Selvita

SELVITA S.A. GROUP

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Prepared for the period from 01/01/2023 to 31/03/2023

in accordance with the International Financial Reporting Standards as endorsed by the European Union

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY 2023 TO 31 MARCH 2023

	Note	3-month period ended 31/03/2023	3-month period ended 31/03/2022
		000'PLN	000'PLN
Continuing operations			
Sales revenue	5	90,593	83,214
Grant income	5	1,163	818
Total revenue		**91,757**	**84,032**
Amortization and depreciation	5	(10,419)	(8,540)
Consumption of materials and supplies		(19,937)	(17,485)
External services		(13,510)	(9,681)
Employee benefit expense	5	(36,751)	(30,719)
Employee Capital Plans		(84)	-
Costs of the incentive program	29	(4,403)	(10,976)
Other expenses		(1,719)	(877)
Taxes and charges		(587)	(429)
Loss from impairment of trade receivables	18	(100)	-
Total operating expenses		**(87,511)**	**(78,708)**
Other operating revenue		57	217
Other operating expenses		(27)	(88)
Operating profit		**4,275**	**5,453**
Financial revenue		147	-
Financial expenses	7	(1,791)	(1,542)
Profit before income tax		**2,632**	**3,912**
Income tax expense	8	(38)	88
Net profit on continuing operations		**2,594**	**3,999**
Discontinued operations, including:		**(147)**	**895**
(Loss) / net profit from discontinued operations attributable to Parent Company		(147)	895
NET PROFIT		**2,447**	**4,894**
Net other comprehensive income			
Foreign subsidiaries results translation differences		1,047	1,922
Total net other comprehensive income		**1,047**	**1,922**
TOTAL INCOME FOR THE PERIOD		**3,494**	**6,817**
Net profit attributed to:	9		
Majority shareholders		2,447	4,894
Non-controling shareholders		-	-
Total income attributed to:			
Majority shareholders		3,494	6,817
Non-controling shareholders		-	-
Earnings per share			
(expressed in PLN cents per share)	9		
With continuing and discontinued operations:			
Basic		0.12	0.27
Diluted		0.12	0.27
With continued operations:			
Basic		0.13	0.22
Diluted		0.13	0.22

The interim condensed consolidated statement of comprehensive income should be analyzed together with the explanatory notes constituting an integral part of the interim condensed consolidated financial statement

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION PREPARED AS AT 31 MARCH 2023

	Note	Balance as at 31/03/2023	Balance as at 31/12/2022
		000'PLN	000'PLN
ASSETS			
Non-current assets			
Tangible fixed assets	10	175,435	160,908
Right of use assets	10;19	107,728	96,919
Goodwill	11	77,472	78,057
Other intangible assets	12	33,778	34,791
Investments in subsidiaries not subject to full consolidation	14	12,741	-
Deferred tax asset	8	10,126	10,094
Other financial assets	15	952	1,060
Total non-current assets		**418,232**	**381,829**
Current assets			
Inventory	16	7,998	7,801
Short-term receivables	18	78,636	98,802
Contract assets with customers	5.3	15,037	15,204
Other financial assets	15	3,329	2,018
Other assets	17.1	6,209	5,100
Cash and other monetary assets	27	51,441	74,157
Total current assets		162,651	203,082
Total assets		**580,883**	**584,911**
EQUITY AND LIABILITIES			
Equity			
Share capital	20	14,684	14,684
Share premium	20	86,448	86,448
Reserve capital resulting from the acquisition of OPE	20	22,994	22,994
Other reserve capitals	20	66,947	62,544
Own shares	20	-	-
Currency differences on translation of foreign operations		7,733	6,686
Retained earnings		68,823	38,513
Net profit for the period		2,447	30,309
Equity attributed to majority shareholders		**270,076**	**262,178**
Equity attributed to non-controling shareholders		-	10,983
Total equity		**270,076**	**273,161**
Long-term liabilities			
Credit facilities and loans	21	106,192	109,088
Lease liabilities	19;24.8	68,545	62,413
Liabilities due to retirement benefits	23	615	239
Deferred tax provision	8	6,322	6,323
Deferred income	25.2	10,860	11,020
Total long-term liabilities		**192,533**	**189,083**
Short-term liabilities			
Trade and other liabilities	22	38,812	49,185
Contract liabilities with customers	5.3	1,966	3,351
Lease liabilities	19;24.8	26,604	24,701
Short-term loans and bank credits	21	23,341	16,763
Current tax liabilities	22	-	2,493
Accruals	25.1	19,574	24,054
Deferred income	25.2	7,977	2,120
Total short-term liabilities		**118,274**	**122,667**
Total liabilities		**310,807**	**311,750**
Total equity and liabilities		**580,883**	**584,911**

The interim condensed consolidated statement of financial position should be analyzed together with the explanatory notes constituting an integral part of the interim condensed consolidated financial statement

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE REPORTING PERIOD ENDED 31 MARCH 2023

	Note	Share capital	Share premium	Reserve capital resulting from the acquisition of OPE	Other reserve capitals	Own shares	Currency differences on translation of foreign operations	Retained earnings	Net profit	Equity attributable to shareholders of the parent company	Equity attributed to non-controling shareholders	Total equity
		000'PLN	000'PLN	000'PLN	000'PLN	000'PLN	000'PLN	000'PLN	000'PLN	000'PLN	000'PLN	000'PLN
Balance as at 1 January 2023		**14,684**	**86,448**	**22,994**	**62,544**	**-**	**6,685**	**38,514**	**30,309**	**262,178**	**10,983**	**273,161**
Net profit for the period		-	-	-	-	-	-	-	2,447	2,447	-	2,447
Other comprehensive income		-	-	-	-	-	1,047	-	-	1,047	-	1,047
Creation of reserve capital as part of the incentive program	29	-	-	-	4,403	-	-	-	-	4,403	-	4,403
Transfer of result from previous years		-	-	-	-	-	-	30,309	(30,309)	-	-	-
Change in consolidation of subsidiary		-	-	-	-	-	-	-	-	-	(10,983)	(10,983)
Balance as at 31 March 2023		**14,684**	**86,448**	**22,994**	**66,947**	**-**	**7,733**	**68,823**	**2,447**	**270,076**	**-**	**270,076**
Balance as at 1 January 2022		**14,684**	**86,448**	**22,994**	**31,706**	**-**	**2,618**	**23,521**	**14,899**	**196,870**	**8,684**	**205,554**
Net profit for the period		-	-	-	-	-	-	-	30,309	30,309	2,299	32,608
Other comprehensive income		-	-	-	-	-	4,068	-	-	4,068	-	4,068
Creation of reserve capital as part of the incentive program	29	-	-	-	30,838	-	-	-	-	30,838	-	30,838
Transfer of result from previous years		-	-	-	-	-	-	14,899	(14,899)	-	-	-
Change in interest of parent company		-	-	-	-	-	-	93	-	93	-	93
Balance as at 31 December 2022		**14,684**	**86,448**	**22,994**	**62,544**	**-**	**6,686**	**38,513**	**30,309**	**262,178**	**10,983**	**273,161**
Balance as at 1 January 2022		**14,684**	**86,448**	**22,994**	**31,706**	**-**	**2,618**	**23,521**	**14,899**	**196,870**	**8,684**	**205,554**
Net profit for the period		-	-	-	-	-	-	-	4,894	4,894	1,023	5,917
Other comprehensive income		-	-	-	-	-	1,922	-	-	1,922	-	1,922
Creation of reserve capital as part of the incentive program	29	-	-	-	10,976	-	-	-	-	10,976	-	10,976
Transfer of result from previous years		-	-	-	-	-	-	14,899	(14,899)	-	-	-
Balance as at 31 March 2022		**14,684**	**86,448**	**22,994**	**42,682**	**-**	**4,540**	**38,420**	**4,894**	**214,662**	**9,707**	**224,369**

The interim condensed consolidated statement of changes in equity should be analyzed together with the explanatory notes constituting an integral part of the interim condensed consolidated financial statement

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 1 JANUARY 2023 TO 31 MARCH 2023

	Note	3-month period ended 31/03/2023	3-month period ended 31/03/2022
		000'PLN	000'PLN
Cash flows from operating activities			
Net profit for the period		**2,447**	**4,894**
Adjustments:			
Amortization and depreciation and impairment losses on fixed assets		10,419	8,852
Exchange gains (losses)		1,047	3,597
Interest and profit-sharing (dividends), net		1,750	871
Change in receivables	32	8,278	(9,440)
Change in inventory	32	(198)	(1,562)
Change in short-term liabilities and provision excluding credits and loans	32	(15,202)	(403)
Change in deferred income	32	(667)	4,593
Change in provisions	32	332	(858)
Change in other assets	32	(11,120)	(1,321)
Valuation of the incentive program	29	4,403	10,976
Corporate income tax paid		-	-
Net cash flows from operating activities, including:		**1,489**	**21,223**
- from continuing operations		*1,489*	*20,648*
- from discontinued operations		*-*	*575*
Cash flows from investing activities			
Purchase of tangible and intangible fixed assets		(22,417)	(17,461)
Proceeds from subsidies to fixed assets		7,339	-
Purchase of other financial assets		1,311	12,204
Goodwill adjustment		585	-
Change in consolidation of subsidiary less cash of subsidiary		(5,850)	-
Interest received		4	2
Net cash flows from investing activities, including:		**(19,029)**	**(5,254)**
- from continuing operations		*(19,029)*	*(5,111)*
- from discontinued operations		*-*	*(143)*
Cash flows from financing activities			
Repayment of finance lease liabilities	19.1	(7,724)	(6,471)
Proceeds from credits and loans	32	7,689	91
Repayment of credits and loans		(3,740)	(2,815)
Interest paid	7	(1,754)	(873)
Net cash flows from financing activities, including:		**(5,528)**	**(10,068)**
- from continuing operations		*(5,528)*	*(10,021)*
- from discontinued operations		*-*	*(47)*
Net increase in cash and cash equivalents		(23,069)	5,901
Cash and cash equivalents at the beginning of the period		74,157	83,550
Net currency differences on cash and cash equivalents		353	-
Cash and cash equivalents at the end of the period, including:	27	**51,441**	**89,451**
- from continuing operations		*51,441*	*75,093*
- from discontinued operations		*-*	*14,358*

The interim condensed consolidated statement of cash flows should be analyzed together with the explanatory notes constituting an integral part of the interim condensed consolidated financial statement

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS PREPARED AS AT 31 MARCH 2023

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.
In the first quarter of 2023, the name of the Company was not changed.

The seat of the Parent Company, Selvita Spółka Akcyjna, is located at 30-348 Kraków, ul. Bobrzyńskiego 14.

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 Zydroń	-	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
Paweł Przewięźlikowski	-	Member
Jacek Osowski	-	Member

As at 31 March 2023, 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 March 2023	
Paweł Przewięźlikowski	Poland	3,052,663	16.63%	27.41%
Nationale -Nederlanden Open-End Pension Fund and Nationale - Nederlanden Voluntary Pension Fund	Poland	1,901,000	10.36%	8.71%
TFI Allianz Polska	Poland	1,801,928	9.82%	8.25%
Bogusław Sieczkowski	Poland	942,417	5.13%	6.83%
Tadeusz Wesołowski (with Augebit FIZ)	Poland	932,713	5.08%	4.27%
Other shareholders (less than 5% of votes at the GM)		9,724,753	52.99%	44.53%
Total		**18,355,474**	**100.00%**	**100.00%**

As at 31 December 2022, 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 2022	
Paweł Przewięźlikowski	Poland	3,052,663	16.63%	27.41%
Nationale -Nederlanden Open-End Pension Fund and Nationale - Nederlanden Voluntary Pension Fund	Poland	1,901,000	10.36%	8.71%
TFI Allianz Polska*	Poland	1,801,928	9.82%	8.25%
Bogusław Sieczkowski	Poland	942,417	5.13%	6.83%
Tadeusz Wesołowski (with Augebit FIZ)	Poland	932,713	5.08%	4.27%
Other shareholders (less than 5% of votes at the GM)		9,724,753	52.99%	44.53%
Total		**18,355,474**	**100.00%**	**100.00%**

** On July 1, 2022, TFI Allianz merged with Aviva Investors Poland TFI, which was reported by the Company in the current report 20/2022 of July 7, 2022.*

1.2. The Capital Group

As at the balance sheet day, the Selvita Capital Group includes Selvita S.A. as the parent company and 4 subsidiaries - Selvita Services Spółka z o.o, Selvita Inc., Selvita Ltd. and Selvita d.o.o.

	Registered Office	% of capital held	% of voting rights
		As at 31 March 2023	
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%
Selvita d.o.o. (previously Fidelta d.o.o.)	Croatia	100.00%	100.00%

The duration of the Capital Group companies is not fixed. The financial statements of all controlled entities have been prepared as af 31 March 2023, using consistent accounting principles.

The calendar year is the financial year of the parent company. The consolidation of subsidiaries covers the period from 01/01/2023 to 31/03/2023, i.e. the period in which the Parent Company had control over these entities.

The core business of the Capital Group comprises research and development in biotechnology.
Selvita S.A. Group is a capital group from the biotechnology industry that provides multidisciplinary support in solving unique research challenges in the area of drug discovery, regulatory research, as well as research and development.

1.3. Functional and reporting currency

These interim condensed 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 thousand of Polish zlotys unless it is stated otherwise.

2. International Financial Reporting Standards

2.1. Statement of compliance

These interim condensed consolidated 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 condensed consolidated financial statements for the period from January 1, 2023 to March 31, 2023 are condensed financial statements containing disclosures in accordance with the International Financial Reporting Standards approved by the European Union (hereinafter referred to as "IFRS").

Impact of International Financial Reporting Standards on the consolidated financial statements

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, 2022, except for the application of new or amended standards and interpretations applicable to annual periods starting from 1 January 2023 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 March 31, 2023)

In these interim condensed consolidated financial statements, the Group did not decide to early adopt the following published standards, interpretations or amendments to existing standards before their effective date:

a) **Amendment to IFRS 16 "Leases"**

In September 2022, the Board amended IFRS 16 "Leases" supplementing the requirements for the subsequent measurement of the lease liability in the case of a sale and leaseback transaction when the criteria of IFRS 15 are met and the transaction should be accounted for as a sale.

The change requires the seller-lessee to subsequently measure the lease liabilities resulting from the leaseback in such a way as not to recognize a gain or loss related to the retained right of use. The new requirement is of particular importance where leaseback includes variable lease payments that are not index or rate dependent, as these payments are excluded from 'lease payments' under IFRS 16. The revised standard includes a new example that illustrates the application of the new requirement in this regard. The change is effective from January 1, 2024. As at the date of preparation of these consolidated financial statements, this change has not yet been approved by the European Union.

b) **Amendments to IAS 1 "Presentation of Financial Statements"**

In 2020, the Board published amendments to IAS 1, which clarify the issue of presenting liabilities as long-term and short-term. In October 2022, the Council issued further amendments to IAS 1, which address the issue of classifying liabilities as long-term and short-term, in relation to which the entity is obliged to meet certain contractual requirements, the so-called covenants. The amended IAS 1 provides that liabilities are classified as short-term or long-term depending on the rights existing at the end of the reporting period. Neither the entity's expectations nor events after the reporting date (for example, covenant waivers or breaches) affect the classification.

The published changes apply to financial statements for periods beginning on or after January 1, 2024.

As at the date of preparation of these consolidated financial statements, these changes have not yet been approved by the European Union.

c) **Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associates or joint ventures**

The amendments solve the current inconsistency between IFRS 10 and IAS 28. The accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a "business".

Where non-monetary assets constitute a "business", the investor shows a full profit or loss on the transaction. If the assets do not meet the definition of a business, the investor recognizes a gain or loss only to the extent of the part constituting the shares of other investors. The changes were published on September 11, 2014. As at the date of preparation of these consolidated financial statements, the approval of this change is deferred 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 date of this report. As at the date of preparation of the interim condensed consolidated financial statements, there were no circumstances that would indicate a risk to the Group companies' ability to continue as a going concern.

The outbreak of the war in Ukraine did not affect the operations of the Group's companies. More information is provided in Note 33 to the interim condensed consolidated financial statements.

3.2. Basis of preparation

The interim condensed 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 interim condensed 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 3-month period ended March 31, 2023.

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.

3.3.2 Affiliates

Associates are all entities over which the group has significant influence, but which it does not control or jointly control, which is usually accompanied by holding from 20% to 50% of the voting rights. Investments in associates are accounted for using the equity method.

Under the equity method, investments are initially recognized at cost and then adjusted to include the Group's share of profit or loss and changes in other comprehensive income of the investee relating to the period after the acquisition. Dividends received or receivable from associates and joint ventures are reported as a reduction in the carrying amount of investments.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity (including all other unsecured long-term receivables), the Group does not recognize further losses, unless it has incurred liabilities or made payments on behalf of the entity.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent reflecting the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Where necessary, the accounting policies for investments accounted for using the equity method have been changed to be consistent with the Group's accounting policies.

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-base 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.

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.

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 Revenue recognition

3.6.1 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 received: 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 refereed to other receivables (receivables from subsidies). Cash that flows into the bank account is referred to deferred income.

3.6.2 Sales of goods and services

Revenues, except for government 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.

According to IAS 15 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 according to IAS 37.

Amounts received prior to the performance of the work to which they relate are recognized in the consolidated statement of financial position in liabilities as contract liabilities. Amounts invoiced for completed work but not yet paid by customers are recognized in the consolidated statement of financial position under trade receivables and net profit.

3.7 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.

3.8 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.
As a standard, Group signed lease agreements for a period of 5 years. 80% of signed contracts have extension options. Group does not exercise these options. The discount rate in the range from 1.7 to 9.2% was adopted for the valuation of lease liabilities.
Right-of-use assets are depreciated as follows:

- Premises - 5-10 years,
- Technical devices and machines - from 4 to 8 years,
- Means of transport - 5 years.

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.

3.9 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 31/03/2023	As at 31/12/2022
EUR / PLN	4.6755	4.6899
USD / PLN	4.2934	4.4018
GBP / PLN	5.3107	5.2957
CHF / PLN	4.6856	4.7679
JPY / PLN	0.0322	0.0333
SEK / PLN	0.4152	0.4213
HRK / PLN	n.a.	0.6224

3.9.1 Functional and presentation currency

The consolidated financial statements of the Group are presented in thousand of 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.

3.9.2 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.

3.10 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.

3.11 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.
Group introduced an incentive program for employees in the form of the right to purchase shares at a preferential price. A detailed description of the program is provided in note 29.

3.12 Taxes

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

3.12.1 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.

3.12.2 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%.

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.

Selvita d.o.o. obtained on April 7, 2022 the status of the beneficiary of investment support for the investment project regarding the expansion of production capacity by equipping the laboratory and new employment in a new location, for which the company is entitled to corporate income tax relief. The method of calculating the asset is described in note 4.2.4.

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.

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. tax, 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.

3.12.3 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.

3.13 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,, except for the case when exchange differences are an adjustment to the cost of interest to be recognized in the carrying amount of a fixed asset in accordance with the accounting policy presented in note 3.10, 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, which is as follows:
- building, premises, civil and water engineering structures – 10-40 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).

3.14 Intangible assets

3.14.1 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.

3.14.2 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.

3.14.3 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.

3.15 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.

3.16 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.

3.17 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) and including the discount is the financial cost.

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.

3.17.1 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.

3.17.2 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.

3.18 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.

3.19 Financial instruments

3.19.1 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.

Interest income, foreign exchange differences and impairment gains and losses are recognized in profit or loss and calculated in the same way as in the case of financial assets measured at amortized cost. Other changes in fair value are recognized in other comprehensive income. Upon derecognition of a financial asset, the total gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

The Group classifies listed debt instruments in the category of debt 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.

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.

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.

3.19.2 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.

3.19.3 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. The Management Board makes a judgment for each grant agreement whether it is reasonable assurance that the Group is able to meet all the conditions resulting from the subsidy agreement 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 13.1.

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 29.

In terms of goodwill impairment, detailed judgments and estimates are presented in note 11.2.

4.2.1 Provisions for bonuses

Provisions for bonuses are presented in Note 25.1. 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 3.13 and Note 3.14, 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 3.6, 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 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 estimates of the total costs of project implementation may result in the fact that the stage of completion of the project as at the balance sheet date, and thus the recognized revenue, should be set at a different value. Project costs are updated on an ongoing basis by the project manager, which reduces the risk of large deviations of actual costs from the forecast ones.

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 Selvita 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 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 20.1 thousand respectively (31 December 2022: PLN 10.8 thousand).

4.2.7 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 3.6.

4.2.9 Recognition of loss of control over Group entities

The Group's policy is the literal application of IFRS 5 in the recognition of the moment of recognition of Non-current Assets held for sale and discontinued operations.
In connection with the above, as at December 31, 2022, Ardigen S.A. and Ardigen Inc., constituting a separate operating segment called Bioinformatics, were not classified as assets held for sale or discontinued operations. As at March 31, 2023, the operating segment Bioinformatics is a discontinued activity.
Detailed disclosures regarding the assets of these companies, the circumstances of the loss of control and information on their segment are presented in note 14, note 13.1 and note 6, respectively.

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 to Ryvu Therapeutics S.A. and the companies that forming Bioinformatics Segment, which is a discontinued operation from January 1, 2023.

Analysis of the Group's sales revenue for the period from 1 January 2023 to 31 March 2023:

	3-month period ended 31/03/2023	3-month period ended 31/03/2022
	000'PLN	**000'PLN**
Contract research - fixed priced agreements	40,137	33,673
Contract research - FTE agreements	48,896	48,378
Revenues from the sale of administrative services	1,560	1,163
Operating income (excluding grants)	**90,593**	**83,214**

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

5.2. Revenues from subsidies

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

	3-month period ended 31/03/2023	3-month period ended 31/03/2022
	000'PLN	**000'PLN**
Infrastructure subsidies	162	8
Grants for research	1,001	809
Revenues from subsidies	**1,163**	**818**

5.3. Contract assets and liabilities with customers

The scope of changes of contract assets with customers	As at 31/03/2023	As at 31/12/2022
	000'PLN	**000'PLN**
Balance at the beginning of the reporting period	15,204	10,319
Revenue accrued in proportion to the costs incurred	33,611	22,797
Invoiced revenues	(33,778)	(17,912)
Balance at the end of the reporting period	**15,037**	**15,204**

The scope of changes of contract liabilities with customers	As at 31/03/2023	As at 31/12/2022
	000'PLN	**000'PLN**
Balance at the beginning of the reporting period	3,351	3,621
Invoicing beyond the obligation to provide	8,163	5,315
Execution of contracts without invoicing	(9,549)	(5,585)
Balance at the end of the reporting period	**1,966**	**3,351**

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	
	3-month period ended 31/03/2023	3-month period ended 31/03/2022
	000'PLN	000'PLN
Poland	3,372	2,347
EU members	32,622	30,488
USA	24,852	22,990
Switzerland	8,626	8,003
UK	15,749	13,474
Israel	3,105	1,205
Other countries	2,267	4,707
Total	**90,593**	**83,214**

5.5. Operating expenses

Amortization and impairment	3-month period ended 31/03/2023	3-month period ended 31/03/2022
	000'PLN	000'PLN
Amortization of tangible assets	3,820	2,180
Amortization of equipment usage rights	2,056	2,065
Amortization of rights to use the premises and cars	3,638	3,419
Amortization of intangible assets	185	177
Amortization of contractor base	721	699
Total amortization expense	**10,419**	**8,540**

Employee benefit expense	3-month period ended 31/03/2023	3-month period ended 31/03/2022
	000'PLN	000'PLN
Salaries and wages	32,493	24,355
Social security charges	4,174	5,902
Medical and other benefits	84	462
Employee benefit expense	**36,751**	**30,719**

Research and development costs included in the result when incurred	3-month period ended 31/03/2023	3-month period ended 31/03/2022
	000'PLN	000'PLN
Research and development costs included in the result when incurred*	7,402	6,008

* in the consolidated statement of comprehensive income, research and development costs are included in operating expenses

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, except for bioinformatics services considered as a separate segment. 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 and also the integrated research and development projects .

The second segment is Segment of Services executed in Croatia, which provide services to biotechnology and pharmaceutical companies, in particular in the field of integrated research and development projects. The segment includes only the subsidiary Selvita 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 subsidiarie: Ardigen S.A. and Ardigen Inc. From January 1, 2023, this segment is a discontinued operation.

6.2 Segment revenue and profit or loss

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

a) Continuing operations

	Revenue		Operating profit	
	3-month period ended 31/03/2023	3-month period ended 31/03/2022	3-month period ended 31/03/2023	3-month period ended 31/03/2022
	000'PLN	000'PLN	000'PLN	000'PLN
Segment 1 - Services executed in Poland, including	**56,586**	**48,503**	**753**	**(1,819)**
revenue from external customers (FTE)	31,995	30,216		
revenue from external customers (fixed price)	21,194	15,453		
revenues from sales of administrative services	1,560	1,163		
intersegment revenue	657	658		
grant income	1,163	818		
other operating income	17	196		
Segment 2 - Services executed in Croatia, including	**35,884**	**36,404**	**3,522**	**7,272**
revenue from external customers (FTE)	16,902	18,162		
revenue from external customers (fixed price)	18,943	18,220		
intersegment revenue	-	-		
grant income	-	-		
other operating income	40	21		
Elimination of intersegment revenue	656	658		
Total from continuing operations	**91,814**	**84,249**	**4,275**	**5,453**

	Expenses	
	3-month period ended 31/03/2023	3-month period ended 31/03/2022
	000'PLN	000'PLN
Segment 1 - Services executed in Poland, including	**55,833**	**50,322**
amortization and depreciation	5,888	4,491
costs of central administration, Management Board remuneration and selling costs	10,342	8,013
intersegment expenses	-	-
Valuation of the incentive program	4,403	10,976
Segment 2 - Services executed in Croatia, including	**32,362**	**29,131**
amortization and depreciation	3,811	3,350
amortization of contractor database	721	699
costs of central administration, Management Board remuneration and selling costs	6,698	6,467
intersegment expenses	657	658
Elimination of intersegment expenses	657	658
Total from continuing operations	**87,538**	**78,796**

b) Discontinued operations

	Revenue		Operating profit	
	3-month period ended 31/03/2023	3-month period ended 31/03/2022	3-month period ended 31/03/2023	3-month period ended 31/03/2022
	000'PLN	000'PLN	000'PLN	000'PLN
Segment 3 - Bioinformatics, including	**-**	**11,181**	**-**	**2,405**
revenue from external customers (FTE)	-	10,351		
revenues for fixed price clients	-	72		
revenue between segments	-	-		
grant income	-	721		
other operating income	-	36		
Total from discontinued operations	**-**	**11,181**	**-**	**2,405**

	Expenses	
	3-month period ended 31/03/2023	3-month period ended 31/03/2022
	000'PLN	000'PLN
Segment 3 - Bioinformatics, including	**-**	**8,776**
amortization and depreciation	-	312
costs of central administration, Management Board remuneration and selling costs	-	2,644
intersegment expenses	-	159
Total from discontinued operations	**-**	**8,776**

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

a) Continuing operations

Segments assets	As at 31/03/2023	As at 31/12/2022
	000'PLN	**000'PLN**
Segment 1		
Services executed in Poland	333,090	290,176
Segment 2		
Services executed in Croatia	247,793	258,644
Total segment assets	**580,883**	**548,820**

Segment liabilities		
Segment 1		
Services executed in Poland	247,214	224,505
Segment 2		
Services executed in Croatia	63,593	73,869
Total segment liabilities	**310,807**	**298,374**

b) Discontinued operations

Segments assets	As at 31/03/2023	As at 31/12/2022
	000'PLN	**000'PLN**
Segment 3		
Bioinformatics	-	36,091
Total segment assets	**-**	**36,091**

Segment liabilities		
	000'PLN	**000'PLN**
Segment 3		
Bioinformatics	-	13,376
Total segment liabilities	**-**	**13,376**

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	
	3-month period ended 31/03/2023	3-month period ended 31/03/2022	3-month period ended 31/03/2023	3-month period ended 31/03/2022
	000'PLN	**000'PLN**	**000'PLN**	**000'PLN**
Continuing operations:				
Segment 1				
Services executed in Poland	5,888	4,491	34,291	53
Segment 2				
Services executed in Croatia	4,531	4,049	798	15
Discontinued operations:				
Segment 3				
Bioinformatics	-	312	-	-
Total (Continuing and Discontinued operations)	**10,419**	**8,852**	**35,089**	**68**

6.5 Major customers

	3-month period ended 31/03/2023	3-month period ended 31/03/2022
	000'PLN	**000'PLN**
Continuing operations:		
Segment 1 - Services executed in Poland		
Customer A*	*	5,380
Segment 2 – Services executed in Croatia		
Customer B	6,539	8,464
Customer C	4,078	7,078
Customer D	3,966	3,753
Discontinued operations:		
Segment 3 – Bioinformatics		
Customer E*	-	2,014
Total (Continuing and Discontinued operations)	**14,582**	**26,688**

* The customer did not exceed 10% of the segment's sales in 2023

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

7. Finance cost

	3-month period ended 31/03/2023	3-month period ended 31/03/2022
	000'PLN	000'PLN
Finance cost due to financial instruments	**965**	**995**
Interest	928	422
Losses on currency differences	37	573
Other finance cost	**826**	**547**
Interest on leases	826	451
Other	-	96
Total finance cost	**1,791**	**1,542**

8. Income taxes on continuing operations

8.1 Income taxes presented in the statement of comprehensive income

	3-month period ended 31/03/2023	3-month period ended 31/03/2022
	000'PLN	000'PLN
Current income tax:	(4)	1,598
Current income tax charge	144	1,598
Corrections relating to previous years	-	-
Other	(148)	-
Deferred income tax	(34)	(1,511)
Tax charge presented in the statement of comprehensive income	**(38)**	**88**

8.2 The effective tax rate reconciliation is as follows:

	3-month period ended 31/03/2023	3-month period ended 31/03/2022
	000'PLN	000'PLN
Gross profit before tax	**2,632**	**3,912**
Tax at the statutory tax rate applicable in Poland, 19%	500	743
Tax relief for activities in the economic zone	(1,119)	(1,003)
The tax relief for investments in Croatia	-	-
Costs of the incentive program	837	2,085
Subsidies costs	223	141
Permanent non-taxable costs (representation costs, PFRON and other NKUP costs)	111	2,290
Permanent non-taxable income (subsidies)	(223)	-
R&D tax relief used in the tax year	-	(383)
Change of R&D tax relief	170	(3,531)
Change of the SEZ tax relief	(389)	(255)
Other (including 18% taxable income)	(148)	-
Tax at the effective tax rate	**(38)**	**88**

8.3 Deferred income tax

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

	As at 31/03/2023	As at 31/03/2023	As at 31/03/2023	As at 31/12/2022
	short-term	**long-term**	**total**	
	000'PLN	**000'PLN**	**000'PLN**	**000'PLN**
Deferred tax asset *	4,754	5,372	10,126	10,094
Deferred tax liability *	67	6,255	6,322	6,323
	4,688	**(883)**	**3,805**	**3,771**

Basis for temporary differences – 19% deferred tax on the 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 31/03/2023	As at 31/12/2022	from 01/01 to 31/03/2023	from 01/01 to 31/12/2022
- due to SEZ	5,440	5,829	(389)	(820)
- settlements on business trips	-	-	-	(2)
- the tax relief for investments in Croatia	-	-	-	(841)
- trade and other receivables and liabilities (negative FX differences)	-	-	-	(212)
- payables for future reserves	872	1,106	(234)	443
- retirement provision	-	-	-	(101)
- bonus provision	351	1,396	(1,045)	163
- unused holiday provision	1,230	1,101	129	474
- liability under the right of use	357	357	-	127
- tax losses to be settled in subsequent years	1,403	-	1,403	-
- R&D relief to be settled in the following years	474	304	170	(914)
Total	**10,126**	**10,094**	**32**	**(1,683)**

The SEZ relief can be accounted for through 2026.
Tax losses carry forward can be settled until 2028.

The Group has no unrecognized deferred tax asset.

8.4 Accrued R&D relief to be settled

3-month period ended 31/03/2023 Year	Relief amount	Use	Possible to use	Max period of use
2021	1,218	1,218	-	2027
2022	2,837	2,363	474	2028

8.5 Deferred tax liability

Basis for temporary differences – 19% deferred tax on the 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 31/03/2023	As at 31/12/2022	from 01/01 to 31/03/2023	from 01/01 to 31/12/2022
- fixed assets and intangible assets (excluding leases)	67	204	(137)	205
- trade and other payables (exchange rate differences)	-	1	-	(448)
- change of company value	-	-	-	(233)
- contractor databases	6,255	6,118	137	(144)
Total	**6,322**	**6,323**	**-**	**(620)**

9. Earnings per share

	3-month period ended 31/03/2023	3-month period ended 31/03/2022
	PLN per share	**PLN per share**
Basic earnings per share:	**0.13**	**0.27**
From continuing operations	0.14	0.22
From discontinued operations	(0.01)	0.05
Total basic earnings per share	0.13	0.27
Diluted earnings per share:	**0.13**	**0.27**
From continuing operations	0.14	0.22
From discontinued operations	(0.01)	0.05
Total diluted earnings per share	0.13	0.27

9.1 Basic earnings per share

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

	3-month period ended 31/03/2023	3-month period ended 31/03/2022
	000'PLN	**000'PLN**
Current year profit attributable to equity holders of the parent company	2,594	3,999
(Loss) / Profit for the financial year attributable to shareholders of the parent company from discontinued operations	(147)	895
Profit used for calculation of total basic earnings per share	2,447	4,894

	3-month period ended 31/03/2023	3-month period ended 31/03/2022
	pcs	**pcs**
Weighted average number of ordinary shares used for calculation of earnings per share	18,355,474	18,355,474

There were no dilutive instruments in Q1'2023 and 2022.

9.2 Dividends paid and proposed

The Management Board of the Parent Entity does not recommend the payment of dividend for the period from January 1 to March 31, 2023.

10. Tangible fixed assets and right of use assets

Net carrying amount	As at 31/03/2023	As at 31/12/2022
	000'PLN	**000'PLN**
Land	18,744	18,744
Buildings	41,998	6,673
Machinery and equipment	47,696	6,358
Vehicles	137	144
Other tangible assets (including lab equipment)	57,317	43,579
Assets under construction	9,542	85,410
Total fixed assets	**175,435**	**160,908**
Other tangible assets usage rights (including lab equipment)	60,064	54,525
Rights to use the premises	45,852	40,734
Car usage rights	1,812	1,660
Total right of use assets	**107,728**	**96,919**

In whole 2023 the Group is planning to incur expenditure on non-financial non-current assets in the amount of approximately PLN 96 million. No expenditures on environmental protection purposes are planned.

In Q1'2023, the amount of borrowing costs in the amount of PLN 892 thousand was included in the cost of assets, while in 2022 it was PLN 565 thousand.

10.1. Changes in the value of fixed assets by type in the current financial period from 1 January to 31 March 2023

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	**18,744**	**8,600**	**15,028**	**307**	**72,043**	**85,410**	**73,889**	**68,798**	**2,915**	**345,735**
Increases in gross value:	**-**	**35,606**	**42,064**	**-**	**16,619**	**26,018**	**7,596**	**8,608**	**299**	**136,811**
- Purchases	-	-	-	-	-	26,018	-	8,608	299	34,925
- Transfer from assets under construction	-	35,606	42,064	-	16,619	-	7,596	-	-	101,886
- Exchange differences from the translation of the financial statements of foreign entities	-	-	-	-	-	-	-	-	-	-
Decreases in gross value:	**-**	**-**	**233**	**-**	**761**	**101,886**	**-**	**-**	**-**	**102,880**
- Disposals	-	-	233	-	761	-	-	-	-	994
- Other - transfer to fixed assets	-	-	-	-	-	101,886	-	-	-	101,886
Gross value at the end of the period	**18,744**	**44,206**	**56,859**	**307**	**87,901**	**9,542**	**81,485**	**77,406**	**3,214**	**379,665**
Accumulated depreciation at the beginning of the period	**-**	**1,927**	**8,670**	**163**	**28,465**	**-**	**19,365**	**28,063**	**1,255**	**87,908**
Increases:	**-**	**281**	**713**	**7**	**2,819**	**-**	**2,056**	**3,491**	**146**	**9,514**
- Depreciation/amortization charges	-	281	713	7	2,819	-	2,056	3,491	146	9,514
Decreases:	**-**	**-**	**220**	**-**	**699**	**-**	**-**	**-**	**-**	**919**
- Disposals	-	-	220	-	699	-	-	-	-	919
Accumulated depreciation at the end of the period	**-**	**2,208**	**9,163**	**170**	**30,584**	**-**	**21,421**	**31,554**	**1,402**	**96,503**
Net carrying amount at the beginning of the period	**18,744**	**6,673**	**6,358**	**145**	**43,578**	**85,410**	**54,524**	**40,735**	**1,660**	**257,827**
Net carrying amount at the end of the period	**18,744**	**41,998**	**47,696**	**137**	**57,317**	**9,542**	**60,064**	**45,852**	**1,812**	**283,163**

In March 2023, the Parent Entity started using the Laboratory Services Center. The heart of the new facility of the Parent Entity is a complex of laboratories in the field of i.a. medical chemistry, biochemistry, molecular and cellular biology and analytics, reflecting the course of the research process on innovative drugs. Its launch will allow to increase the scale of projects implemented for external customers by the Parent Entity. The building consists of 5 floors with a total area of over 10,000 sq.m., including over 9 thousand sq.m. of usable space for both laboratories and offices:

- laboratory area: approx. 4 thousand sq.m.,
- office space: approx. 1.1 thousand sq.m. (including offices and conference rooms),
- technical and social rooms: approx. 1.1 thousand sq.m.,
- other: car park, communication: approx. 2.9 thousand sq.m.

The facility was commissioned in March 2023 and consists of the following components:

Name	Cost
Building at 60 Podole Street in Krakow	32,535
Elevators	957
Ventilation and air conditioning installation	15,868
External water and sewage installations	773
Heating and related installations	4,423
Electrical and related installations	14,052
Sprinkler installations	1,475
Installation of industrial gases	898
Photovoltaic installation	852
External infrastructure, access roads, parking lots and greenery	2,465
Total	**74,298**

For each of the separated components, the economic useful life was estimated individually.

10.2. Changes in the value of fixed assets by type in the financial period from 1 January to 31 December 2022

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**	**3,234**	**8,480**	**307**	**57,570**	**13,839**	**50,336**	**64,024**	**2,491**	**210,281**
Increases in gross value:	**8,744**	**5,366**	**6,865**	**-**	**18,107**	**125,238**	**25,003**	**4,773**	**424**	**194,521**
- Purchases	8,744	-	-	-	-	125,208	-	4,531	411	138,894
- Transfer from assets under construction	-	5,366	6,780	-	16,518	-	25,003	-	-	53,667
- Modification of the lease agreement	-	-	74	-	1,376	-	-	-	-	1,450
- Exchange differences from the translation of the financial statements of foreign entities	-	-	11	-	213	30	-	242	13	510
Decreases in gross value:	**-**	**-**	**317**	**-**	**3,633**	**53,667**	**1,450**	**-**	**-**	**59,067**
- Disposals	-	-	-	-	382	-	-	-	-	382
- Other - transfer to fixed assets	-	-	-	-	-	53,667	-	-	-	53,667
- Other termination of lease agreements	-	-		-	-	-	1,450	-	-	1,450
- Inventory clearance	-	-	317	-	3,251	-	-	-	-	3,568
Gross value at the end of the period	**18,744**	**8,600**	**15,028**	**307**	**72,043**	**85,410**	**73,889**	**68,798**	**2,915**	**345,735**
Accumulated depreciation at the beginning of the period	**-**	**1,414**	**6,731**	**163**	**23,016**	**-**	**13,593**	**14,373**	**708**	**59,998**
Increases:	**-**	**513**	**2,256**	**-**	**10,458**	**-**	**7,154**	**13,690**	**547**	**34,618**
- Depreciation charge for the period	-	513	2,188	-	9,144	-	7,154	13,690	547	33,236
- Other - change of lease agreement	-	-	68	-	1,314	-	-	-	-	1,382
Decreases:	**-**	**-**	**317**	**-**	**5,009**	**-**	**1,383**	**-**	**-**	**6,708**
- Disposals	-	-	-	-	382	-	-	-	-	382
- Other termination of lease agreements	-	-	-	-	-	-	1,383	-	-	1,383
- Inventory clearance	-	-	317	-	4,627	-	-	-	-	4,944
Accumulated depreciation at the end of the period	**-**	**1,927**	**8,670**	**163**	**28,465**	**-**	**19,365**	**28,063**	**1,255**	**87,908**
Net carrying amount at the beginning of the period	**10,000**	**1,820**	**1,749**	**145**	**34,553**	**13,839**	**36,743**	**49,652**	**1,783**	**150,283**
Net carrying amount at the end of the period	**18,744**	**6,673**	**6,358**	**145**	**43,578**	**85,410**	**54,525**	**40,735**	**1,660**	**257,827**

11. Goodwill

	As at 31/03/2023	As at 31/12/2022
	000'PLN	**000'PLN**
At cost	77,472	78,057
Accumulated impairment	-	-
	77,472	**78,057**

11.1 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.	281	-	-	-	281	-
Selvita d.o.o.	77,776	-	(585)	-	77,191	-
Total goodwill	**78,057**	**-**	**(585)**	**-**	**77,472**	**-**

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 (the "Acquiring Company") and BioCentrum sp.z o.o. (the "Acquired Company").

Goodwill of Selvita d.o.o. based in Croatia was established as a result of the acquisition of this company (previously named Fidelta d.o.o.) on January 4, 2021 from Galapagos NV based in Belgium.

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 000'EUR	As at 04/01/2021 000'HRK	As at 04/01/2021 000'PLN
Acquired assets			
Total assets	**32,169**	**242,890**	**146,220**
Acquired liabilities			
Total liabilities	**11,599**	**87,638**	**52,758**
Net assets	**20,570**	**155,252**	**93,462**
Acquired percentage of share capital	100%	100%	100%
Purchase price (Price for Shares)	31,200	235,736	141,913
Purchase price adjustment due to net cash and working capital paid on March 4, 2021	5,880	44,478	26,776
Goodwill as at the date of taking control, i.e. January 4, 2021	**16,510**	**124,962**	**75,227**

	PLN/HRK rate	Valuation of goodwill on Selvita d.o.o.
As at 04/01/2021	0.6020	75,227
As at 31/12/2022	0.6224	77,776

	PLN/EUR rate	Valuation of goodwill on Selvita d.o.o.
As at 31/12/2022	4.7109	77,776
As at 31/03/2023	4.6755	77,191
Change in the value due to changes in foreign exchange rates		**(585)**

Goodwill increases the assets of the Service Segment and the goodwill related to Selvita d.o.o. increases the assets of the Services Segment in Croatia.

11.2. Goodwill - impairment test

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 - Selvita d.o.o.

As at December 31, 2022, the impairment tests carried out consisting in estimating the value in use using the discounted free cash flow model for equity owners and creditors (FCFF) showed that the value in use of Selvita d.o.o. exceeds its book value.

As at the balance sheet date: March 31, 2023, the Group assessed whether there are any indications that any of the non-financial non-current assets may be impaired, including goodwill. As a result of the analysis, no indications for impairment were found, therefore no impairment test was performed consisting in estimating the recoverable amount of a given asset or a cash-generating unit to which a given asset belongs.

12. Other intangible assets

	As at 31/03/2023	As at 31/12/2022
Carrying amount		
Sotfware - Data Warehouse	289	300
Other intangible assets	1,300	1,310
Contractor database	32,188	33,181
	33,778	**34,791**

The contractors database concerns the contracts and contacts taken over as part of the purchase of the Croatian company Selvita 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.

12.1 Changes in the value of intangible assets by type in the financial period from 1 January to 31 March 2023

Item	Contractor database	Other intangible assets	Total
Gross value at the beginning of the period	**38,845**	**3,258**	**42,103**
Increases in gross value:	**-**	**164**	**164**
- Purchases	-	164	164
Decreases in gross value:	**(272)**	**-**	**(272)**
- Exchange differences from the translation of the financial statements of foreign entities	(272)	-	(272)
Gross value at the end of the period	**38,573**	**3,422**	**41,995**
Accumulated depreciation at the beginning of the period	**5,664**	**1,648**	**7,312**
Increases:	**721**	**185**	**906**
- Depreciation charge for the period	721	185	906
Decreases:	**-**	**-**	**-**
Accumulated depreciation at the end of the period	**6,384**	**1,833**	**8,217**
Net carrying amount at the beginning of the period	**33,181**	**1,610**	**34,791**
Net carrying amount at the end of the period	**32,188**	**1,589**	**33,778**

12.2 Changes in the value of intangible assets by type in the financial period from 1 January to 31 December 2022

Item	Contractor database	Other intangible assets	Total
Gross value at the beginning of the period	**38,146**	**2,752**	**40,898**
Increases in gross value:	**699**	**506**	**1,205**
- Purchases	-	495	495
- Exchange differences from the translation of the financial statements of foreign entities	699	11	710
Gross value at the end of the period	**38,845**	**3,258**	**42,103**
Accumulated depreciation at the beginning of the period	**2,791**	**929**	**3,720**
Increases:	**2,873**	**719**	**3,592**
- Depreciation charge for the period	2,873	719	3,592
Decreases:	**-**	**-**	**-**
Accumulated depreciation at the end of the period	**5,664**	**1,648**	**7,312**
Net carrying amount at the beginning of the period	**35,355**	**1,823**	**37,178**
Net carrying amount at the end of the period	**33,181**	**1,610**	**34,791**

13. 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 31/03/2023	As at 31/12/2022
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%
Selvita d.o.o.	Research and development in other natural and technical sciences	HR-10000 Zagreb Prilaz baruna Filipovica 29	100%	100%

13.1. Detailed information concerning subsidiarie which has significant non-controlling interests

On January 4, 2021 the Issuer acquired 100% shares in Selvita d.o.o. (previously 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.

On January 18, 2023, the Company became aware of the registration of the increase in the share capital of Ryvu Therapeutics S.A. with its registered office in Kraków ("Ryvu"), as a result of which the share of Mr. Paweł Przewięźlikowski in the total number of votes at the General Meeting of Ryvu decreased from 33.03% to 27.91%.

Pursuant to § 27 of the articles of association of the Company's subsidiary - Ardigen S.A. ("Ardigen") - personal entitlement of Selvita S.A. as to the voting rights attached to series A and B Ardigen preferred shares, whereby each of these series shares gives two votes at the General Meeting of Ardigen, it is conditional upon Mr. Paweł Przewięźlikowski holding at least 33% of the total number of votes in Ryvu - being a company with which was separated in the form of an Organized Part of the Enterprise ("ZCP"), comprising a separate set of tangible and intangible assets, intended for the implementation of specific economic tasks, under which service activities in the field of biotechnology of the Contract Research Organization type were conducted, including shares in Ardigen S.A., and then ZCP was transferred as a result of the corporate division of Selvita S.A. (now Ryvu) to a new company (Selvita CRO S.A.), currently operating under the name of Selvita S.A.

In view of the above, despite the lack of a transaction involving Ardigen shares or changes in the share capital of this company, after the registration of the increase in the share capital of Ryvu, the Company lost the personal voting rights attached to series A and B preferred shares and currently holds Ardigen shares representing 46.22 % of the total number of votes at the company's general meeting, remaining its largest shareholder.

Prior to the registration of the increase in the share capital of Ryvu, the Company held 54.03% of the total number of votes at the general meeting of Ardigen. The Management Board of the Company emphasizes that the share of Selvita S.A. in the share capital of Ardigen did not change as a result of the registration of the increase in the share capital of Ryvu and amounts to 46.74% of the share capital of Ardigen.

In view of the above, on January 17, 2023 Selvita S.A. ceased to be the parent company of Ardigen within the meaning of Art. 4 § 1 point 4 lit. a) of the Code of Commercial Companies. Thus, the Company no longer has control over Ardigen within the meaning of Art. 5-9 of the International Financial Reporting Standard 10 - Consolidated financial statements (IFRS). As a consequence, the Parent Entity will not fully consolidate the results and other financial data of Ardigen in 2023 - Ardigen S.A. will be recognized by Selvita S.A. as an associate and consolidation will be based on the equity principle. Considering that the loss of control took place only after a dozen business days after the end of 2022 and no significant transactions occurred in this period, the Parent Entity ceased to fully consolidate Ardigen's results and other financial data as of December 31, 2022.

Ardigen S.A. is recognized by Selvita S.A. as an associate (Note 14) and consolidation is based on the equity principle.

The Company's Management Board stipulates that the discontinuation of the consolidation of Ardigen's results does not affect any of the Company's business goals set out in the Development Strategy of the Selvita Capital Group for 2022-2025, which did not include Ardigen. The Company, in its periodic reports (in the Management Board's reports on activities), in consultation with the Management Board of Ardigen, will continue to provide up-to-date information on the development and situation of this company due to the possession of a significant block of shares in Ardigen.

14. Investments in affiliates

	As at 31/03/2023	As at 31/12/2022
Balanced value		
Ardigen S.A	12,741	-
	12,741	**-**

Detailed information on associates accounted for using the equity method, and in connection with the loss of control recognized as at December 31, 2022, presented in these interim condensed consolidated financial statements as discontinued operations, is as follows:

Name of subsidiary	Core business	Place of registration and operations	Profit (loss) allocated to non-controlling interests	Cumulative value of non-controlling interest
			As at 31/03/2023	As at 31/12/2022
Ardigen S.A.	Research and development in the field of other natural and technical sciences	30-394 Kraków ul. Podole 76	46,74% / 46,22%	46,74% / 54,03%
Ardigen Inc.	Research and development in the field of other natural and technical sciences	Stan Delaware w USA	46,74% / 46,22%	46,74% / 54,03%

Summary of financial information in relation to discontinued operations in the period from January 1, 2023 to March 31, 2023 and until the loss of control, i.e. December 31, 2022, is as follows:

Ardigen S.A. including Ardigen Inc.	As at 31/03/2023	As at 31/12/2022
	000'PLN	**000'PLN**
Current assets	29,005	33,272
Fixed assets	1,400	1,644
Short term liabilities	6,490	9,999
Long-term liabilities	86	107
Total equity	22,591	22,883

Ardigen S.A. including Ardigen Inc.	12-month period ended 31/12/2022	3-month period ended 31/03/2023	3-month period ended 31/03/2022
	000'PLN	**000'PLN**	**000'PLN**
Sales revenue	52,755	13,730	11,362
Costs	47,605	13,950	8,875
Gross profit for the period	5,150	(219)	2,487
Net profit for the period	4,316	(315)	1,918
Percentage share of Parent Company in capital	46.74%	46.74%	46.67%
Net profit for the financial period attributable to the Parent Company - discontinued operations	2,017	**(147)**	**895**

15. Other financial assets

Long term other financial assets	As at 31/03/2023	As at 31/12/2022
	000'PLN	000'PLN
Paid deposit	590	594
Bank deposit	93	93
Loans to employees	269	373
	952	**1,060**

Short term other financial assets	As at 31/03/2023	As at 31/12/2022
	000'PLN	000'PLN
Bank deposit	3,329	2,018
	3,329	**2,018**

The bank deposit consists of collateral deposited at Reiffeisen Bank Austria in Croatia for the issued bank guarantee for the contract for the lease of premises in Zagreb and collateral for credit cards at the disposal of employees of Selvita d.o.o. and collateral deposited with Bank Pekao S.A. for an investment loan for the construction of the Laboratory Services Center during utilisation of the loan.

16. Inventories

	As at 31/03/2023	As at 31/12/2022
	000'PLN	000'PLN
Goods	7,998	7,801
Total	**7,998**	**7,801**

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 used for ongoing projects, therefore there is no permanent impairment of the value of the inventory, and thus no need to create a write-down.

17. 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 March 31, 2023. 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

	31/03/2023		
	carrying amount	*fair value*	*hierarchy level*
Financial assets for which fair value is disclosed:			
Trade and other receivables	61,069	61,069	*P3*
Other short-term financial assets	3,329	3,329	*P3*
Financial liabilities for which fair value is disclosed:			
Trade payables	25,705	25,705	*P3*
Investment liabilities	7,089	7,089	*P3*
Interest-bearing loans and credits, including:	129,775	129,775	*P3*
global credit card limit	469	469	*P3*
Current portion of interest-bearing loans and borrowings, including:	23,341	23,341	*P3*
credit card debt	227	227	*P3*

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, 2022. Due to the nature of these items, fair value does not differ significantly from the carrying amount.

	31/12/2022		
	carrying amount	*fair value*	*hierarchy level*
Financial assets for which fair value is disclosed:			
Trade and other receivables	69,447	69,447	*P3*
Other short-term financial assets	2,018	2,018	*P3*
Financial liabilities for which fair value is disclosed:			
Trade payables	30,967	30,967	*P3*
Investment liabilities	10,920	10,920	*P3*
Interest-bearing loans and credits, including:	126,182	126,182	*P3*
global credit card limit	469	469	*P3*
Current portion of interest-bearing loans and borrowings, including:	16,763	16,763	*P3*
credit card debt	138	138	*P3*

17.1 Other non-financial assets

	As at 31/03/2023	As at 31/12/2022
Carrying amount:	**000'PLN**	**000'PLN**
Licenses	1,563	2,651
Insurance	994	460
Equipment qualification	441	823
Other	2,739	354
Deferred expenses	472	812
	6,209	**5,100**

18. Trade and other receivables

	As at 31/03/2023	As at 31/12/2022
	000'PLN	**000'PLN**
Trade receivables	61,627	69,409
The allowance for expected credit losses	(558)	(458)
	61,069	68,951
Tax (VAT) receivables	17,103	26,316
Other – receivables from employees, security deposits	-	496
Grants due	463	3,039
	78,636	**98,802**

18.1 Trade receivables and contract assets with customers

In regards to trade receivables and contract assets with customers, the Group estimated the expected credit loss as at 31 March 2023 on the basis of a provision matrix defined based on historical data concerning credit losses. It was recognised that receivables and contract assets with customers 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 asssets:

	Period ended 31/03/2023		
	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	66,480	0%	24
1-30 days after the deadline	6,148	0%	5
31-60 days after the deadline	2,850	0%	6
61-90 days after the deadline	166	0%	1
91-180 days after the deadline	558	27%	152
181-365 days after the deadline	105	13%	13
More than 365 days after the deadline	357	100%	357
Total	**76,664**		**558**

	Year ended 31/12/2022		
	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	71,338	0%	26
1-30 days after the deadline	8,400	0%	10
31-60 days after the deadline	2,897	1%	15
61-90 days after the deadline	554	0%	2
91-180 days after the deadline	863	4%	31
181-365 days after the deadline	200	6%	12
More than 365 days after the deadline	361	100%	361
Total	**84,613**		**458**

The average payment date of trade receivables from January 1, 2023 to March 31, 2023 is 38 days and from January 1, 2022 to December 31, 2022 was 46 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

	Period ended 31/03/2023	Year ended 31/12/2022
	000'PLN	**000'PLN**
Balance at the beginning of the period	**458**	**774**
The allowance for expected credit losses	100	-
Reversal of the allowance for expected credit losses	-	(316)
Balance at the end of the period	**558**	**458**

19. Leases

19.1. 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 3.8).

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 31/03/2023	Buildings and premises	Equipment	Vehicles	Total
As at 1 January 2023	**40,734**	**54,525**	**1,660**	**96,919**
Purchases (new lease agreements)	8,608	7,596	299	16,503
Others	-	(2)	-	(2)
Depreciation	(3,490)	(2,056)	(147)	(5,693)
As at 31 March 2023	**45,852**	**60,064**	**1,812**	**107,728**

Period ended 31/12/2022	Buildings and premises	Equipment	Vehicles	Total
As at 1 January 2022	**49,651**	**36,743**	**1,783**	**88,177**
Purchases (new lease agreements)	4,531	25,003	411	29,945
Changes in lease agreements	-	-	-	-
Others	242	(67)	13	188
Depreciation	(13,690)	(7,154)	(547)	(21,391)
As at 31 December 2022	**40,734**	**54,525**	**1,660**	**96,919**

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

	2023		
	Leases for buildings, premises and vehicles	Leasing of machinery and equipment	Total
As at 1 January	**44,136**	**42,978**	**87,114**
New leases and lease modifications	8,907	7,596	16,503
Revaluation (foreign exchange differences)	126	2,801	2,927
Interests	339	487	826
Leaseback - secured loans	-	(4,497)	(4,497)
Payments	(3,951)	(3,773)	(7,724)
As at 31 March	**49,557**	**45,592**	**95,149**
Short-term	12,773	13,831	26,604
Long-term	36,784	31,761	68,545

The carrying amounts of leasing liabilities and their changes during the period from 1 January 2022 to 31 December 2022:

	2022		
	Leases for buildings, premises and vehicles	Leasing of machinery and equipment	Total
As at 1 January	**53,341**	**34,267**	**87,608**
Increases due to the acquisition of Selvita d.o.o.	4,687	25,070	29,757
New leases and lease modifications	76	1,813	1,889
Revaluation (foreign exchange differences)	1,039	929	1,968
Interests	-	(6,084)	(6,084)
Payments	(15,007)	(13,017)	(28,024)
As at 31 December	**44,136**	**42,978**	**87,114**
Short-term	11,541	13,160	24,701
Long-term	32,595	29,818	62,413

The maturity analysis of leasing liabilities is presented in Note 24.8 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:

	01.01.2023 - 31.03.2023	01.01.2022 - 31.03.2022
Cost of depreciation of right-of-use assets	(3,638)	(3,474)
Interest costs on lease liabilities	(339)	(265)
Costs of negative exchange differences due to balance sheet valuation of lease liabilities	(126)	65
The total amount recognized in the consolidated income statement / statement of comprehensive income	**(4,103)**	**(3,673)**

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:

	01.01.2023 - 31.03.2023	01.01.2022 - 31.03.2022
Depreciation of leased assets	(2,056)	(2,108)
Interest expense on lease liabilities	(487)	(186)
Costs of negative exchange differences due to balance sheet valuation of lease liabilities	(2,801)	(1,340)
The total amount recognized in the consolidated income statement / statement of comprehensive income	**(5,344)**	**(3,635)**

20. Share capital

	As at 31/03/2023	As at 31/12/2022
	000'PLN	**000'PLN**
Registered share capital	14,684	14,684
	14,684	**14,684**

20.1 Share capital as at the end of the reporting period

	As at 31/03/2023	As at 31/12/2022
	000'PLN	**000'PLN**
Number of shares	18,355,474	18,355,474
Par value per share	0.80	0.80
Share capital	**14,684**	**14,684**

Share capital structure as at 31 March 2023

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	3,482,000	2,785,600
Ordinary "A" shares	none	568,000	454,400
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 2022

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	3,482,000	2,785,600
Ordinary "A" shares	none	568,000	454,400
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**

Shareholder structure

As at 31 March 2023

Shareholder	Number of shares	Percentage interest in share capital	Number of votes	Percentage share of voting rights
Paweł Przewięźlikowski	3,052,663	16.63%	5,984,663	27.41%
Nationale Nederlanden PTE S.A.	1,901,000	10.36%	1,901,000	8.71%
TFI Allianz Polska	1,801,928	9.82%	1,801,928	8.25%
Bogusław Sieczkowski	942,417	5.13%	1,492,417	6.83%
Tadeusz Wesołowski (with z Augebit FIZ)	932,713	5.08%	932,713	4.27%
Other shareholders (less than 5% of votes at the General Meeting)	9,724,753	52.99%	9,724,753	44.53%
Total	**18,355,474**	**100.00%**	**21,837,474**	**100.00%**

As at 31 December 2022

Shareholder	Number of shares	Percentage interest in share capital	Number of votes	Percentage share of voting rights
Paweł Przewięźlikowski	3,052,663	16.63%	5,984,663	27.41%
Nationale Nederlanden PTE S.A.	1,901,000	10.36%	1,901,000	8.71%
TFI Allianz Polska*	1,801,928	9.82%	1,801,928	8.25%
Bogusław Sieczkowski	942,417	5.13%	1,492,417	6.83%
Tadeusz Wesołowski (with z Augebit FIZ)	932,713	5.08%	932,713	4.27%
Other shareholders (less than 5% of votes at the General Meeting)	9,724,753	52.99%	9,724,753	44.53%
Total	**18,355,474**	**100.00%**	**22,405,474**	**100.00%**

** On July 1, 2022, TFI Allianz merged with Aviva Investors Poland TFI, which was reported by the Company in the current report 20/2022 of July 7, 2022.*

20.2. Own shares

	As at 31/03/2023 pcs	As at 31/12/2022 000'PLN	As at 31/12/2022 pcs	As at 31/12/2022 000'PLN
Own shares under the Incentive Program	6,844	0	3,381	0
Total	**6,844**	**0**	**3,381**	**0**

As at 31 March 2023, the Company holds own shares resulting from the implementation of the Incentive Scheme (see note 29). In the light of paragraph 33 of IAS 32, taking into account that the acquisition cost of these shares was PLN 0 (received free of charge by the Company as a gift from Mr Paweł Przewięźlikowski), their value as at each balance sheet date is PLN 0.

20.3 Reserve capitals

	As at 31/03/2023	As at 31/12/2022
	000'PLN	000'PLN
Payments for the transfer of shares to employees	237	237
Other - incentive program 2021-2024	66,710	62,307
Total Other Reserve Capitals	**66,947**	**62,544**

In 2021, the Company started the implementation of the incentive program in place in the years 2021-2024. Detailed information is disclosed in note 29.

20.4 Reserve capital

	As at 31/03/2023	As at 31/12/2022
	000'PLN	000'PLN
Share premium	86,448	86,448
Reserve capital created from purchase of OPE	22,994	22,994
Total Reserve Capital	**109,442**	**109,442**

Reserve capital is constituted by :

a) supplementary capital created from the surplus of the issue price of Series C shares,

b) supplementary capital of Subsidiaries acquired under OPE, including the statutory 8% resulting from the Commercial Companies Code.

21. Credit facilities and loans

	As at 31/03/2023	As at 31/12/2022
	000'PLN	**000'PLN**
Uncollateralized:		
Used credit card limits	227	138
	227	**138**
Collateralized:		
Bank loans (i), including:	123,379	119,629
acquisition loan	*78,211*	*81,923*
construction loan	*45,168*	*37,706*
Finance lease liabilities (ii)	5,927	6,084
	129,306	**125,713**
Total:	**129,533**	**125,851**
Current liabilities	23,341	16,763
Non-current liabilities	106,192	109,088

21.1 Loan agreements

(i) The company has an acquisition loan taken in connection with the acquisition of Selvita 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 December 31, 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 (Selvita d.o.o.), including in particular the conditional agreement for the purchase by the Company of 100% shares in Selvita 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 (Selvita d.o.o.),
e) security on the shares and property of Selvita d.o.o., including in particular a registered pledge for 100% of shares in Selvita 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 Selvita 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 March 31, 2023 and December 31, 2022, both the acquisition loan and the construction loan were disbursed.
Pursuant to the provisions of the loan agreement regarding the above loans, the Group is required to meet the following conditions:

• net debt to EBITDA ratio (without the impact of IFRS 16) cannot be higher than 350%,

• the ratio of cash flows from operating activities to net financial costs, excluding IFRS 16 ("DSCR"), may not be lower than 140%,

• the sum of the achieved EBITDA values (without the impact of IFRS 16) of the Group companies that are guarantors is not to be lower than 75% of the total EBITDA value (without the impact of IFRS 16) of the entire Group.

In the reporting periods of 2023 and 2022, the Group met the financial conditions for debt (see Note 24.1.2 for more information).

(ii) The Company concludes finance leaseback agreements. This form is chosen when it is the most operationally effective form of carrying out the purchase of a fixed asset and obtaining financing for it.

22. Trade and other liabilities

	As at 31/03/2023	As at 31/12/2022
	000'PLN	**000'PLN**
Trade liabilities	31,044	40,108
Liabilities due to taxes, insurance (social security, personal income tax, PFRON)	7,428	10,501
Current tax liabilites	-	2,493
Liabilites due to salaries and wages and other liabilities to employees	1,754	1,779
Other non-financial liabilities	551	148
	40,778	**55,029**
- short-term		
Trade and other liabilities	38,812	49,185
Contract liabilities with customers	1,966	3,315
Current tax liabilites	-	2,393

The average payment term for the purchase of goods and materials is two months on average. When calculating interest, the interest rate as for statutory interest is applied.

23. Liabilities due to retirement benefits

Item	Provisions for retirement benefits as of 31/03/2023	Provisions for retirement benefits as of 31/12/2022
Provisions at the beginning of the period	**239**	**530**
Increase due to:	**377**	**-**
- reserves acquired as part of the acquisition of Selvita d.o.o.	-	-
- provisions recognized in profit and loss account in current period	377	-
Decrease in reserves:	**-**	**291**
- provisions reversed during the period recognised in profit or loss	-	291
Provisions at the end of the period, including:	**615**	**239**
- long-term	615	239
- short-term	**-**	**-**

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

	31 March 2023	31 December 2022
Discount rate (%)	6.04	6.85
Expected inflation rate (%)	**3.50**	**3.50**
Employee turnover rate (%)	10.20%	10.20%
Expected long-term wage growth rate (%)	3.50	3.50
Average remaining employment period (years)	**28**	**28**

24. Financial instruments

24.1 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 27
• equity, including reserve capitals and retained earnings, as disclosed in Note 20.

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.

24.1.1 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 31/03/2023	As at 31/12/2022
	000'PLN	**000'PLN**
Debt (i)	310,807	311,750
Cash and cash equivalents	51,441	74,157
Net debt	**259,366**	**237,593**
Equity (ii)	269,183	273,161
Net debt to equity	**0.96**	**0.87**

(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.

24.1.2 Covenants in the loan agreements

During the reporting period, the Group met the restrictive conditions in the loan agreements described in Note 20.1. As at March 31, 2023, the net debt to EBITDA ratio (without the impact of IFRS 16) was 140% (100% as at December 31, 2022), the DSCR ratio was 180% (320% as at December 31, 2022). The share of guarantors is not subject to quarterly reporting (78% as at December 31, 2022).

24.2 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 31/03/2023	As at 31/12/2022
	000'PLN	**000'PLN**
Financial assets		
Financial instruments measured at amortized cost method:	**117,255**	**149,225**
Cash (Note 27)	51,441	74,157
Other long-term assets - deposits (Note 15)	952	1,060
Trade and other receivables (Note 18)	61,533	71,990
Bank deposit (Note 15)	3,329	2,018
Financial liabilities		
Financial instruments measured at amortized cost method:	**255,727**	**253,073**
Interest bearing credit facilities and loans (Note 21)	129,533	125,851
Finance lease liabilities (Note 19)	95,149	87,114
Trade and other liabilities (Note 22)	31,044	40,108

24.3 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.

24.4 Market risk

The Group's activities expose it to currency risk (see Note 24.5) and interest rate risk (see Note 24.6). 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.

24.5 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 31/03/2023	As at 31/12/2022	As at 31/03/2023	As at 31/12/2022
	000'PLN	**000'PLN**	**000'PLN**	**000'PLN**
EUR	184,922	175,435	60,544	65,609
USD	1,734	1,463	24,926	36,540
Other	193	154	6,515	9,976

24.5.1 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 EUR	Effect of USD	Effect of USD
		Period ended 31/03/2023 (for 12 months)	Period ended 31/12/2022 (for 12 months)	Period ended 31/03/2023 (for 12 months)	Period ended 31/12/2022 (for 12 months)
		000'PLN	000'PLN	000'PLN	000'PLN
ASSETS					
Exchange rate increase	15%	9,082	9,841	3,739	5,481
Exchange rate increase	10%	6,054	6,561	2,493	3,654
Exchange rate increase	5%	3,027	3,280	1,246	1,827
Exchange rate decrease	-5%	(3,027)	(3,280)	(1,246)	(1,827)
Exchange rate decrease	-10%	(6,054)	(6,561)	(2,493)	(3,654)
Exchange rate decrease	-15%	(9,082)	(9,841)	(3,739)	(5,481)
LIABILITIES					
Exchange rate increase	15%	27,738	26,315	260	219
Exchange rate increase	10%	18,492	17,544	173	146
Exchange rate increase	5%	9,246	8,772	87	73
Exchange rate decrease	-5%	(9,246)	(8,772)	(87)	(73)
Exchange rate decrease	-10%	(18,492)	(17,544)	(173)	(146)
Exchange rate decrease	-15%	(27,738)	(26,315)	(260)	(219)
EFFECT ON PROFIT					
Exchange rate increase	15%	(18,657)	(16,474)	3,479	5,262
Exchange rate increase	10%	(12,438)	(10,983)	2,319	3,508
Exchange rate increase	5%	(6,219)	(5,491)	1,160	1,754
Exchange rate decrease	-5%	6,219	5,491	(1,160)	(1,754)
Exchange rate decrease	-10%	12,438	10,983	(2,319)	(3,508)
Exchange rate decrease	-15%	18,657	16,474	(3,479)	(5,262)

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.

24.6 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.

24.6.1 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. 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. 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.

In the case of a construction bank loan whose currency is PLN (until the construction is completed, when it will be converted into EUR), the Group estimated the impact of a possible change in the interest rate also by 50 basis points. In the analysis of the hypothetical impact of changes in interest rates for the bank loan, a fluctuation of 50 basis points was assumed, without taking into account the impact of restrictive clauses regarding negative interest rates.

	Increase/ decrease by percentage points	Impact on gross profit or loss (for 12 months)
Period ended 31/03/2023		
PLN		
Bank loan (EUR)		
Change in the interest rate	+0,5%	(410)
Change in the interest rate	-0,5%	410
Bank loan (PLN)		
Change in the interest rate	+0,5%	(189)
Change in the interest rate	-0,5%	189
Leasing (EUR)		
Change in the interest rate	+0,5%	(467)
Change in the interest rate	-0,5%	467
Leasing (other currencies)		
Change in the interest rate	+0,5%	(8)
Change in the interest rate	-0,5%	8
Leaseback liability (EUR)		
Change in the interest rate	+0,5%	(29)
Change in the interest rate	-0,5%	29
Leaseback liability (other currencies)		
Change in the interest rate	+0,5%	(1)
Change in the interest rate	-0,5%	1
Total impact		
Change in the interest rate	+0,5%	(1,104)
Change in the interest rate	-0,5%	1,104

24.7 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.

Excludnig 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 18 and data on the contract assets are provided in Note 5.3.

List of banks where the Group has funds on bank accounts:

Bank name	As at 31/03/2023	As at 31/12/2022	Rating	Perpective
	000'PLN	**000'PLN**		
Bank A	295	529	BBB ip	stable
Bank B	2,908	10,559	BBB+	stable
Bank C	11,662	5,670	A- ip.	stable
Bank D	-	5,000	BBB ip.	stable
Bank E	112	80	BBB ip.	stable
Bank F	8,234	10,726	B	stable
Bank G	17,387	18,245	A- ip.	stable
Bank H	776	1,484	A- ip.	stable
Bank I	9,840	21,726	A2	stable
	51,214	**74,019**		

24.8 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 31/03/2023	As at 31/12/2022
Financial assets (+)	**116,303**	**148,165**
Receivables (including trade receivables of disposal groups)	61,533	71,990
Cash	51,441	74,157
Other financial assets	3,329	2,018
Financial liabilities (-)	**255,727**	**253,073**
Interest bearing credit facilities and loans	129,533	125,851
Finance lease liabilities	95,149	87,114
Trade liabilities	31,044	40,108
Exposure to liquidity risk	**(139,424)**	**(104,908)**

Maturity of the Company's financial liabilities as at 31 March 2023:

Type of liability	Current:				Non-current:			Liabilities – carrying amount
	Not due as at 31/03/2023	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	-	3,058	20,283	**23,341**	106,192	-	**106,192**	**129,533**
Finance lease liabilities	-	6,558	20,046	**26,604**	51,306	17,239	**68,545**	**95,149**
Trade liabilities	25,336	5,415	292	**31,044**	-	-	**-**	**31,044**
Total	**25,336**	**15,032**	**40,622**	**80,990**	**157,498**	**17,239**	**174,737**	**255,727**

Maturity of the Company's financial liabilities as at 31 December 2022:

Type of liability	Current:				Non-current:			Liabilities – carrying amount
	Not due as at 31/12/2022	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	-	4,191	12,572	**16,763**	77,043	32,045	**109,088**	**125,851**
Finance lease liabilities	-	6,089	18,612	**24,701**	46,716	15,697	**62,413**	**87,114**
Trade liabilities	35,633	4,128	347	**40,108**	-	-	**-**	**40,108**
Total	**35,633**	**14,408**	**31,531**	**81,572**	**123,759**	**47,741**	**171,500**	**253,073**

24.8.1 Available external sources of funding

	As at 31/03/2023	As at 31/12/2022
	000'PLN	**000'PLN**
Collateralized overdraft facilities:		
Amount utilized	227	138
Amount available	242	331
	469	**469**
Collateralized investment facilities		
Amount utilized	129,306	125,713
Amount available	19,832	27,294
	149,138	**153,007**

25. Accrued costs and deferred income

25.1 Accrued costs

	As at 31/03/2023	As at 31/12/2022
	000'PLN	**000'PLN**
Accrual for holidays	6,475	5,796
Accrual for bonuses	9,229	12,435
Accrued rebates for clients	3,870	5,823
	19,574	**24,054**
Short-term	19,574	24,054
Long-term	-	-

25.2 Deferred income

	As at 31/03/2023	As at 31/12/2022
	000'PLN	**000'PLN**
Grants (i) revenue recognition according to IAS 20	18,532	11,845
Advances on services	305	1,295
	18,838	**13,140**
Short-term	7,977	2,120
Long-term	10,860	11,020
	18,836	**13,140**

(i) Grants include payments received resulting from subsidy contracts signed. The expected period of settlement of the funds in the subsidy in the Group's revenues is approximately 40 years.

26. 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.

26.1 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 to related entities include revenues from research services, revenues from administrative services and re-invoicing of incurred costs.

Purchases from related entities include the purchase of research, advisory and administrative services.

In the financial year, the Group identified the following commercial transactions with related parties. Personal connections based on connections between Members of the Management Board and Members of the Supervisory Board.

Binding type:

POA - personal relationship through shares held by the Shareholder

PORN - personal connection by a Member of the Supervisory Board

POZ - personal connection through a Member of the Management Board

	The type of association	Sales of goods and services	Sales of goods and services	Purchases of goods and services	Purchases of goods and services
		3-month period ended 31/03/2023	3-month period ended 31/03/2022	3-month period ended 31/03/2023	3-month period ended 31/03/2022
		000'PLN	000'PLN	000'PLN	000'PLN
Ryvu Therapeutics S.A.	POA	2,869	2,076	97	-
H&H Investment Sp. z o.o.	POZ	-	2	-	325
MAMIKOM Łukasz Nowak	POZ	-	2	-	302
Dawid Radziszewski	POZ	-	1	75	74
Michał Warchoł	POZ	-	1	-	171
ALTIUM Piotr Romanowski	PORN	-	-	-	92
Chabasiewicz, Kowalska i Partnerzy Radcowie Prawni	PORN	-	-	18	-
		2,869	**2,081**	**189**	**963**

Balances at the end of the reporting period:

	The type of association	Amounts due from related parties	Amounts due from related parties	Amounts due to related parties	Amounts due to related parties
		As at 31/03/2023	As at 31/12/2022	As at 31/03/2023	As at 31/12/2022
		000'PLN	000'PLN	000'PLN	000'PLN
Ryvu Therapeutics S.A.	POA	1,347	4,632	125	323
H&H Investment Sp. z o.o.	POZ	-	-	-	39
Dawid Radziszewski	POZ	-	2	31	31
ALTIUM Piotr Romanowski	PORN	-	-	1	-
Chabasiewicz, Kowalska i Partnerzy Radcowie Prawni	PORN	-	-	-	22
		1,347	**4,634**	**157**	**415**

26.2 Executive compensation

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

	Period ended 31/03/2023			Period ended 31/12/2022
	Share-based payment	Salary	Total	Total
	000'PLN	**000'PLN**	**000'PLN**	**000'PLN**
Management Board	-	**1,096**	**1,096**	**1,097**
Bogusław Sieczkowski	-	201	201	200
Miłosz Gruca	-	187	187	187
Mirosława Zydroń	-	122	122	122
Edyta Jaworska	-	-	-	22
Dariusz Kurdas	-	123	123	122
Dawid Radziszewski	-	44	44	47
Adrijana Vinter	-	297	297	276
Marija Gradečak Galović	-	122	122	121
Supervisory Board	**-**	**97**	**97**	**86**
Piotr Romanowski	-	20	20	16
Tadeusz Wesołowski	-	17	17	14
Paweł Przewięźlikowski	-	15	15	20
Rafał Chwast	-	15	15	12
Wojciech Chabasiewicz	-	15	15	12
	-	**1,193**	**1,193**	**1,183**

27. 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 31/03/2023	As at 31/12/2022
	000'PLN	**000'PLN**
Cash in hand and at bank	51,441	74,157
Credit card limit usage	(227)	(138)
	51,214	**74,019**

As at 31/03/2023, the restricted cash amounted to PLN 2,333 thousand (31.12.2022: PLN 2,100 thousand).

28. Average headcount in the Group

	Year ended 31/03/2023	Period ended 31/12/2022
White collar employees	847	889
Blue collar employees	-	-
Total headcount	**847**	**889**

29. Share-based payments

29.1 Employee incentive program

29.1.1 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.

Recognition of the 'donation' transaction from the Shareholder - founder of the Program.
Taking into account the specificity and legal and formal framework of the Incentive Program and IFRS standards, the Company treated the transaction of free transfer of shares ("donation") from the founder of the program, Paweł Przewięźlikowski, as a separate transaction, which in the light of par. 33 IAS 32, taking into account the acquisition cost of these shares amounting to PLN 0, was not presented in the statement of financial position and the shares received free of charge also had no impact on the statement of comprehensive income, statement of changes in equity or statement of cash flows.

29.1.2 *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") Phase I of the program (90% of the pot)	17/05/2021
Date of granting the program ("grant date") Phase II of the program (5% of the pot)	29/03/2022
The maturity date of the program	28/03/2025
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 March 31, 2023:	1,046,125

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:

In case of I Phase of program:

• option exercise date:

09.07.2021 for 650 shares;

09.07.2022 for 481.091 shares;

09.07.2023 for 482.303 shares;

09.07.2024 for 11.328 shares.

• option exercise price: PLN 0.19;

• 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.

In case of II Phase of program:

• option exercise date:

28.03.2023 for 18.574 shares;

28.03.2024 for 18.574 shares;

28.03.2025 for 18.574 shares;

• option exercise price: PLN 0.19;

• share price as at the valuation date: PLN 64.30;

• continuous dividend rate: 0%

• risk-free interest rate in continuous capitalization: 4.82%

• coefficient of variation: 45% - 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 March 2023 the weighted average period remaining until the end of the contractual duration is 3 months.

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

Tranche number	Number of shares	Date of purchase of the shares	2021	2022	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2023	2024	2025	Total impact
Tranche no 1	650	09/07/2021	**46**	**-**	-	-	-	-	**-**	-	**-**	**46**
Tranche no 2	481,091	09/07/2022	**20,153**	**13,914**	-	-	-	-	**-**	-	**-**	**34,067**
Tranche no 3	482,303	09/07/2023	**11,039**	**15,075**	3,809	3,852	381	-	**8,042**	-	**-**	**34,156**
Tranche no 4	11,328	09/07/2024	**230**	**192**	62	62	63	63	**250**	131	**-**	**803**
Tranche no 5	18,574	28/03/2023	**-**	**904**	287	-	-	-	**287**	-	**-**	**1,191**
Tranche no 6	18,574	28/03/2024	**-**	**452**	147	148	150	150	**596**	144	**-**	**1,192**
Tranche no 7	18,574	28/03/2025	**-**	**301**	98	99	100	100	**397**	398	95	**1,191**
Total	**1,031,095**		**31,469**	**30,838**	**4,403**	**4,161**	**694**	**313**	**9,571**	**673**	**95**	**72,647**

The valuation of the program, in terms of shares currently issued to employees as at March 31, 2023, showed its total estimated cost at PLN 72,647 thousand, which is recognized in the Group's costs from the second quarter of 2021 until the first quarter of 2025. Impact of the program on the result of the reporting period is PLN 4,403 thousand and this amount reduces the gross result, net result and operating profit in the first quarter of 2023. The estimated impact for the following years is as follows:

- whole 2023: PLN 9,571 thousand,
- 2024: PLN 673 thousand,
- 2025: PLN 95 thousand.

29.1.4 The recognized costs of the incentive program:

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

	Period ended 31/03/2023	Period ended 31/03/2022
Program costs recognized at fair value	4,403	10,976
	4,403	**10,976**

30. Capital commitments

	As at 31/03/2023	As at 31/12/2022
	000'PLN	000'PLN
Commitments to purchase property, plant and equipment	8,760	9,687

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

31. Contingent liabilities and assets

31.1 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 8,353 thousand was credited to the bank accounts for co-financing. As at the balance sheet date, March 31, 2023, the total sum of funds received from the subsidy amounts to PLN 45,926 thousand.

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 thousand and to create 150 new jobs by December 2023. By March 31, 2023, PLN 10,899 thousand of the income tax relief was used for operations in the Special Economic Zone.

Selvita d.o.o. granted bank guarantees for the total value of PLN 6,205 thousand. The guarantees concern newly rented laboratory space in Zagreb.

32. 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	Period ended 31/03/2023	Period ended 31/03/2022
	000'PLN	**000'PLN**
The change in trade receivables and other receivables results from the following items:	**8,278**	**(9,440)**
- change in receivables resulting from discontinued operations	(12,055)	(2,553)
- change in receivables resulting from the balance sheet	20,333	(6,887)
The change in inventory results from the following items:	**(198)**	**(1,562)**
- change in inventory resulting from discontinued operations	-	-
- change in inventory resulting from the balance sheet	(198)	(1,562)
The change in liabilities, except for loans and borrowings, results from the following items:	**(15,202)**	**(403)**
- change in liabilities from discontinued operations	(4,781)	(115)
- change in income tax payment liabilities	-	-
- change in liabilities resulting from the balance sheet	(14,251)	(289)
- change in investment liabilities	3,831	-
Change in deferred income results from the following items:	**(667)**	**4,593**
- change in deferred income resulting from the discontinued operations	(1,883)	1,920
- change in deferred income resulting from the balance sheet	1,216	2,673
The change in provisions results from the following items:	**332**	**(858)**
- change in provisions resulting from discontinued operations	(44)	(1,120)
- change in provisions resulting from the balance sheet	375	262
The change in other assets results from the following items:	**(11,120)**	**(1,321)**
- change in other assets resulting from discontinued operations	(2,640)	-
- change in other assets resulting from the balance sheet	(1,141)	(1,321)
- proceeds from subsidies to fixed asset	(7,339)	-
- return of subsidy to fixed assets	-	-
Change in credits and loans:	**(3,740)**	**(2,815)**
- change in other assets resulting from discontinued operations	40	10
- change in credits and loans resulting from the balance sheet	3,682	(2,734)
- exchange differences arising from the valuation of credits and loans	-	-
- proceeds from credits and loans	(7,462)	(91)

33. Significant events of the reporting period

War in Ukraine

Due to the Russian invasion on Ukraine, the Company'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 Group'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 Group'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 Group's situation in the context of this geopolitical risk on an ongoing basis. Any new circumstances having a significant impact on the financial results and business situation of the Group will be communicated to investors.

34. Approval of the financial statements

The consolidated financial statements were approved by the management board of the parent company on 30 May, 2023.

Prepared by: Elżbieta Kokoć

Dokument podpisany przez Elżbieta Kokoć
Data: 2023.05.30 10:41:34 CEST

Signatures of Members of the Management Board:

Dokument podpisany przez Bogusław Stanisław Sieczkowski
Data: 2023.05.30 14:47:22 CEST

Bogusław Sieczkowski - President of the Board

Dokument podpisany przez Miłosz Kazimierz Gruca
Data: 2023.05.30 15:09:02 CEST

Miłosz Gruca - Vice-President of the Board

Dokument podpisany przez Mirosława Monika Zydroń
Data: 2023.05.30 15:28:57 CEST

Mirosława Zydroń - Member of the Board

Dokument podpisany przez Dariusz Tomasz Kurdas
Data: 2023.05.30 12:48:52 CEST

Dariusz Kurdas - Member of the Board

Signature Not Verified

Dokument podpisany przez Dawid Patryk Radziszewski
Data: 2023.05.30 18:01:21 CEST

Dawid Radziszewski - Member of the Board

Digitally signed by Adrijana Vinter
Date: 2023.05.30 17:24:46 CEST

Adrijana Vinter - Member of the Board

Cracow, 30 May 2023

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