307,367	57,569,641	13,838,719	50,336,381	64,024,229	2,491,048	210,281,112
Accumulated depreciation at the beginning of the period	-	1,208,641	4,516,046	151,784	16,176,128	-	8,337,444	5,015,992	277,626	35,683,662
Inceases:	-	205,272	2,214,864	10,908	6,840,197	-	5,613,304	9,356,579	430,767	24,671,890
- Depreciation charge for the period	-	205,272	1,812,499	10,908	6,798,107	-	5,613,304	9,356,579	430,767	24,227,434
- Liquidation	-	-	44,920	-	42,090	-	-	-	-	87,010
- Other - transfer to fixed assets	-	-	357,446	-	-	-	-	-	-	357,446
Decreases:	-	-	-	-	-	-	357,446	-	-	357,446
- Disposals	-	-	-	-	-	-	-	-	-	-
- Other - transfer to fixed assets	-	-	-	-	-	-	357,446	-	-	357,446
Accumulated depreciation at the end of the period	-	1,413,913	6,730,911	162,692	23,016,324	-	13,593,303	14,372,571	708,393	59,998,106
Net carrying amount at the beginning of the period	10,000,000	1,900,065	780,484	11,029	8,995,958	1,629,836	24,659,210	14,015,117	241,404	62,233,103
Net carrying amount at the end of the period	10,000,000	1,819,863	1,749,040	144,675	34,553,316	13,838,719	36,743,079	49,651,658	1,782,655	150,283,006

12.2. Changes in the value of fixed assets by type in the financial period from 1 January to 31 December 2020

Item	Land	Buildings	Machinery and equipment	Vehicles	Other tangible assets (including lab equipment)	Assets under construction	Other tangible assets usage rights (including lab equipment)	Rights to use the premises	Car usage rights	Total
Gross value at the beginning of the period	-	3,051,105	3,965,281	162,813	21,556,623	-	15,143,476	13,304,558	519,030	57,702,885
Increases in gross value:	10,000,000	57,601	1,470,285	-	3,809,316	1,629,836	17,853,179	5,726,551	-	40,546,768
- Purchases	10,000,000	57,601	1,470,285	-	3,809,316	1,629,836	17,853,179	5,726,551	-	40,546,768
- Transfer from assets under construction	-	-	-	-	-	-	-	-	-	-
Decreases in gross value:	-	-	139,036	-	193,853	-	-	-	-	332,889
- Disposals	-	-	139,036	-	193,853	-	-	-	-	332,889
Gross value at the end of the period	10,000,000	3,108,706	5,296,530	162,813	25,172,086	1,629,836	32,996,655	19,031,109	519,030	97,916,765
Accumulated depreciation at the beginning of the period	-	922,416	3,271,660	150,721	14,108,668	-	3,335,498	592,693	111,703	22,493,359
Inceases:	-	286,225	1,258,957	1,063	2,183,402	-	5,001,946	4,423,299	165,923	13,320,815
- Depreciation charge for the period	-	286,225	1,258,957	1,063	2,183,402	-	5,001,946	4,423,299	165,923	13,320,815
Decreases:	-	-	14,571	-	115,942	-	-	-	-	130,512
- Disposals	-	-	14,571	-	115,942	-	-	-	-	130,512
Accumulated depreciation at the end of the period	-	1,208,641	4,516,046	151,784	16,176,128	-	8,337,444	5,015,992	277,626	35,683,662
Net carrying amount at the beginning of the period	-	2,128,689	693,621	12,092	7,447,955	-	11,807,977	12,711,865	407,327	35,209,526
Net carrying amount at the end of the period	10,000,000	1,900,065	780,484	11,029	8,995,958	1,629,836	24,659,210	14,015,117	241,404	62,233,103

12.3. Scope of changes in the value of depreciation in 2021

At the end of 2020, as part of the annual review of depreciation rates, in connection with the experience gained during acquisition activities and in order to standardize the economic useful lives of similar fixed assets in the Group, in particular after the acquisition of Fidelta d.o.o., the Management Board made a prospective change in the estimates of the economic useful life of laboratory equipment from 1 January 2021.

13. Goodwill

	As at 31/12/2021	As at 31/12/2020
	PLN	PLN
At cost	76,732,465	280,740
Accumulated impairment	-	-
	76,732,465	280,740

13.1 Goodwill from consolidation of subsidiaries in the current reporting period

COMPANY	Goodwill at the beginning of the period	Increase due to acquisition of company	Change in the value due to changes in foreign exchange rates	Change in value due to revaluation of estimated goodwill	Goodwill at the end of the period	Impairment allowances
Selvita Services sp. z o.o.	280,740	-	-	-	280,740	-
Fidelta d.o.o.	-	75,227,098	1,224,627	-	76,451,725	-
Total goodwill	280,740	75,227,098	1,224,627	-	76,732,465	-

Goodwill was acquired as part of the assets as a result of the transactions in 2019. Historically, goodwill arose as a result of the acquisition of Biocentrum sp. z o.o. In 2019, the merger of the Issuer's subsidiaries, i.e. Selvita Services sp.z o.o., was registered in the Register of Entrepreneurs of the National Court Register. (hereinafter: the "Acquiring Company") and BioCentrum sp.z o.o. (hereinafter: the "Acquired Company").

On November 23, 2020, the Issuer, as the buyer, concluded with Galapagos NV based in Belgium, as the seller ("Galapagos", "Seller") a conditional sale agreement ("Agreement") for the acquisition by the Issuer of 100% shares ("Shares") in to Fidelta doo based in Croatia ("Fidelta"), of which Galapagos is the sole owner ("Transaction").

The Price for the Shares was set at EUR 31.2 million ("Price for Shares"), which was adjusted accordingly based on Fidelta's net cash and working capital adjustments normally used in this type of transaction.

Price for Shares was financed with the Issuer's own funds (30%) and based on debt financing in the form of a loan (70%), which was obtained by the Issuer (Note 24.1). In the case of the adjustment relating to Fidelta's net cash and working capital, it was fully financed from the Issuer's own funds. The closing of the Transaction, payment of the Price for the Shares and the acquisition of shares in Fidelta by Selvita took place on the date of the Share Transfer Deed, i.e. on January 4, 2021 ("Transaction Closing").

Fidelta is a leading preclinical CRO (Contract Research Organization), providing services in the field of integrated research and development projects commissioned by biotechnology and pharmaceutical companies, employing over 180 employees, including over 150 highly qualified scientists, with many years of experience in drug discovery projects. Fidelta has several decades of business history, first at the PLIVA Research Institute (now part of the Teva Pharmaceutical Group), then at the GlaxoSmithKline Group R&D center, and from 2010 at the Galapagos Group, where it began providing commercial drug discovery services to global external clients. Fidelta's headquarters and laboratories are located in modern research and development centers located in Zagreb, Croatia, which offer almost 6,000 m2 of research space, with the possibility of further expansion by another 2,000 m2. Together with the resources of laboratory space and research staff currently owned by the Issuer, this will allow for a significant increase in the scale of activities conducted by the Issuer's Capital Group.

The scope of services provided by Fidelta is largely complementary to the current offer of the Issuer, which will allow Selvita S.A. Capital Group. for building a competitive advantage mainly by introducing services in the areas of in vivo pharmacology and toxicology to the offer, as well as expanding the offer and scale of operations in other departments, resulting in strengthening Selvita's market position. The transaction will significantly expand the Issuer's offer and the portfolio of currently provided services in the field of integrated projects in the field of drug discovery and will expand the expertise in new therapeutic areas, such as infectious, fibrotic or inflammatory diseases, in line with current market trends and customer demand biotech industry.

In the opinion of the Management Board, this acquisition will strengthen the Issuer's market position among the largest European CRO companies. The company is consolidated within the Issuer's Capital Group from January 1, 2021, i.e. a few days before the acquisition of the company, however, there were no significant transactions between the acquisition date and January 1, 2021.

The transaction is a long-term investment of the Selvita Capital Group of a strategic nature and at the same time a breakthrough moment in the implementation of the Strategy of the Selvita S.A. Capital Group adopted on April 29, 2020, under which the Issuer planned to allocate PLN 150-200 million for acquisitions in subsequent years. The transaction will significantly strengthen the Issuer's Group, ensuring the potential for further dynamic growth and the implementation of the Issuer's long-term plans to continue the provision of services on the international CRO market.

As part of the settlement of the acquisition, the surplus of the price paid over the value of the acquired and identified net assets was allocated to goodwill.

The fair values of the company's identifiable assets and liabilities as at the date control is obtained are as follows:

	As at 04/01/2021 EUR	As at 04/01/2021 HRK	As at 04/01/2021 PLN
Acquired assets			
Tangible fixed assets	5,277,410	39,874,250	24,004,298
Right-of-use assets	5,209,117	39,358,254	23,693,669
Other intangible assets	36,137	273,040	164,370
Other intangible assets - contractor database	8,262,000	62,424,762	37,579,707
Other assets	160,060	1,209,360	728,035
Trade and other assets	4,425,726	33,439,231	20,130,417
Contract assets	695,064	5,081,927	3,059,320
Other non-financial assets	223,874	1,691,517	1,018,293
Cash and other monetary assets	7,879,854	59,537,402	35,841,516
Total assets	32,169,243	242,889,742	146,219,625
Acquired liabilities			
Liabilities due to retirement benefits	84,352	637,336	383,676
Lease liabilities	5,209,117	39,358,254	23,693,669
Trade and other liabilities	1,986,279	15,007,627	9,034,591
Contract liabilities	95,735	723,342	435,452
Current tax liabilities	355,513	2,686,129	1,617,050
Deferred tax liabilities	1,487,160	11,236,457	6,764,347
Accruals and deferred income	1,212,508	9,161,283	5,515,092
Deferred income	1,168,303	8,827,283	5,314,024
Total liabilities	11,598,967	87,637,711	52,757,902
Net assets	20,570,276	155,252,031	93,461,723
Acquired percentage of share capital	100%	100%	100%
Purchase price (Price for Shares)	31,200,000	235,736,213	141,913,200
Purchase price adjustment due to net cash and working capital paid on March 4, 2021	5,879,583	44,477,776	26,775,621
Goodwill as at the date of taking control, i.e. January 4, 2021	16,509,307	124,961,957	75,227,098

	PLN/HRK rate	Valuation of goodwill on Fidelta d.o.o.
As at 04/01/2021	0.602	75,227,098
As at 31/12/2021	0.6118	76,451,725
Change in the value due to changes in foreign exchange rates		1,224,627

After completing the purchase transaction of 100% shares in Fidelta d.o.o., the Issuer intends to redeem the share capital from the amount of HRK 100 million to HRK 51 million. The relevant application was submitted to the court in July 15, 2021. On November 13, 2021, the Issuer received information about a change in the share capital of the subsidiary Fidelta d.o.o. from Croatia. The share capital was reduced by 49 million HRK, i.e. 30.272 thousand zlotys. PLN (according to the average NBP exchange rate of 0.6178 PLN / HRK of November 12, 2021). Receivables from the reduction of the share capital was settled in December 2021.

The company conducted an impairment test. An impairment loss is determined by estimating the recoverable amount of the cash-generating unit to which the goodwill has been allocated. If the recoverable value of the cash-generating unit is lower than the carrying amount, an impairment loss is recognized. If goodwill is part of a cash-generating unit and a part of the business is sold within this center, when determining the profit or loss on the sale of such business, goodwill related to the business sold is included in its carrying amount. In such circumstances, the goodwill sold is determined based on the relative value of the operations sold and the value of the portion of the cash-generating unit retained. Goodwill increases the assets of the Service Segment and the goodwill related to Fidelta d.o.o. increases the assets of the Services Segment in Croatia.

13.2. Goodwill - impairment test

The goodwill in the initial recognition is presented according to the purchase price reduced by any accumulated impairment write-offs. Goodwill is not amortized. The impairment test is carried out once a year or more frequently if there are any premises for it. At the acquisition date, any goodwill acquired is allocated to the cash-generating unit ("Center") that uses the combination. Center to which goodwill has been assigned: corresponds to the lowest level in the Group at which goodwill is monitored for internal management purposes and is not greater than one operating segment defined in accordance with IFRS 8 Operating Segments. An impairment loss is determined by estimating the recoverable amount of the cash-generating unit to which a given goodwill has been allocated. If the recoverable amount of the cash-generating unit is lower than the carrying amount, an impairment loss is recognized. It is not possible to reverse the impairment write-offs previously made.

Goodwill – estimates

Each time an impairment test requires an estimation of the value in use of the cash-generating unit to which goodwill is allocated. Estimating the value in use consists in determining the future cash flows generated by the center and determining the discount rate, which is then used to calculate the present value of these flows.

A company not listed on an active market - Fidelta d.o.o.

In the case of Fidelta, a company not listed on an active market, the recoverable amount is determined based on its value in use, which is estimated using the discounted free cash flow model for equity owners and creditors (FCFF). When calculating Fidelty's value in use, the following assumptions were made:

- in the subsidiary, the so-called the business units that together make up the budget and forecasts for the entire subsidiary;
- the detailed forecast covers the period of 5 years, during which increases in flows in subsequent years were assumed, for the rest of the operating period of the units, the residual value was calculated with the assumed growth rate of 2.5%;
- the assumed increases in cash flows depend on the strategy for the entire Group, tactical plans of the unit and take into account the conditions of individual geographic markets, reflecting the current and potential order portfolio at the same time. The potential order portfolio assumes maintaining current and attracting new customers.
- the discount rate is in line with Fidelta's weighted average cost of capital. The individual components of this rate were estimated on the basis of market data with risk-free rates, the value of the beta coefficient, which was leveraged based on the market debt / equity structure and the value of the expected rate of return from the market.

The performed impairment tests consisting in estimating the value in use using the discounted free cash flow model for owners of equity and creditors (the so-called FCFF) showed that the value in use of Fidelta exceeds its book value.

Sensitivity analysis

A sensitivity analysis was performed for the impairment test prepared as at December 31, 2021, consisting in the calculation of the value in use. This analysis examined the impact of the change:

- the discount rate used in the model;
- residual growth rate as a factor affecting the recoverable amount of the cash-generating unit, assuming that other factors remain unchanged.

The aim of the sensitivity analysis was to investigate what value the selected parameters of the model would have to have in order for the estimated value in use of the cash-generating units to be equal to the carrying value of Fidelta. The results of the analysis as at December 31, 2021 are presented in the table below.

	Book value of cash generating unit	Discount rate		Residual growth rate	
	PLN	used in the model %	limit%	used in the model %	limit%
Fidelta d.o.o.	174,187,955	12.3%	24.8%	2.5%	-35.6%

As indicated in the table above, the model adopted for the analysis used a discount rate of 12.3% and the growth rate for the residual period of 2.5%.

The table below presents the sensitivity analysis of the models calculating Fidelta's recoverable amounts to changes in discount rates (the applied discount rate was changed in the range of 1 pp to 2 pp in plus and minus) and to the change in the growth rate for the residual period (the applied growth rate was changed in the range of 1 pp. up to 2 pp in plus and in minus).

Fidelta d.o.o.	change in the value of the discount rate (change given in percentage points)				
	-2.0%	-1%	0%	1%	2.00%
Present value of FCFF (in PLN)	404,405,080	357,212,368	319,884,199	289,634,125	264,634,326
Surplus / Deficit over the book value of the cash generating unit (in PLN)	230,217,125	183,024,413	145,696,244	115,446,170	90,446,371

Fidelta d.o.o.	change in the value of the growth rate (change given in percentage points)				
	-2.0%	-1%	0%	1%	2.00%
Present value of FCFF (in PLN)	280,867,781	298,540,394	319,884,199	346,175,731	379,360,941
Surplus / Deficit over the book value of the cash generating unit (in PLN)	106,679,826	124,352,439	145,696,244	171,987,776	205,172,986

14. Other intangible assets

	As at 31/12/2021	As at 31/12/2020
Carrying amount	PLN	PLN
Software - Data Warehouse	342,303	385,091
Other intangible assets	1,480,560	242,549
Contractor database	35,355,446	-
	37,178,309	627,640

The contractors database concerns the contracts and contacts taken over as part of the purchase of the Croatian company Fidelta d.o.o. The value of the base was estimated on the basis of the existing parameters of cooperation. The depreciation factor was determined for a period of 13.5 years as the average expected period of cooperation.

The Group does not use any intangible assets under lease agreements.

14.1 Changes in the value of intangible assets by type in the financial period from 1 January to 31 December 2021

Item	Contractor database	Other intangible assets	Total
Gross value at the beginning of the period	-	1,087,446	1,087,446
Increases in gross value:	38,146,042	1,665,203	39,811,245
- Purchases	-	1,500,833	1,500,833
- Acquisition of Fidelta d.o.o.	37,579,707	164,370	37,744,077
- Transfer from assets under construction	-	-	-
- exchange differences from the translation of the financial statements of foreign entities	566,335	-	566,335
Decreases in gross value:	-	-	-
Gross value at the end of the period	38,146,042	2,752,649	40,898,691
Accumulated depreciation at the beginning of the period	-	459,806	459,806
Inceases:	2,790,596	469,980	3,260,576
- Depreciation charge for the period	2,790,596	469,980	3,260,576
Decreases:	-	-	-
Accumulated depreciation at the end of the period	2,790,596	929,786	3,720,382
Net carrying amount at the beginning of the period	-	627,640	627,640
Net carrying amount at the end of the period	35,355,446	1,822,863	37,178,309

14.2 Changes in the value of intangible assets by type in the financial period from 1 January to 31 December 2020

Item	Contractor database	Other intangible assets	Total
Gross value at the beginning of the period	-	843,126	843,126
Increases in gross value:	-	244,320	244,320
- Purchases	-	244,320	244,320
- Transfer from assets under construction	-	-	-
Decreases in gross value:	-	-	-
Gross value at the end of the period	-	1,087,446	1,087,446
Accumulated depreciation at the beginning of the period	-	254,897	254,897
Increases:	-	204,909	204,909
- Depreciation charge for the period	-	204,909	204,909
Decreases:	-	-	-
Accumulated depreciation at the end of the period	-	459,806	459,806
Net carrying amount at the beginning of the period	-	588,229	588,229
Net carrying amount at the end of the period	-	627,640	627,640

15. Subsidiaries

Detailed information on subsidiaries covered by consolidation is as follows:

Name of subsidiary	Core business	Place of registration and operations	Percentage interest and share in voting rights held by the Group	Percentage interest and share in voting rights held by the Group
			As at 31/12/2021	As at 31/12/2020
Selvita Services Spółka z ograniczoną odpowiedzialnością	Research and development in other natural and technical sciences	30-348 Kraków ul. Bobrzyńskiego 14	100%	100%
Selvita Inc.	Research and development in other natural and technical sciences	Delaware, USA	100%	100%
Selvita Ltd.	Research and development in other natural and technical sciences	Cambridge, UK	100%	100%
Ardigen S.A.	Research and development in other natural and technical sciences	30-394 Kraków ul. Podole 76	46.67% / 53.98%	46.67% / 53.98%
Fidelta d.o.o.	Research and development in other natural and technical sciences	HR-10000 Zagreb Prilaz baruna Filipovica 29	100.00%	0.00%
Ardigen Inc.	Research and development in other natural and technical sciences	Delaware, USA	46.67% / 53.98%	n.a.

15.1. Detailed information concerning subsidiaries which has significant non-controlling interests

The table below presents details about subsidiaries in the Group that have significant non-controlling interests:

Name of subsidiary	Place of registration and operations	Percentage interest and share in voting rights held by the Group	Profit (loss) allocated to non-controlling interests	Cumulative value of non-controlling interest
		As at 31/12/2021	As at 31/12/2021	As at 31/12/2021

Ardigen S.A.	30-394 Kraków ul. Podole 76	46.67% / 53.98%	3,322,803	8,683,991
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Name of subsidiary	Place of registration and operations	Percentage interest and share in voting rights held by the Group	Profit (loss) allocated to non-controlling interests	Cumulative value of non-controlling interest
		As at 31/12/2020	As at 31/12/2020	As at 31/12/2020

Ardigen S.A.	30-394 Kraków ul. Podole 76	46.67% / 53.98%	1,923,841	5,361,188
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(i) Selvita S.A. holds a 46.67% share in Ardigen S.A. The agreement concluded between the Group and other investors gives the Group the right to appoint and dismiss majority of members of the management board of Ardigen S.A. Decisions concerning the essential activities of this company are taken by the Management Board by a simple majority of votes. On this basis, the Management Board of the Group stated that the Group has control over Ardigen S.A., which was consolidated in these financial statements.

Summary of financial information in relation to each of the Group's subsidiaries with significant non-controlling interests. The amounts shown below constitute amounts before the elimination of transactions between entities in the Group. Financial data covers the period from January 1, 2021 to December 31, 2021 and the comparative period from January 1, 2020, to December 31, 2020.

Ardigen S.A.	As at 31/12/2021	As at 31/12/2020
	PLN	PLN
Current assets	21,373,423	12,675,074
Fixed assets	1,434,410	2,280,591
Short term liabilities	2,841,035	1,513,755
Long-term liabilities	159,146	365,093
Capital attributed to the Parent Company	9,492,171	6,549,881
Non-controlling interest	8,683,991	5,361,188

	Year ended 31/12/2021	Year ended 31/12/2020
	PLN	PLN
Sales revenue	35,386,838	21,449,011
Costs	27,967,895	17,427,183
Gross profit for the period	7,418,943	4,021,828
Net profit for the period	6,230,644	3,409,399
Net profit attributed to the Parent Company	2,907,841	1,485,558
Net profit attributed to non-controlling shareholders	3,322,803	1,923,841
Net profit for the period	<u>6,230,644</u>	<u>3,409,399</u>
Other comprehensive income attributed to the Parent Company	-	-
Other comprehensive income attributed to non-controlling	-	-
Other comprehensive income	<u>-</u>	<u>-</u>
Total income attributed to the Parent Company	2,907,841	1,485,558
Total income attributed to non-controlling shareholders	3,322,803	1,923,841
Total income	<u>6,230,644</u>	<u>3,409,399</u>
Dividend paid to non-controlling shareholders	-	-

15.2 Changes in ownership - shares in subsidiaries

On January 4, 2021 the Issuer acquired 100% shares in Fidelta d.o.o.

On June 7, 2021, the subsidiary Ardigen S.A. established the company Ardigen Inc. In the established company Ardigen S.A. owns 100% of shares. Due to the fact that the company has control over Ardigen S.A. it also controls Ardigen Inc.

On October 1, 2019 as a result of the purchase of the Organized Part of the Enterprise, Selvita S.A. took over shares in Ardigen S.A. from Ryvu Therapeutics S.A.

15.3 Significant limitations

There were no limitations in the current period in Ardigen S.A.

15.4 Financial support

In 2021, Selvita S.A. and companies included in the Capital Group have not granted any guarantees or securities for other

16. Investments in associates

There is no investment in associates as of December 31, 2021 and December 31, 2020.

17. Non-controlling shares

	Year ended 31/12/2021	Period ended 31/12/2020
	PLN	PLN
Balance at the beginning of the reporting period	5,361,188	3,437,347
Attributable profits for the period (Ardigen)	3,322,803	1,923,841
Balance at the end of the period	8,683,991	5,361,188

18. Other financial assets

Long term other financial assets	As at	As at
	31/12/2021	31/12/2020
	PLN	PLN
Paid deposit	829,032	345,235
	<u>829,032</u>	<u>345,235</u>
Short term other financial assets	As at	As at
	31/12/2021	31/12/2020
	PLN	PLN
Bank deposit A	13,235,168	10,152,560
Bank deposit B	199,341	-
	<u>13,434,509</u>	<u>10,152,560</u>

The bank deposit A is for the amount of EUR 2.2 million deposited with the bank Pekao S.A. until all collaterals specified in the loan agreement are established to finance the acquisition of shares in Filelta d.o.o. and the amount of HRK 5 million PLN 3,116,488 deposited with Raiffeisen Bank as security for the issued guarantees.

19. Inventories

	As at	As at
	31/12/2021	31/12/2020
	PLN	PLN
Materials	1,941,627	2,230,344
Total	<u>1,941,627</u>	<u>2,230,344</u>

The Group did not recognize any impairment losses on inventories in the period presented in the consolidated financial statements. The Group purchases only such goods and materials as may be directly needed for a specific project. Materials are consumed on an ongoing basis.

20. Other financial assets

The table below presents the individual classes of financial assets and liabilities broken down into levels of the fair value hierarchy as at December 31, 2021. Due to the nature of these items, fair value does not differ significantly from the carrying amount.

P1 - Quotes from active markets
P2 - Significant Observable Data
P3 - Relevant data unobservable

	31/12/2021		
	carrying amount	fair value	hierarchy level
Financial assets for which fair value is disclosed:			
Trade and other receivables	54,037,285	<i>n.a.</i>	<i>n.a.</i>
Other short-term financial assets	13,434,509	<i>n.a.</i>	<i>n.a.</i>
Financial liabilities for which fair value is disclosed:			
Trade payables	27,209,629	<i>n.a.</i>	<i>n.a.</i>
Contract liabilities	3,621,166	<i>n.a.</i>	<i>n.a.</i>
Other liabilities	-	<i>n.a.</i>	<i>n.a.</i>
Interest-bearing loans and credits, including:	92,569,430	<i>n.a.</i>	<i>n.a.</i>
<i>global credit card limit</i>	469,000	<i>n.a.</i>	<i>n.a.</i>
Current portion of interest-bearing loans and borrowings, including:	11,225,304	<i>n.a.</i>	<i>n.a.</i>
<i>credit card debt</i>	91,349	<i>n.a.</i>	<i>n.a.</i>

The table below presents the individual classes of financial assets and liabilities broken down into levels of the fair value hierarchy as at December 31, 2020. Due to the nature of these items, fair value does not differ significantly from the carrying amount.

	31/12/2020		
	carrying amount	fair value	hierarchy level
Financial assets for which fair value is disclosed:			
Trade and other receivables	23,052,408	<i>n.a.</i>	<i>n.a.</i>
Other short-term financial assets	10,152,560	<i>n.a.</i>	<i>n.a.</i>
Financial liabilities for which fair value is disclosed:			
Trade payables	8,314,540	<i>n.a.</i>	<i>n.a.</i>
Contract liabilities	363,196	<i>n.a.</i>	<i>n.a.</i>
Other liabilities	-	<i>n.a.</i>	<i>n.a.</i>
Interest-bearing loans and credits, including:	469,000	<i>n.a.</i>	<i>n.a.</i>
<i>global credit card limit</i>	469,000	<i>n.a.</i>	<i>n.a.</i>
Current portion of interest-bearing loans and borrowings, including:	4,641	<i>n.a.</i>	<i>n.a.</i>
<i>credit card debt</i>	4,641	<i>n.a.</i>	<i>n.a.</i>

20.1 Other non-financial assets

	As at 31/12/2021	As at 31/12/2020
Carrying amount:	PLN	PLN
Licenses	1,489,406	335,334
Insurance	412,458	49,639
Equipment qualification	1,410,246	347,841
Periodic flat-rate subscriptions for recruitment	63,311	63,273
Deferred expenses	241,645	225,953
Subscriptions	233,463	-
Newspapers	-	4,976
Prepaid training	54,917	9,731
Membership fee	956	30,352
Other	118,707	2,165
Trademark	1,750	-
Accrued bank charges	236,502	-
	4,263,361	1,069,264

21. Trade and other receivables

	As at 31/12/2021	As at 31/12/2020
	PLN	PLN
Trade receivables	54,569,654	23,165,107
The allowance for expected credit losses	(773,781)	(164,680)
	53,795,873	23,000,427
Tax (VAT) receivables	8,491,923	6,129,111
Other – receivables from employees, security deposits	241,412	51,981
Grants due	3,086,479	4,816,347
	65,615,687	33,997,866

21.1 Trade receivables and contract assets

In regards to trade receivables and contract assets, the Group estimated the expected credit loss as at 31 December 2021 on the basis of a provision matrix defined based on historical data concerning credit losses. It was recognised that receivables and contract assets of particular customers are characterised by a similar level of risk, they were not divided into groups.

The Company creates a 100% allowance for the expected credit losses when the receivables are brought to court or when it obtains information about the possible bankruptcy of the client.

The table below presents the calculation of expected credit losses with respect to trade receivables and contract assets:

	Year ended 31/12/2021		
	Balance of unpaid receivables and contract assets as at the balance sheet date	The rate of expected credit losses (adjusted)	The amount of the allowance for expected credit losses
Overdue	47,107,884	0%	17,667
1-30 days after the deadline	3,863,306	0%	6,245
31-60 days after the deadline	1,479,571	2%	35,960
61-90 days after the deadline	429,122	74%	317,896
91-180 days after the deadline	156,380	1%	1,879
181-365 days after the deadline	7,684	6%	481
More than 365 days after the deadline	393,652	100%	393,652
Total	53,437,599		773,781

	Year ended 31/12/2020		
	Balance of unpaid receivables and contract assets as at the balance sheet date	The rate of expected credit losses (adjusted)	The amount of the allowance for expected credit losses
Overdue	21,990,452	0%	35,411
1-30 days after the deadline	2,510,840	1%	12,805
31-60 days after the deadline	692,467	3%	23,405
61-90 days after the deadline	248,189	7%	17,348
91-180 days after the deadline	128,647	14%	17,946
181-365 days after the deadline	50,753	22%	11,186
More than 365 days after the deadline	58,222	80%	46,578
Total	25,679,570		164,680

The average payment date of overdue trade receivables from January 1, 2021 to December 31, 2021 is 9 days and from January 1, 2020 to December 31, 2020 was 14 days. A new customer's creditworthiness is analysed prior to the entry into a relevant contract. Due to its business profile, the Group cooperates with entities that are known in the industry, which also affects their creditworthiness. The payment terms are set in the offers made to contracting parties.

The allowance for expected credit losses

	Year ended 31/12/2021	Period ended 31/12/2020
	PLN	PLN
Balance at the beginning of the period	164,680	139,472
Acquisition of Fidelta d.o.o.	492,171	-
The allowance for expected credit losses	520,390	25,208
Reversal of the allowance for expected credit losses	(403,460)	-
Balance at the end of the period	773,781	164,680

22. Leases

22.1. The Group as a lessee

The Group has lease agreements for office premises and laboratories, machinery and equipment, office equipment and cars. The leasing period is on average 60 months, except for office equipment, which qualifies as short-term leasing or as low-value contracts.

Some leases include options to extend or terminate the lease. The Group also concludes contracts for an indefinite period. The management board makes a judgment to determine the period over which it can be assumed with reasonable certainty that such contracts will continue (see note 3.11).

The Group also has lease contracts for individual premises with a lease term of 12 months or less, and low value office equipment lease contracts. The Group uses the exemption for short-term leases and leases for which the underlying asset is of low value.

The Group's liabilities under the lease contracts are secured by the lessor's ownership of the subject of the lease. In general, the Group is not entitled to transfer leased assets in subleasing or to assign rights it is entitled to under lease contracts.

The following are carrying amounts of the assets due to the right of use (lease agreement) and their changes in the reporting period:

Period ended 31/12/2021	Buildings and premises	Equipment	Vehicles	Total
As at 1 January 2021	14,015,117	24,659,210	241,404	38,915,730
Purchases (new lease agreements)	22,124,761	17,715,911	751,526	40,592,198
Changes in lease agreements	-	(18,739)	-	(18,739)
Increases due to the acquisition of Fidelta d.o.o.	22,868,359	-	1,220,492	24,088,851
Depreciation	(9,356,579)	(5,613,304)	(430,767)	(15,400,649)
As at 31 December 2021	49,651,658	36,743,078	1,782,656	88,177,392

Period ended 31/12/2020	Buildings and premises	Equipment	Vehicles	Total
As at 1 January 2020	12,711,865	11,807,977	407,327	24,927,168
Purchases (new lease agreements)	5,726,551	17,853,179	-	23,579,730
Changes in lease agreements	-	-	-	-
Revaluation of lease liabilities	-	-	-	-
Depreciation	(4,423,299)	(5,001,946)	(165,923)	(9,591,168)
As at 31 December 2020	14,015,117	24,659,210	241,404	38,915,730

The carrying amounts of leasing liabilities and their changes during the reporting period:

	2021		Total
	Leases for buildings, premises and vehicles	Leasing of machinery and equipment	
As at 1 January	15,203,707	26,045,374	41,249,081
Increases due to the acquisition of Fidelta d.o.o.	24,088,851	-	24,088,851
New leases and lease modifications	22,876,287	17,697,172	40,573,459
Revaluation (foreign exchange differences)	529,222	2,101,709	2,630,931
Interests	758,076	553,010	1,311,086
Payments	(10,114,684)	(12,130,491)	(22,245,175)
As at 31 December	53,341,459	34,266,774	87,608,233
Short-term	13,433,199	10,143,860	23,577,059
Long-term	39,908,260	24,122,914	64,031,174

The carrying amounts of leasing liabilities and their changes during the period from 1 January 2020 to 31 December 2020:

	2020		Total
	Leases for buildings, premises and vehicles	Leasing of machinery and equipment	
As at 1 January	13,362,136	11,713,277	25,075,413
Changes in lease agreements	5,726,551	18,336,666	24,063,217
Revaluation (foreign exchange differences)	703,882	394,809	1,098,691
Interests	258,387	367,157	625,544
Payments	(4,847,249)	(4,766,535)	(9,613,784)
As at 31 December	15,203,707	26,045,374	41,249,081
Short-term	5,907,262	6,859,078	12,766,340
Long-term	9,296,445	19,186,296	28,482,741

The maturity analysis of leasing liabilities is presented in Note 28.8 Liquidity risk.

Amounts of revenues, costs, profits and losses resulting from leasing (regarding buildings, premises and vehicles) included in the consolidated profit and loss account / statement of comprehensive income are presented below:

	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Depreciation of leased assets	(9,787,345)	(4,589,222)
Interest costs on lease liabilities	(758,076)	(258,387)
Short-term leasing costs (included in general and administrative expenses)	-	-
Other operating income due to changes in leasing agreements	-	-
Costs of negative exchange differences due to balance sheet valuation of lease liabilities	(529,222)	(703,882)
The total amount recognized in the consolidated income statement / statement of comprehensive income	(11,074,643)	(5,551,491)

The total cash outflow from lease agreements was PLN 10,114,684 in 2021 and it was PLN 4,847,249 in the period from 01.01.2020 to 31.12.2020.

Amounts of revenues, costs, profits and losses resulting from leasing (regarding machinery and equipment) included in the consolidated profit and loss account / statement of comprehensive income are presented below:

	01.01.2021 - 31.12.2021	01.01.2020 - 31.12.2020
Depreciation of leased assets	(5,613,304)	(5,001,946)
Interest expense on lease liabilities	(553,010)	(367,157)
Costs of negative exchange differences due to balance sheet valuation of lease liabilities	(2,101,709)	(394,809)
The total amount recognized in the consolidated income statement / statement of comprehensive income	(8,268,023)	(5,763,912)

The total cash outflow from lease agreements was PLN 12,130,491 in 2021 and it was PLN 4,766,535 in the period from 01.01.2020 to 31.12.2020.

23. Share capital

	As at 31/12/2021	As at 31/12/2020
	PLN	PLN
Registered share capital	14,684,379	14,684,379
	14,684,379	14,684,379

23.1 Share capital as at the end of the reporting period

	As at 31/12/2021	As at 31/12/2020
	PLN	PLN
Number of shares	18,355,474	18,355,474
Par value per share	0.80	0.80
Share capital	14,684,379	14,684,379

Share capital structure as at 31 December 2021

Series / issue	Type of shares (ordinary / registered)	Type of preference	Number of shares	Par value of series / issue
Registered "A" shares		2 votes / 1 share	4,050,000	3,240,000
Ordinary "B" shares		none	11,921,229	9,536,983
Ordinary "C" shares		none	2,384,245	1,907,396
Total			18,355,474	14,684,379

Share capital structure as at 31 December 2020

Series / issue	Type of shares (ordinary / registered)	Type of preference	Number of shares	Par value of series / issue
Registered "A" shares		2 votes / 1 share	4,050,000	3,240,000
Ordinary "B" shares		none	11,921,229	9,536,983
Ordinary "C" shares		none	2,384,245	1,907,396
Total			18,355,474	14,684,379

In H1'2020, the Company carried out an issue of series C shares pursuant to Resolution No. 4 of the Extraordinary General Meeting of the Company of May 26, 2020 on increasing the share capital by issuing series C ordinary bearer shares, excluding the subscription rights of the existing shareholders in full, in on the dematerialisation of the Company's series C shares and rights to these shares (PDA), applying for the admission and introduction to trading on the regulated market of the Company's series C shares and rights to these shares (PDA) and on the amendment to the Company's Articles of Association, on the basis of which the capital was increased share capital of the Company from the amount of PLN 12,776,983.20 to the amount of PLN 14,684,379.20, i.e. by PLN 1,907,396.00 through the issue of 2,384,245 series C ordinary bearer shares with a nominal value of PLN 0.80 each share . On June 18, 2020, the increase of the Company's share capital was registered by the District Court for Kraków-Śródmieście in Kraków, 11th Commercial Division of the National Court Register.

Series C shares were offered by the Company by way of an open subscription within the meaning of Art. 431 § 2 point 3) of the Code of Commercial Companies, as part of a public offering within the meaning of Art. 2 lit. d) Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published in connection with a public offering of securities or their admission to trading on a regulated market and repealing Directive 2003/71 / EC conducted on the territory of the Republic of Poland, exempt from the obligation to draw up and publish a prospectus or other information (offering) document.

The public offer was addressed to:

- 1) qualified investors within the meaning of Art. 2 lit. e) the Prospectus Regulation, and
 - 2) investors who are not qualified investors who took up Series C Shares with a total value equal to at least the equivalent of EUR 100,000 (one hundred thousand euro) per investor for each separate offer,
- and therefore the Public Offer did not require the preparation and publication of an issue prospectus, pursuant to Art. 1 clause 4 lit. a) and d) in connection with with art. 1 clause 6 of the Prospectus Regulation.

The issue price of the Series C Shares was set at PLN 38 per share, therefore the total proceeds from the issue, understood as the product of the number of shares covered by the offering and the issue price, amounted to PLN 90,601,310.00, and the total costs of the offering were PLN 2,245,721. Series C shares were acquired by 146 entities as part of the institutional investor tranche and a total of 9 people as part of the individual investor tranche. The costs of the issue were charged to the supplementary capital and decreased the value of the share premium above their nominal value.

Series "0" shares were issued upon registration of the Company with the intention of redemption after the completion of the division process. On February 18, 2020, the decrease in the share capital of Selvita S.A. was registered in the National Court Register. by the amount of PLN 100,000 by way of redemption of 125,000 of the Company's own shares with a nominal value of PLN 0.80 each. The redemption of series "0" shares is in line with the division plan of Ryvu Therapeutics S.A. approved in 2019. (former Selvita S.A.), pursuant to which Ryvu Therapeutics S.A. will receive a refund of the funds contributed in the issue of shares.

In connection with the buy-back of own shares and the registered redemption of the parent company's shares, in 2020 the Group recognized a liability to Ryvu Therapeutics S.A. as part of other liabilities and decreased respectively the share capital and supplementary capital. The Group changed its presentation retrospectively and as at December 31, 2019 recognized a liability to Ryvu Therapeutics S.A. for the buy-back of own shares. This obligation was settled in September 2020.

Shareholder structure

As at 31 December 2021

Shareholder	Number of shares	Percentage	
		interest in share capital	share of voting rights
Paweł Tadeusz Przewięźlikowski	3,880,663	21.14%	32.50%
Bogusław Stanisław Sieczkowski	942,417	5.13%	6.57%
Nationale Nederlanden PTE S.A.	1,901,000	10.36%	8.37%
AVIVA Investors TFI	1,133,009	6.17%	4.99%
Tadeusz Wesołowski (with z Augebit FIZ)	1,132,713	6.17%	4.99%
Other shareholders (less than 5% of votes at the General Meeting)	9,365,672	51.02%	42.58%
Total	18,355,474	100.00%	100.00%

As at 31 December 2020

Shareholder	Number of shares	Percentage interest in share capital	Number of votes	Percentage share of voting rights
Paweł Przewięźlikowski	4,990,880	27.19%	8,490,880	37.90%
Bogusław Sieczkowski	924,384	5.04%	1,474,384	6.58%
Nationale Nederlanden PTE S.A.	1,900,000	10.35%	1,900,000	8.48%
Other shareholders (less than 5% of votes at the General Meeting)	10,540,210	57.42%	10,845,461	47.04%
Total	18,355,474	100.00%	22,710,725	100.00%

23.2 Revaluation reserve

The Group did not create the revaluation reserve in the periods presented in the consolidated financial statements.

23.3 Kapitały rezerwowe

	As at 31/12/2021	As at 31/12/2020
	PLN	PLN
Payments for the transfer of shares to employees	237,067	-
Other - incentive program 2021-2024	31,469,049	-
Total Other Reserve Capitals	31,706,116	-

In 2021, the Company started the implementation of the incentive program in place in the years 2021-2024. Detailed information is disclosed in note 34.

23.4 Reserve capital

	As at 31/12/2021	As at 31/12/2020
	PLN	PLN
Share premium	86,448,193	86,448,193
Reserve capital created from purchase of OPE	22,993,414	22,993,414
Total Reserve Capital	109,441,607	109,441,607

Reserve capital is constituted by :

- supplementary capital created from the surplus of the issue price of Series C shares, described in Note 23.1,
- supplementary capital of Subsidiaries acquired under OPE, including the statutory 8% resulting from the Commercial Companies Code.

24. Credit facilities and loans

	As at 31/12/2021	As at 31/12/2020
	PLN	PLN
Uncollateralized:		
Overdraft facilities (i)	-	-
Used credit card limits (ii)	91,349	4,641
	91,349	4,641
Collateralized:		
Bank loans (iv)	92,100,430	-
	92,100,430	-
Total:	92,191,779	4,641
Current liabilities	11,225,304	4,641
Non-current liabilities	80,966,475	-

24.1 Loan agreements

(i) The Company does not have any open overdraft facilities.

(ii) The debt as at 31/12/2021 results from the use of the limit on credit cards in the amount of PLN 91,349.

(iv) The company has an acquisition loan taken in connection with the acquisition of Fidelta d.o.o. in the total amount of EUR 21.84 million and a construction loan for the implementation of the investment "Centrum Badawczo-Rozwojowego Usług Laboratoryjnych" at Bank Pekao S.A. up to PLN 65 million, concluded on December 21, 2020.

The acquisition loan was granted for 7 years, and consists of loan A in the amount of EUR 16.34 million, granted until September 30, 2027 and loan B in the amount of EUR 5.5 million, granted until December 31, 2027. Interest rate of these loans is variable and is the sum of the EURIBOR1M rate + the bank's margin.

The construction loan was granted for 7 years, starting from the end of its use period, but not later than until December 31, 2029. The loan interest rate is variable and is the sum of the EURIBOR1M rate + the bank's margin.

The acquisition loan is secured by:

- a) a registered and financial pledge, as well as a power of attorney to manage the Borrower's and Guarantor's (Selvita Services Sp.z o.o.) accounts at Bank Pekao,
- b) assignment of rights under selected agreements of the Borrower and the Guarantor (Fidelta d.o.o.), including in particular the conditional agreement for the purchase by the Company of 100% shares in Fidelta d.o.o.,
- c) declaration of submission to enforcement of the Borrower and the Guarantor (Selvita Services Sp.z o.o.) pursuant to art. 777 §1 section 5 of the Code of Civil Procedure,
- d) a registered pledge on a set of selected commercial receivables of the Borrower and the Guarantor (Fidelta d.o.o.),
- e) security on the shares and property of Fidelta d.o.o., including in particular a registered pledge for 100% of shares in Fidelta d.o.o. and on its fixed assets,
- f) agreement under Croatian law regarding pledges on bank accounts maintained with Raiffaisen Bank based in Zagreb (Croatia),
- g) assignments of insurance contracts Fidelta d.o.o. relating to property secured for the benefit of the bank.

Additionally, the construction loan is secured by a mortgage on real estate located in Krakow at ul. Podole, where the Research and Development Center for Laboratory Services project will be implemented and the assignment of rights under the insurance contract for the construction of the Research and Development Center for laboratory services.

As at December 31, 2021, the acquisition loan has been launched and the construction loan has not been launched.

24.2 Breaches of covenants

None.

25. Provisions

There was no issue in the periods covered by the consolidated financial statements.

26. Trade and other liabilities

	As at 31/12/2021	As at 31/12/2020
	PLN	PLN
Trade liabilities	26,613,437	8,305,621
Liabilities due to taxes, insurance (social security, personal income tax, PFRON)	5,499,747	2,419,984
Current tax liabilities	4,054,113	416,458
Liabilities due to salaries and wages and other liabilities to employees	1,518,750	8,919
Other non-financial liabilities	28,397	57,631
	37,714,444	11,208,613

The average payment term for purchases of goods and materials is two months. Following its due date, interest usually are not accrued on outstanding liabilities. The Group has a financial risk management policy in place, ensuring that its liabilities are paid on time.

27. Liabilities due to retirement benefits

Item	Provisions for retirement benefits as of 31/12/2021	Provisions for retirement benefits as of 31/12/2020
Provisions at the beginning of the period	259,824	103,028
Increase due to:	352,551	156,796
- reserves acquired as part of the acquisition of Fidelta d.o.o.	352,551	-
- provisions recognized in profit and loss account in current period	-	156,796
Decrease in reserves:	82,167	-
- provisions reversed during the period recognised in profit or loss	82,167	-
Provisions at the end of the period, including:	530,208	259,824
- long-term	530,208	259,824
- short-term	-	-

The main assumptions adopted for the valuation of retirement provision as at the reporting date:

	31 December 2021	31 December 2020
Discount rate (%)	3.64	1.36
Expected inflation rate (%)	1.50	1.50
Employee turnover rate (%)	-	-
Expected wage growth rate (%)	1.50	1.50
Average remaining employment period (years)	18	29

28. Financial instruments

28.1 Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing its profitability through optimization of the debt to equity ratio.

The capital structure as well as the level and maturity of liabilities are reviewed on a regular basis. The said reviews comprise analyses of the cost of capital and the risk associated with its individual categories.

The key items analysed by the Company are:

- cash and cash equivalents, as disclosed in Note 32,
- equity, including reserve capitals and retained earnings, as disclosed in Note 23.

The Group is not subject to any external capital requirements except for the one imposed by Article 396.1 of the Code of Commercial Companies, which the parent is obliged to comply with, whereby supplementary capital has to be created for purposes of offsetting losses. No less than 8% of the profit for the financial year has to be transferred to the supplementary capital until its value reaches at least one third of the share capital. That part of the supplementary capital (retained earnings) may not be distributed to the shareholders.

28.1.1 Net debt to equity ratio

The Company reviews its capital structure periodically. The said reviews comprise analyses of the cost of capital and the risks associated with each category of capital.

	As at 31/12/2021	As at 31/12/2020
	PLN	PLN
Debt (i)	259,418,466	66,136,235
Cash and cash equivalents	83,549,979	93,005,328
Net debt	175,868,487	(26,869,093)
Equity (ii)	205,553,747	152,659,592
Net debt to equity	0.86	(0.18)

(i) Debt comprises long- and short-term debt.

(ii) Equity comprises the equity presented in the statement of financial position.

The debt ratio reached is within the expected and accepted by the Management Board.

28.2 Categories of financial instruments

Trade receivables and liabilities were not measured at fair value. According to the Management Board, their carrying amount is a reasonable approximation of their fair value.

Selvita Group is exposed on financial instruments risks, which includes:

- market risk comprising currency risk and interest rate risk;
- credit risk; and
- liquidity risk.

Each risk has been presented in the following notes.

	As at 31/12/2021	As at 31/12/2020
	PLN	PLN
Financial assets		
Financial instruments measured at amortized cost method:	154,695,872	131,319,897
Cash (Note 32)	83,549,979	93,005,328
Other long-term assets - deposits (Note 18)	829,032	345,235
Trade and other receivables (Note 21)	56,882,352	27,816,774
Bank deposit (Note 18)	13,235,168	10,152,560
Bank deposit (Nota 18)	199,341	-
Financial liabilities		
Financial instruments measured at amortized cost method:	206,413,449	49,559,343
Interest bearing credit facilities and loans (Note 24)	92,191,779	4,641
Finance lease liabilities (Note 22)	87,608,233	41,249,081
Trade and other liabilities (Note 26)	26,613,437	8,305,621
Other financial liabilities (Note 26)	-	-

In the opinion of the Management Board, the carrying value of trade receivables and liabilities corresponds to fair value.

28.3 Financial risk management objectives

Credit, liquidity and market risks (including mainly currency risk and interest rate risk) occur in the ordinary course of the Group's business. Financial risk management at the Group is primarily aimed to minimize the effect of market factors, such as foreign exchange and interest rates, on the key financial parameters approved in the Group's budget for the year (profit and cash flows) with the use of natural hedges.

28.4 Market risk

The Group's activities expose it to currency risk (see Note 28.5) and interest rate risk (see Note 28.6). The Group does not use any derivative instruments for purposes of currency or interest rate risk management as natural hedges are sufficient to minimize the risk it is exposed to.

Exposure to all market risk categories is measured by means of a sensitivity analysis.

28.5 Foreign currency risk management

The Group enters into certain transactions denominated in foreign currencies. Hence, it is exposed to the risk of changes in foreign exchange rates. The said risk is managed by means of natural hedges.

The carrying amounts of the Group's foreign currency monetary assets and liabilities as at the end of the reporting period:

	Liabilities	Liabilities	Assets	Assets
	As at 31/12/2021	As at 31/12/2020	As at 31/12/2021	As at 31/12/2020
	PLN	PLN	PLN	PLN
EUR	178,709,298	26,349,519	89,918,341	79,419,891
USD	1,418,416	324,373	26,435,697	14,677,595
Other	335,201	168,302	4,864,662	2,728,461

28.5.1 Sensitivity to currency risk

The Group is mainly exposed to risk related to EUR and USD.

Group's sensitivity to 15% increases and decreases in the PLN exchange rate has been presented in the table below. 15% is the sensitivity rate used for purposes of internal currency risk analyses conducted for key executives and reflecting the Management Board's estimates concerning possible changes in foreign exchange rates. The sensitivity analysis focuses only on outstanding foreign currency monetary items and adjusts their translation at the end of the period by a 15% change in foreign exchange rates. Positive values in the table below indicate a rise in profit and an increase in equity accompanying appreciation of PLN relative to foreign currencies by 15%. If the Polish currency depreciated against a foreign currency by 15%, the values would be negative and the effect on profit and equity the opposite.

		Effect of EUR		Effect of USD	
		Year ended	Period ended	Year ended	Period ended
		31/12/2021	31/12/2020	31/12/2021	31/12/2020
		PLN	PLN	PLN	PLN
ASSETS					
Exchange rate increase	15%	13,487,751	11,912,984	3,965,355	2,201,639
Exchange rate increase	10%	8,991,834	7,941,989	2,643,570	1,467,759
Exchange rate increase	5%	4,495,917	3,970,995	1,321,785	733,880
Exchange rate decrease	-5%	(4,495,917)	(3,970,995)	(1,321,785)	(733,880)
Exchange rate decrease	-10%	(8,991,834)	(7,941,989)	(2,643,570)	(1,467,759)
Exchange rate decrease	-15%	(13,487,751)	(11,912,984)	(3,965,355)	(2,201,639)
LIABILITIES					
Exchange rate increase	15%	26,806,395	3,952,428	212,762	48,656
Exchange rate increase	10%	17,870,930	2,634,952	141,842	32,437
Exchange rate increase	5%	8,935,465	1,317,476	70,921	16,219
Exchange rate decrease	-5%	(8,935,465)	(1,317,476)	(70,921)	(16,219)
Exchange rate decrease	-10%	(17,870,930)	(2,634,952)	(141,842)	(32,437)
Exchange rate decrease	-15%	(26,806,395)	(3,952,428)	(212,762)	(48,656)
EFFECT ON PROFIT					
Exchange rate increase	15%	(13,318,644)	7,960,556	3,752,592	2,152,983
Exchange rate increase	10%	(8,879,096)	5,307,037	2,501,728	1,435,322
Exchange rate increase	5%	(4,439,548)	2,653,519	1,250,864	717,661
Exchange rate decrease	-5%	4,439,548	(2,653,519)	(1,250,864)	(717,661)
Exchange rate decrease	-10%	8,879,096	(5,307,037)	(2,501,728)	(1,435,322)
Exchange rate decrease	-15%	13,318,644	(7,960,556)	(3,752,592)	(2,152,983)

The Group's exposure to currency risk changes throughout the year depending on the volume of foreign currency transactions. Nevertheless, the above sensitivity analysis may be regarded as representative for determination of the currency risk exposure.

28.6 Interest rate risk management

The Group is exposed to interest rate risk resulting from floating rate lease agreements. Hedging activities are subject to regular reviews so that they are brought into line with the current interest rate situation and predefined risk appetite, and to ensure that an optimum hedging strategy is in place.

28.6.1 Sensitivity to changes in interest rates

Sensitivity analyses are based on the degree of exposure to interest rate risk relating to financial instruments (lease liabilities) as at the end of the reporting period. For purposes of the analysis it is assumed that outstanding liabilities with floating interest rates at the end of the reporting period had not been paid for the whole year. Internal analyses of interest rate risk conducted for key executives are based on changes by 50 bps up and down, which reflects the management's judgment concerning probable interest rate fluctuations.

In the current and previous financial period, the vast majority of lease contracts were signed in EUR. Due to the fact that the reference rates underlying the interest rates on these contracts were negative, and the lease contracts contain clauses limiting the impact of negative interest rates to a level not lower than zero, their potential change by 50 basis points would not have a significant impact on the Group's financial result for the current and the previous period. In the analysis of the hypothetical impact of changes in interest rates on the balance of liabilities as at the balance sheet date, a fluctuation of 50 basis points was assumed, without taking into account the impact of restrictive clauses on negative interest rates.

In the case of an acquisition bank loan whose currency is EUR, the Group estimated the impact of a possible change in the interest rate also by 50 basis points. It should be noted that, as in the case of leasing contracts, the reference rates remain negative, therefore the risk has been assessed as low and the calculations are theoretical. As in the case of leasing agreements, the analysis of the hypothetical impact of changes in interest rates on the bank loan was assumed to fluctuate at the level of 50 basis points, without taking into account the impact of restrictive clauses on negative interest rates.

	Increase/ decrease by percentage points	Impact on gross profit or loss
Period ended 31/12/2021		
PLN		
Bank loan (EUR)		
Change in the interest rate	+0,5%	(484,939)
Change in the interest rate	-0,5%	484,939
Leasing (EUR)		
Change in the interest rate	+0,5%	(423,868)
Change in the interest rate	-0,5%	423,868
Leasing (other currencies)		
Change in the interest rate	+0,5%	(14,176)
Change in the interest rate	-0,5%	14,176
<hr/>		
Total impact		
Change in the interest rate	+0,5%	(922,983)
Change in the interest rate	-0,5%	922,983

28.7 Credit risk management

Credit risk is the risk that a contracting party will default on its contractual obligations, resulting in the Group's financial losses. The Group enters into transactions only with creditworthy contracting parties. If necessary, the risk of financial losses due to default is reduced by collateral. While assessing its major customers, the Group also uses other publicly available financial information and internal transaction data. The Group's exposure to counterparty credit risk is monitored on an ongoing basis and the aggregate value of concluded transactions is distributed over approved contracting parties.

Trade receivables comprise amounts due from a number of customers operating in different industries and geographies. Regular credit analyses are also performed considering the status of receivables.

Excluding the Group's major customers (information on revenue has been presented in Note 6.5), the Group is not exposed to considerable credit risk with respect to a single counterparty. Each of these customers is an international company with a stable financial position, which considerably reduces credit risk. The concentration of credit risk with respect to other customers does not exceed 10% of gross monetary assets during the year.

Credit risk related to liquid assets is limited as the Group's contracting parties are banks with a high credit rating assigned by international rating agencies. Data on receivables as at the balance sheet date can be found in Note 21 and data on the contract assets are provided in Note 5.3.

28.8 Liquidity risk management

The ultimate responsibility for liquidity risk management rests with the Management Board, which has developed a suitable management system for short-, medium- and long-term funding and liquidity requirements. The Group's liquidity management consists in maintaining the reserve capital at an appropriate level, keeping stand-by lines of credit, ongoing monitoring of projected and actual cash flows and alignment of the maturity of financial assets with that of financial liabilities.

	As at 31/12/2021	As at 31/12/2020
Financial assets (+)	153,866,840	130,974,662
Receivables (including trade receivables of disposal groups)	56,882,352	27,816,774
Cash	83,549,979	93,005,328
Other financial assets	13,434,509	10,152,560
Financial liabilities (-)	206,413,449	49,559,343
Interest bearing credit facilities and loans	92,191,779	4,641
Finance lease liabilities	87,608,233	41,249,081
Trade liabilities	26,613,437	8,305,621
Other financial liabilities	-	-
Exposure to liquidity risk	(52,546,609)	81,415,319

Maturity of the Company's financial liabilities as at 31 December 2021:

Type of liability	Current:				Non-current:			Liabilities - carrying amount
	Not due as at 31/12/2021	Within 3 months	3-12 months	Total current liabilities	1-5 years	Over 5 years	Total non-current liabilities	
Interest bearing credit facilities and loans	-	2,874,838	8,350,466	11,225,304	69,832,521	11,133,954	80,966,475	92,191,779
Finance lease liabilities	-	5,894,265	17,682,794	23,577,059	38,412,849	25,618,325	64,031,174	87,608,233
Trade liabilities	24,217,480	1,947,956	448,001	26,613,437	-	-	-	26,613,437
Other financial liabilities	-	-	-	-	-	-	-	-
Total	24,217,480	10,717,059	26,481,261	61,415,800	108,245,370	36,752,279	144,997,649	206,413,449

Maturity of the Company's financial liabilities as at 31 December 2020:

Type of liability	Current:				Non-current:			Liabilities – carrying amount
	Not due as at 31/12/2020	Within 3 months	3-12 months	Total current liabilities	1-5 years	Over 5 years	Total non-current liabilities	
Interest bearing credit facilities and loans	-	4,641	-	4,641	-	-	-	4,641
Finance lease liabilities	-	3,191,585	9,574,755	12,766,340	28,482,741	-	28,482,741	41,249,081
Trade liabilities	5,995,168	1,684,909	625,544	8,305,621	-	-	-	8,305,621
Other financial liabilities	-	-	-	-	-	-	-	-
Total	5,995,168	4,881,135	10,200,299	21,076,602	28,482,741	-	28,482,741	49,559,343

28.8.1 Available external sources of funding

	As at 31/12/2021	As at 31/12/2020
	PLN	PLN
Collateralized overdraft facilities:		
Amount utilized	91,349	4,641
Amount available	377,651	464,359
	469,000	469,000
Collateralized investment facilities		
Amount utilized	92,100,430	-
Amount available	65,000,000	165,787,232
	157,100,430	165,787,232

29. Accrued costs and deferred income

29.1 Accrued costs

	As at 31/12/2021	As at 31/12/2020
	PLN	PLN
Accrual for holidays	4,588,702	2,991,082
Accrual for bonuses	12,171,378	4,917,182
Accrued rebates for clients	5,724,624	531,825
	22,484,704	8,440,089
Short-term	22,484,704	8,440,089
Long-term	-	-

29.2 Deferred income

	As at 31/12/2021	As at 31/12/2020
	PLN	PLN
Grants (i) revenue recognition according to IAS 20	2,650,374	503,424
Advances on services	246,955	
	2,897,329	503,424
Short-term	854,549	428,520
Long-term	2,042,780	74,904
	2,897,329	503,424

(i) Grants include payments received resulting from subsidy contracts signed.

30. Related party transactions

Transactions concluded between the Company and its subsidiaries being related parties were eliminated in the course of consolidation and have not been presented in this note. Detailed information regarding transactions between the Group and other related parties (including those related personally) is presented below.

30.1 Commercial transactions

During the financial year, the Group companies entered into the following commercial transactions with related parties (including those related personally) other than Group companies:

	Sales of goods and services	Sales of goods and services	Purchases of goods and services	Purchases of goods and services
	Year ended 31/12/2021	Year ended 31/12/2020	Year ended 31/12/2021	Year ended 31/12/2020
	PLN	PLN	PLN	PLN
Ryvu Therapeutics S.A.	6,279,402	5,452,769	2,092,307	1,834,069
H&H Investment Sp. z o.o.	2,373	2,120	633,876	272,614
MAMIKOM Łukasz Nowak	6,601	2,309	653,807	427,459
Dawid Radziszewski	4,052	3,684	189,774	186,129
VIRTUS Bogusław Sieczkowski	-	-	181,400	136,800
Michał Warchoł	1,125	-	264,641	-
ALTIUM Piotr Romanowski	-	-	7,820	5,098
Chabasiewicz, Kowalska i Partnerzy Radcowie Prawni	-	-	-	71,064
	6,293,553	5,460,882	4,023,625	2,933,233

Balances at the end of the reporting period:

	Amounts due from related parties	Amounts due from related parties	Amounts due to related parties	Amounts due to related parties
	As at 31/12/2021	As at 31/12/2020	As at 31/12/2021	As at 31/12/2020
	PLN	PLN	PLN	PLN
Ryvu Therapeutics S.A.	1,812,019	1,299,634	815,716	1,920,191
H&H Investment Sp. z o.o.	320	-	120,968	24,823
MAMIKOM Łukasz Nowak	-	127	31,461	-
VIRTUS Bogusław Sieczkowski	-	-	20,910	14,022
Dawid Radziszewski	748	438	17,962	9
Michał Warchoł	-	-	24,757	-
ALTIUM Piotr Romanowski	-	-	7,655	791
Chabasiewicz, Kowalska i Partnerzy Radcowie Prawni	2,472	-	-	-
	1,815,559	1,300,199	1,039,429	1,959,836

30.2 Loans to related parties

	As at 31/12/2021	As at 31/12/2020
	PLN	PLN
Loans granted to key executives	-	-

30.3 Loans from related parties

	As at 31/12/2021	As at 31/12/2020
	PLN	PLN
Loans received from related parties	-	-

30.4 Executive compensation

Compensation of members of the Management Board and other executives in the financial year:

	Year ended 31/12/2021	Year ended 31/12/2020
	PLN	PLN
Management Board	7,352,741	3,784,389
Bogusław Sieczkowski	1,142,242	697,245
Miłosz Gruca	1,196,952	862,232
Mirosława Zydroń	1,002,603	670,815
Edyta Jaworska	944,854	516,394
Dariusz Kurdas	689,404	454,651
Dawid Radziszewski	701,000	316,600
Janusz Homa	24,000	24,000
Kaja Milanowska-Zabel	291,767	218,451
Nowak Łukasz	24,000	24,000
Michał Warchoń	93,933	-
Adrijana Vinter	840,111	-
Marija Gradečak Galović	401,875	-
Supervisory Board	288,947	236,136
Piotr Romanowski	46,052	45,200
Tadeusz Wesołowski	41,184	41,184
Paweł Przewięźlikowski	52,528	37,986
Rafał Chwast	38,116	37,271
Wojciech Chabasiewicz	37,782	37,271
Jacek Osowski	37,224	37,224
Krzysztof Brzózka	12,000	-
Bogusław Sieczkowski	12,060	-
Tomasz Piętka	12,000	-
	7,641,687	4,020,525

30.5 Loans and similar benefits granted to members of management, supervisory and administration bodies of the Group companies

Not applicable in the periods presented in the consolidated financial statements.

31. Business combinations

The event did not occur in the reporting period.

32. Cash and cash equivalents

For purposes of preparation of the statement of cash flows, cash and cash equivalents consist of cash in hand and cash at bank, including open overdraft facilities. Cash and cash equivalents at the end of the financial year, presented in the consolidated statement of cash flows, can be reconciled with the consolidated balance sheet items in the following manner:

At the balance sheet date, funds collected on bank accounts are not adjusted due to risk of impairment as these funds are accumulated in banks belonging to large capital groups with an established market position.

	As at 31/12/2021	As at 31/12/2020
	PLN	PLN
Cash in hand and at bank	83,549,979	93,005,328
Overdraft facilities	(91,349)	(4,641)
	<u>83,458,630</u>	<u>93,000,687</u>

As at 31/12/2021, there were no restricted cash.

33. Average headcount in the Group

	Year ended 31/12/2021	Year ended 31/12/2020
White collar employees	752	460
Blue collar employees	-	-
Total headcount	<u>752</u>	<u>460</u>

34. Share-based payments

34.1 Employee incentive program

34.1.1 *Detailed description of the incentive program based on subscription warrants*

On May 17, 2021, the General Meeting resolved to adopt an Incentive Scheme for employees in the form of the right to purchase shares at a preferential price. The program covers a total of 1,247,720 ordinary shares of Selvita S.A. provided free of charge by Paweł Przewięźlikowski, owned by him and constituting a total of 25% of the Company's shares held by him. The scheme provides employees with the right to acquire shares at a preferential price of PLN 0.19 per share. Employees who have a business relationship with the company are eligible to participate in the program. The eligible persons are required to remain in a business relationship with the company and not to dispose of the shares granted under the scheme, for a period not shorter than 12 months and not longer than 36 months from the date of acquiring the shares, subject to exceptional circumstances when the employee may be released from these obligations.

Purpose of the Program

The purpose of implementing the universal incentive program as proposed will be:

- i) ensuring optimal conditions for the long-term increase in the value of the Company by creating a general employee shareholding structure;
- ii) creating 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) building a modern organization in which the increase in the value of the Company will translate directly into the increase in the wealth of the employees and associates of the Company.

There were no share-based payments in the current reporting period.

34.1.2 The fair value of the share options granted during the year

The fair value of the options granted 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.

Summary of data about the program:

Date of granting the program ("grant date")	17/05/2021
The maturity date of the program	09/07/2024
Number of shares in the program	1.247.720
Expected number of shares after taking into account employee turnover ratio and available data as at May 17, 2021:	1.014.123

The total cost of the program was estimated on the basis of the estimated value of the shares to which employees will acquire rights during the duration of the program. The fair value of the program was determined using the Black-Scholes-Merton valuation model, taking into account the following parameters:

• option exercise date:

09.07.2021 for 650 shares;

09.07.2022 for 499.172 shares;

09.07.2023 for 499.172 shares;

09.07.2024 for 15.129 shares.

• option exercise price: PLN 70.82;

• share price as at the valuation date: PLN 71;

• continuous dividend rate: 0%

• risk-free interest rate in continuous capitalization: 1.96%

• coefficient of variation: 75% - obtained as a standard deviation from a sample of logarithmic changes in historical prices of shares listed on the WSE in the period from October 16, 2019 to the valuation date.

As at 31 December 2021 the weighted average period remaining until the end of the contractual duration is 13 months.

34.1.3 Estimated impact of the incentive program on financial results (in PLN thousand):

Tranche number	Number of shares	Date of purchase of the shares	2021 Q2	2021 Q3	2021 Q4	2021	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2022	2023	2024	Total impact
Tranche no 1	650	09/07/2021	40,661	5,382		46,043								46,043
Tranche no 2	499,172	09/07/2022	5,438,243	7,357,623	7,357,623	20,153,488	7,197,674	7,277,649	719,767	-	15,195,091			35,348,579
Tranche no 3	499,172	09/07/2023	2,978,868	4,030,233	4,030,233	11,039,334	3,942,619	3,986,426	4,030,233	4,030,233	15,989,511	8,323,306		35,352,151
Tranche no 4	15,129	09/07/2024	62,113	84,036	84,036	230,184	82,209	83,122	84,036	84,036	333,402	333,403	174,465	1,071,454
Total	1,014,123		8,519,885	11,477,273	11,471,891	31,469,049	11,222,502	11,347,197	4,834,036	4,114,268	31,518,003	8,656,709	174,465	71,818,226

The valuation of the program, in terms of shares currently issued to employees as at December 31, 2021, showed its total estimated cost at PLN 71,818,226, which is recognized in the Group's costs from the second quarter of 2021 until the second quarter of 2024. Impact of the program on the result of the reporting period is PLN 31,469,049 and this amount reduces the gross result, net result and operating profit in 2021. The estimated impact for the following years is as follows:

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

34.1.4 The recognized costs of the incentive program:

The recognized costs of the incentive program as at the balance sheet date are as follows:

	Balance as at 31/12/2021	Balance as at 31/12/2020
Program costs recognized at fair value	31,469,049	-
	31,469,049	-

35. Capital commitments

	As at 31/12/2021	As at 31/12/2020
	PLN	PLN
Commitments to purchase property, plant and equipment	3,406,577	281,601

Commitments to purchase property, plant and equipment arise from orders for the purchases of fixed assets.

36. Contingent liabilities and assets

36.1 Contingent liabilities

In the periods presented in the financial statements, the Group took on contingent liabilities necessary to receive a grant and a loan.

They comprise:

- bills of exchange liabilities - covering the amount of co-financing granted with interest in the amount specified as for tax arrears calculated from the date of transfer of funds to the account until the date of return. In the period covered by the report, the amount of PLN 8,546,802 was credited to the bank accounts for co-financing. As at the balance sheet date, December 31, 2021, the sum of funds received from the subsidy amounts to PLN 20,198,293.

As a result of obtaining a permit to conduct business activity in the special economic zone, Krakowski Park Technologiczny Selvita Services Sp. z o.o. is obliged to incur capital expenditure in the amount of at least PLN 7,320,000 and to create 150 new jobs by December 2023. By December 31, 2021, PLN 8,881,991 of the income tax relief was used for operations in the Special Economic Zone.

Fidelta d.o.o. granted bank guarantees for the total value of PLN 4,535,809. The guarantees concern newly rented laboratory space in the amount of PLN 3,057,066, customs duties in the amount of PLN 183,424, credit cards in the amount of PLN 1,180,416 and commercial transactions in the amount of PLN 114,902.

36.2 Contingent assets

Not applicable in the periods presented in the consolidated financial statements.

37. Remuneration of the entity authorized to audit financial statements

	As at 31/12/2021	As at 31/12/2020
	PLN	PLN
Statutory audit	515,000	225,000
Other assurance services	14,000	20,000
Total	529,000	245,000

38. Notes on the consolidated statement of cash flow

Explanation of the reasons for significant differences between changes in certain items in the balance sheet and changes in the same items disclosed in the the consolidated statement of cash flow:

Items	Year ended 31/12/2021	Year ended 31/12/2020
	PLN	PLN
The change in trade receivables and other receivables results from the following items:	(16,387,631)	(6,431,302)
- change in receivables resulting from the purchase of Fidelta d.o.o.	23,035,188	-
- change in receivables resulting from the balance sheet	(39,422,819)	(6,431,302)
The change in inventory results from the following items:	288,717	(1,045,462)
- change in inventory resulting from the purchase of Fidelta d.o.o.	-	-
- change in inventory resulting from the balance sheet	288,717	(1,045,462)
The change in liabilities, except for loans and borrowings, results from the following items:	15,418,530	2,408,899
- change in liabilities resulting from the purchase of Fidelta d.o.o.	(11,087,301)	-
- change in liabilities due to payment for shares	-	2,988,750
- change in liabilities resulting from the balance sheet	26,505,831	(579,851)
Change in deferred income results from the following items:	5,609,403	2,638,986
- change in deferred income resulting from the purchase of Fidelta d.o.o.	(10,829,117)	-
- change in deferred income resulting from the balance sheet	16,438,520	2,638,986
The change in provisions results from the following items:	13,027,915	1,687,732
- change in provisions resulting from the purchase of Fidelta d.o.o.	(383,676)	-
- change in provisions resulting from the balance sheet	13,411,591	1,687,732
The change in other assets results from the following items:	(12,281,298)	(3,916,788)
- change in other assets resulting from the purchase of Fidelta d.o.o.	1,018,293	-
- change in other assets resulting from the balance sheet	(13,299,591)	(3,916,788)

39. Agreements entered into by the Group and not presented on the balance sheet

Not applicable in the periods presented in the consolidated financial statements.

40. Major events pertaining to prior years and presented in the consolidated financial statements for the current year

Not applicable in the periods presented in the consolidated financial statements.

41. Significant events of the reporting period

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.

42. Significant events after the reporting date

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.

43. Information on significant events that occurred after the balance sheet date and were not included in the consolidated financial statements

Not applicable in the periods presented in the consolidated financial statements.

44. Approval of the financial statements

The consolidated financial statements were approved by the management board of the parent company on March 28, 2022.

Prepared by: Elżbieta Kokoć

Signatures of Members of the Management Board:

Bogusław Sieczkowski - President of the Board

Miłosz Gruca - Vice-President of the Board

Mirosława Zydroń - Member of the Board

Dariusz Kurdas - Member of the Board

Dawid Radziszewski - Member of the Board

Adrijana Vinter - Member of the Board

Cracow, 28 March 2022

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