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## Selvita Capital Group

Annual Report 2023

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# 01 — Basic information on Capital Group

## 1.1. Structure of the Capital Group

### Parent Entity

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Business name	<b>Selvita S.A.</b>
Registered office	ul. Podole 79, 30-394 Krakow
Company (ID)	REGON 383040072
TAX ID (NIP)	6762564595
KRS Number	0000779822
Legal form	Joint – stock company
Website	www.selvita.com

### Affiliates

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

Business name	<b>Selvita Inc.</b>
Registered office	Boston, MA, USA
Shareholders	100% of shares held by Selvita S.A.
Share capital	1 USD
Establishing date	March 2015

Business name	<b>Selvita Ltd.</b>
Registered office	Cambridge, Great Britain
Shareholders	100% of shares held by Selvita S.A.
Share capital	20.000 GBP
Establishing date	April 2015



## Affiliates

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Business name	<b>Selvita d.o.o.</b>
Registered office	Zagreb, Croatia
Shareholders	100% of shares held by Selvita S.A.
Share capital	EUR 6.768.870

## 1.2. Issuer's managerial bodies

### Management Board

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

### Supervisory Board

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Piotr Romanowski	Chairman of the Supervisory Board
Tadeusz Wesołowski	Vice Chairman of the Supervisory Board
Paweł Przewięźlikowski	Supervisory Board Member
Rafał Chwast	Supervisory Board Member
Wojciech Chabasiewicz	Supervisory Board Member
Jacek Osowski	Supervisory Board Member

# 02 — Economic and financial highlights

The consolidated financial statements, prepared in accordance with the International Accounting Standards, International Financial Reporting Standards and the related interpretations announced in European Commission regulations ("IFRS"), cover the period from January 1, 2023 to December 31, 2023 with comparative period from January 1, 2022 to December 31, 2022.

As of 2023, the Group ceases to consolidate the full financial results of Ardigen S.A. despite no change in the number of shares held in the company. For details, see section 2.1.2.

## 2.1. Main results achieved in the reporting period

### 2.1.1 Consolidated financial data

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

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

1. Items relating to the profit and loss statement and the cash flow statement were converted using the exchange rate constituting the arithmetic average of the exchange rates, applicable as of the last day of every month in the given period, based on the information published by the National Bank of Poland (NBP):
  - for the period from 01.01.2023 r. to 31.12.2023 r.: 4.5284 PLN,
  - for the period from 01.10.2023 r. to 31.12.2023 r.: 4.3816 PLN,
  - for the period from 01.01.2022 r. to 31.12.2022 r.: 4.6883 PLN,
  - for the period from 01.10.2022 r. to 31.12.2022 r.: 4.6891 PLN .
2. Balance sheet items were converted using the average exchange rate announced by the NBP applicable as at the balance sheet date; which were:
  - as of 31 December 2023: PLN 4.3480,
  - as of 31 December 2022: PLN 4.6899.



TABLE 1.

The Consolidated financial data of the Selvita S.A. Group – concerning the consolidated balance sheet

Selvita S.A. Group Item	Data in PLN thousand		Data in EUR thousand	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
<b>Total assets</b>	<b>636,260</b>	<b>584,911</b>	<b>146,334</b>	<b>124,717</b>
Trade and other receivables	70,228	98,802	16,152	21,067
Investments valued using the equity method	63,313	-	14,561	-
Cash and other monetary assets	52,654	74,157	12,110	15,812
Other financial assets	311	2,018	71	430
<b>Total liabilities</b>	<b>309,188</b>	<b>311,750</b>	<b>71,110</b>	<b>66,473</b>
Long term liabilities	215,419	189,083	49,554	40,317
Short term liabilities	93,769	122,667	21,566	26,156
<b>Equity</b>	<b>327,071</b>	<b>273,161</b>	<b>75,223</b>	<b>58,245</b>
Share capital	14,684	14,684	3,377	3,131



TABLE 2.

The Consolidated financial data of the Selvita S.A. Group – concerning the consolidated profit and loss statement

Selvita S.A. Group	Consolidated data in PLN thousand				Consolidated data in EUR thousand			
	From 01.01.2023 to 31.12.2023	From 01.01.2022 to 31.12.2022*	From 01.10.2023 to 31.12.2023	From 01.10.2022 to 31.12.2022*	From 01.01.2023 to 31.12.2023	From 01.01.2022 to 31.12.2022*	From 01.10.2023 to 31.12.2023	From 01.10.2022 to 31.12.2022*
Revenues from sales	346,957	360,680	86,476	92,513	76,619	76,932	19,736	19,730
Revenues from subsidies	4,895	3,872	366	969	1,081	826	84	207
Other operating revenues	40	276	-89	184	9	59	-20	39
<b>Revenues from operating activities</b>	<b>351,892</b>	<b>364,828</b>	<b>86,753</b>	<b>93,666</b>	<b>77,708</b>	<b>77,817</b>	<b>19,800</b>	<b>19,976</b>
Operating expenses	-335,146	-324,903	-82,986	-79,402	-74,010	-69,301	-18,940	-16,933
Operating expenses (excl. incentive scheme)	-323,632	-294,065	-81,696	-76,441	-71,468	-62,723	-18,645	-16,302
Depreciation	-45,452	-35,480	-11,374	-8,605	-10,037	-7,568	-2,596	-1,835
Depreciation (excl. IFRS 16 impact)	-30,762	-21,738	-7,731	-5,005	-6,793	-4,637	-1,765	-1,067
Incentive program valuation	-11,514	-30,838	-1,290	-2,961	-2,543	-6,578	-294	-631
Profit on loss of control	52,564	-	52,564	-	11,608	-	11,997	-
Profit from operating activities / EBIT	69,311	39,925	56,332	14,265	15,306	8,516	12,856	3,042
<b>Profit from operating activities / EBIT (excl. incentive scheme)</b>	<b>80,825</b>	<b>70,763</b>	<b>57,622</b>	<b>17,225</b>	<b>17,849</b>	<b>15,094</b>	<b>13,151</b>	<b>3,673</b>
Profit before income tax	67,203	35,103	61,067	16,595	14,840	7,487	13,937	3,539
Net profit	69,878	32,608	63,829	12,001	15,431	6,955	14,568	2,559
<b>Net profit (excl. incentive scheme)</b>	<b>81,392</b>	<b>63,446</b>	<b>65,119</b>	<b>14,962</b>	<b>17,974</b>	<b>13,533</b>	<b>14,862</b>	<b>3,831</b>



Selvita S.A. Group	Consolidated data in PLN thousand				Consolidated data in EUR thousand			
	From 01.01.2023 to 31.12.2023	From 01.01.2022 to 31.12.2022*	From 01.10.2023 to 31.12.2023	From 01.10.2022 to 31.12.2022*	From 01.01.2023 to 31.12.2023	From 01.01.2022 to 31.12.2022*	From 01.10.2023 to 31.12.2023	From 01.10.2022 to 31.12.2022*
EBITDA	114,763	75,405	67,706	22,870	25,343	16,084	15,452	4,877
EBITDA (excl. incentive scheme)	126,277	106,243	68,996	25,831	27,886	22,661	15,747	5,509
Net cash flows from operating activities, from continuing operations	78,980	71,829	25,914	14,773	17,441	15,321	5,914	3,151
Net cash flows from investing activities, from continuing operations	-48,380	-77,082	-29,472	-39,887	-10,684	-16,441	-6,726	-8,506
Net cash flows from financing activities, from continuing operations	-30,967	-5,372	-5,855	26,843	-6,839	-1,146	-1,336	5,725
Total net cash flows	-17,200	-10,031	-9,413	-2,819	-3,798	-2,140	-2,148	-601
Weighted average number of shares	18,355,474	18,355,474	18,355,474	18,355,474	18,355,474	18,355,474	18,355,474	18,355,474
Profit (loss) per share allocated to shareholders of the parent company (in PLN)	3.81	1.65	3.48	0.69	0.84	0.35	0.79	0.15
Diluted profit (loss) per share allocated to shareholders of the parent company (in PLN)	3.81	1.65	3.48	0.69	0.84	0.35	0.79	0.15
Book value per share allocated to shareholders of the parent company (in PLN)	17.82	14.28	17.82	14.28	4.10	3.05	4.10	3.05
Diluted book value per share allocated to shareholders of the parent company (in PLN)	17.82	14.28	17.82	14.28	4.10	3.05	4.10	3.05
Declared or paid dividend per share (in PLN)	-	-	-	-	-	-	-	-

\* adjusted due to loss of control over Ardigen S.A.



### 2.1.2 Change in consolidation rules for Ardigen S.A. and profit on loss of control

On January 18, 2023, as a consequence of the provisions of the investment agreement and the Articles of Association of Ardigen S.A., in light of the dilution of Mr. Paweł Przewięźlikowski in Ryvu Therapeutics S.A., the Company lost its preferential voting rights from the privileged Series A and B shares in Ardigen, and currently holds Ardigen shares representing 46.22% of the total votes at the general meeting of that company.

Therefore, Selvita S.A. ceased to be the controlling company of Ardigen within the meaning of Article 4 § 1 point 4 letter a) of the Commercial Companies Code. Thus, the Controlling Entity assessed that it no longer has control over Ardigen within the meaning of Art. 5- 9 of International Financial Reporting Standard 10 - Consolidated Financial Statements and ceased to consolidate Ardigen as a subsidiary from January 1, 2023.

At the time of the loss of control over the subsidiary, Selvita S.A. recognized a profit from loss of control, which was presented in the consolidated statement of comprehensive income in 2023 under the item "Profit on loss of control" in the amount of PLN 52,564 thousand (the profit was determined as the difference between the fair value of Ardigen S.A. shares held by Selvita S.A. and the participation of Selvita S.A. at the fair value of net assets as of January 1, 2023).

Since the loss of control, the investment in Ardigen is accounted for in the consolidated financial statements as an associate, and the valuation is carried out according to the equity method.

In accordance with the equity method, the investment was initially recognized at cost (as of January 1, 2023), which is equivalent to the determined fair value of Ardigen shares held by Selvita S.A., i.e. PLN 64,600 thousand. The fair value of Ardigen shares was determined using the discounted cash flow method.

Additional information regarding the loss of control over Ardigen and the valuation of the investment has been described in notes 13.1 and 14 to the consolidated financial statements, as well as in section 2.2.4 below.

### 2.1.3 Impact of the Incentive Scheme for 2021-2024 on results

On May 17, 2021 a non-diluting Incentive Scheme for 2021-2024 for employees in the form of the right to acquire shares in the Company at a price of 0.19 PLN per share was adopted. Mr. Paweł Przewięźlikowski, – main shareholder of the Company, undertook to transfer to the Company, free of charge, the shares constituting the subject of the program with an order to release them to the company's employees in the total number of 1,247,720. The fair value of the granted shares is determined as at the grant date and recognized over the vesting period in remuneration costs in correspondence with the increase in equity at the time of vesting by employees during the program period. In 2023 the third tranche of it was distributed.

The valuation of the program, with regards to the shares currently issued to employees as of December 31, 2023, indicated the total estimated cost of PLN 78,021 thousand, which is recognized in the Group's expenses starting the second quarter of 2021 to the second quarter of 2026. The impact of the program on the reporting period result is PLN 11,514 thousand (including PLN 1,289 thousand in Q4) and this amount reduces the gross result, net result, EBIT and EBITDA in 2023 (the details are presented in the table below along with the disclosure of its impact on the balance sheet). The estimated impact on the following years is as follows:

- 2024: PLN 3,171 thousand
- 2025: PLN 902 thousand
- 2026: PLN 128 thousand.



TABLE 3.

The impact of the valuation of incentive program on consolidated statement of comprehensive income in 2023 in PLN thousand

Item	From 01.01.2023 to 31.12.2023 including incentive scheme	incentive scheme valuation	From 01.01.2023 to 31.12.2023 excluding incentive scheme	From 01.10.2023 to 31.12.2023 including incentive scheme	incentive scheme valuation	From 01.10.2023 to 31.12.2023 excluding incentive scheme
Operating expenses	-335,146		-323,632	-82,986		-81,696
EBIT	69,311		80,825	56,332		57,622
Gross profit	67,203	11,514	78,717	61,067	1,290	62,357
Net profit for the period	69,878		81,392	63,829		65,119
EBITDA	114,763		126,277	67,706		68,996

TABLE 4.

The impact of the valuation of incentive program on consolidated statement of financial position in 2023 in PLN thousand

Item	As of 31.12.2023 including incentive scheme	incentive scheme valuation	As of 31.12.2023 excluding incentive scheme
Equity, incl:	327,071	0	327,071
Other reserve capitals	74,058	-11,514	62,544
Net profit for the period	69,878	11,514	81,392

A detailed description of the program provided in the Note 28 to the consolidated financial statements. At the same time, it is important to point out that in the analysis of

individual operating segments no impact on the valuation of the incentive scheme was taken due to the one-off and non-cash nature of this event.



## 2.2. Management Board's comments on financial results

### 2.2.1 Consolidated data excluding incentive scheme impact

Due to the discontinuation of full consolidation of Ardigen S.A. (and Ardigen Inc.) in 2023 Selvita S.A. Capital Group did not present the revenues of the Bioinformatics Segment in the sales revenues in the reporting period. In 2023, Selvita Group recognized a profit on loss of control and its share of net result from Ardigen S.A. The revenues from the bioinformatics segment in 2022 were presented as discontinued operations.

The Group's revenues amounted to PLN 351,892 thousand in 2023. The decrease of 3.5% compared to the previous year was a result of the challenging market in the area of drug discovery services resulting from the limitation of biotechnology companies' ability to obtain financing, which was particularly evident in the United States, and the strengthening of the Polish zloty against foreign currencies in the reported year. The strengthening of the Polish zloty reduced the comparative revenues approximately by 4.3% or PLN 14.9 million.

The Group reported EBITDA for 2023 related the entire activity and after elimination of the incentive scheme impact, amounted to PLN 126,277 thousand and increased by 19% compared to EBITDA in 2022. The most significant impact on the result is due to recognition of the profit on loss of control in Ardigen S.A. (further described in point 2.1.2 above), lower contracting (the human resources utilization ratio was lower by approximately 6.5 percentage points y/y), an increase in operating costs related to the new laboratory space in the Laboratory Services Center in Cracow and the initial stage of its operation (estimated impact of PLN 8.5 million) followed by operating expenses inflation which is gradually passed on to customers as well as an estimated negative impact of over 1 percentage point from the strengthening of the Polish zloty against other currencies during the year. As a consequence, EBITDA in 2023 increased by 7 p.p. to 36% compared to the last year, when it amounted to 29%.

Net profit of Selvita S.A. Group from continuing operations in 2023, after adjusting for the impact of the incentive scheme, amounted to PLN 81,392 thousand and is higher by 33% compared to the net profit from continuing operations in 2022

which results from the aforementioned recognition of profit on loss of control in Ardigen, positive impact of the valuation of foreign currency denominated balances, lower achieved operating profitability, and higher financing costs.

The structure of revenues from external customers in 2023 is mainly focused on biotechnology and pharmaceutical industries and their share in the total of revenues from external customers amounted to 53% and 36% respectively. Compared to 2022, the share of biotechnology companies in the revenue mix remained high, with an increasing share of pharmaceutical companies in particular companies classified under Big Pharma (i.e., companies whose revenues exceeded 5 billion dollars in 2022). The growth in revenues in 2023 from big pharmaceutical companies is the result of the Group intensifying efforts to develop collaboration with these companies, in view of the more difficult situation among biotech companies, and their share in the mix is expected to increase in subsequent periods.

In 2023 Services Segment executed in Poland maintained a level of revenue similar to 2022, reaching PLN 205,945 thousand in 2023 and 206,152 thousand PLN in 2022. The Company continues the very good contracting results in the area of drug development services. The increase in the portfolio in this area has been reported from the third quarter of 2021.

Total EBITDA in 2023 was 20% and decreased by 8 percentage points compared to 2022. Total EBITDA value decreased from PLN 62,254 thousand to PLN 44,658 thousand in 2023, mainly as a result of increased operating costs, including the start of operation of the Laboratory Services Center in Cracow. The estimated total of unused resources related to the Laboratory Services Center in 2023 amounted to approximately PLN 8.5 million.



TABLE 5.

## Selvita S.A. Group – continuing operations

Data in PLN thousand	From 01.01.2023 to 31.12.2023	From 01.01.2022 to 31.12.2022*	From 01.10.2023 to 31.12.2023	From 01.10.2022 to 31.12.2022*
Revenue	351,892	364,828	86,752	93,666
Segment of Services executed in Poland	215,865	216,045	53,857	56,479
Segment of Services executed in Croatia	134,401	147,748	33,229	37,049
Revenues from subsidies	4,895	3,872	366	969
Other operating revenue	40	276	-89	184
Exclusions of revenues between segments	-3,309	-3,112	-611	-1,015
<b>Profit on loss of control</b>	<b>52,564</b>	<b>-</b>	<b>52,564</b>	<b>-</b>
EBIT (excl. incentive scheme)	80,825	70,763	57,621	17,225
%EBIT (excl. incentive scheme)	23%	19%	66%	18%
EBIT (excl. incentive scheme and excl. profit on loss of control)	28,261	70,763	5,057	17,225
%EBIT (excl. incentive scheme and excl. profit on loss of control)	8%	19%	6%	18%
EBITDA (acc. to IFRS16 excl. incentive scheme)	126,277	106,243	68,996	25,831
%EBITDA (acc. to IFRS16 excl. incentive scheme)	36%	29%	80%	28%
EBITDA (acc. to IFRS16 excl. incentive scheme and excl. profit on loss of control)	73,713	106,243	16,432	25,831
%EBITDA (acc. To IFRS16 excl. incentive scheme and excl. profit on loss of control)	21%	29%	19%	28%
<b>Net profit (excl. incentive scheme)**</b>	<b>81,392</b>	<b>61,147</b>	<b>65,119</b>	<b>15,664</b>
%Net profit (excl. incentive scheme)	23%	17%	75%	17%
Net profit (excl. incentive scheme and excl. profit on loss of control) attributable to the majority shareholders**	28,828	61,147	12,555	15,664
%Net profit (excl. incentive scheme and excl. profit on loss of control) attributable to the majority shareholders	8%	17%	14%	17%
MSSF 16 impact on EBITDA	14,690	13,741	3,643	3,600

\* adjusted due to loss of control over Ardigen S.A.

\*\* in 2022 it includes the profit from discontinued operations attributable to the Majority Shareholder



TABLE 6.

## Selvita S.A. Group – continuing operations

Data in PLN thousand	From 01.01.2022 to 31.12.2022	Percentage share	From 01.01.2022 to 31.12.2022*	Percentage share
<b>Revenues from external customers</b>	<b>340 346</b>	<b>100%</b>	<b>353 900</b>	<b>100%</b>
Biotechnology companies	178 732	53%	204 087	58%
Pharmaceutical companies	65 138	19%	70 600	20%
Pharmaceutical companies–Big Farma#	59,370	17%	48 153	14%
Companies operating in the chemical and agrochemical field	11,591	3%	11 391	3%
Academia and Foundations	19 851	6%	14 923	4%
Other	5 664	2%	4 746	1%

\* adjusted due to loss of control over Ardigen S.A.

# Group considers Big Pharma as global pharmaceutical companies whose revenues in 2022 exceeded \$5 billion

TABLE 7.

## Segment of services executed in Poland

Data in PLN thousand	From 01.01.2023 to 31.12.2023	From 01.01.2022 to 31.12.2022*	From 01.10.2023 to 31.12.2023	From 01.10.2022 to 31.12.2022
<b>Revenue</b>	<b>220,972</b>	<b>220,028</b>	<b>54,230</b>	<b>57,544</b>
Revenues from external customers	205,945	206,152	51,712	52,717
Between segments and other	10,100	9,894	2,146	3,762
Revenues from subsidies	4,895	3,872	366	969
Other operating revenue	32	110	6	104
<b>EBIT (excl. incentive scheme)</b>	<b>16,937</b>	<b>43,995</b>	<b>1,684</b>	<b>11,875</b>
%EBIT (excl. incentive scheme)	8%	20%	3%	21%
<b>EBITDA (acc. to MSSF16) excl. incentive scheme</b>	<b>44,658</b>	<b>62,254</b>	<b>8,650</b>	<b>15,960</b>
%EBITDA (acc. to MSSF16) excl. incentive scheme	20%	28%	16%	28%
IFRS16 impact on EBITDA	7,403	6,271	1,827	1,726

\* adjusted due to loss of control over Ardigen S.A.



TABLE 8.

## Segment of services executed in Croatia

Data in PLN thousand	From 01.01.2023 to 31.12.2023	From 01.01.2022 to 31.12.2022	From 01.10.2023 to 31.12.2023	From 01.10.2022 to 31.12.2022
Revenue	134 409	147 914	33 134	37 128
Revenues from external customers	134 401	147 748	33 229	37 049
Other operating revenue	8	166	-95	79
EBIT	11 324	26 770	3 373	5 351
%EBIT	8%	18%	10%	14%
EBITDA (acc. To MSSF16)	29 054	43 990	7 780	9 871
%EBITDA (acc. To MSSF16)	22%	30%	23%	27%
IFRS16 impact on EBITDA	7 285	7 471	1 815	1 874

Segment of Services executed in Croatia has been extracted in 2021 as a result of the acquisition by the Issuer of Fidelta d.o.o. (currently Selvita d.o.o.) which is the only legal entity in this operating segment. In 2023, Selvita d.o.o. generated revenue in the amount of PLN 134,409 thousand PLN. This segment continued its development mainly in the field of in vitro research during the analyzed period.

In the fourth quarter of 2023, this segment generated PLN 4.3 million higher revenues than in the previous quarter, and the higher contracting concerned mainly in vivo services, which are characterized by higher margins, which allowed for an

improvement in the profitability of the operating result from 0% in Q3'2023 to 10% in Q4'2023.

In entire 2023, EBITDA of this segment was at 22%, with 8% operating profit, which means a decrease compared to 2022 by 8 and 10 percentage points, respectively. The decrease in profitability was mainly caused by lower contracting in the reported year followed by increase in the cost of utilities related to maintenance of laboratory space.



TABLE 9.

## Selvita S.A. Group – discontinued operations bioinformatics segment

Data in PLN thousand	From 01.01.2023 to 31.12.2023*	From 01.01.2022 to 31.12.2022	From 01.10.2022 to 31.12.2022*	From 01.10.2022 to 31.12.2022*
Revenue	53 396	52 275	13 944	15 253
Revenues from external customers	51 826	47 727	13 255	12 927
Revenues from subsidies	1 548	4 495	687	2 297
Other operating revenue	21	53	3	29
<b>EBIT***</b>	<b>4 880</b>	<b>4 848</b>	<b>2 727</b>	<b>266</b>
%EBIT	9%	9%	20%	2%
<b>EBITDA (acc. to MSSF16)</b>	<b>6 261</b>	<b>6 197</b>	<b>3 081</b>	<b>625</b>
%EBITDA (acc. to MSSF16)	12%	12%	22%	4%
IFRS16 impact on EBITDA	622	569	159	136
<b>Net (Loss) / Profit**</b>	<b>(1 132)</b>	<b>2.017</b>	<b>(2 022)</b>	<b>(608)</b>

\* supplementary data regarding discontinued operations not consolidated in the financial statements due to loss of control over this segment

\*\* included in the consolidated financial statements under 'Profit from discontinued operations attributable to Parent Company' or 'Share of profit/loss from associated entities valued using the equity method

\*\*\* without amortization of identified net assets at the time of loss of control

Bioinformatics segment (activity not consolidated since 01.01.2023), i.e. Ardigen S.A. (together with Ardigen Inc.) achieved in 2023 revenues from external customers at the level of PLN 51,826 thousand, which means an increase by 9% compared to the revenues achieved in the previous year, which amounted to PLN 47,727 thousand. In 2023, this segment generated an operating profit of PLN 4,880 thousand compared to the operating profit of PLN 4,848 thousand in 2022.

Comparable profitability in both years is the result of signing contracts with six big pharma companies in the second half of 2023 in the area of applications of the PhenAID platform, particularly in the sale of licenses and implementation of one of them. This has offset lower results achieved in the first half of 2023.



## 2.2.2 Contracted (Backlog)

The value of the 2024 contracts portfolio resulting from commercial contracts and grant agreements as of March 26, 2024 (backlog) for continued operations amounts to PLN 197,065 thousand and is 3% lower compared to the record 2023 backlog announced in March last year by PLN 6,018 thousand. The lower backlog dynamics observed for Services executed in Croatia is the result of a more difficult market environment visible from the turn of 2022 to 2023, i.e. access to financing for biotechnology companies in the United States, which causes these companies

to be more cautious in spending their R&D budgets. In Services executed in Poland, lower dynamics in drug discovery services is more than compensated by higher dynamics in drug development services. Additionally, we note that the estimated impact of the strengthening of the Polish złoty against foreign currencies observed in 2024 on the backlog of our continued operations is approximately 5 percentage points. In the case of the Bioinformatics segment, we observe an downward dynamics of the backlog by 7% year on year.

TABLE 10.  
Backlog \*

Item	For 2024, as of Mar 26, 2024	For 2023, as of Mar 28, 2023	Change	Change %
Services executed in Poland	118,135	108,941	9,194	8%
Services executed in Croatia	76,710	90,166	(13,456)	(15%)
Grants	2,220	3,976	(1,756)	(44%)
<b>Total continued operations in 2023</b>	<b>197,065</b>	<b>203,083</b>	<b>(6,018)</b>	<b>(3%)</b>
Bioinformatics – commercial revenues	27,391	28,584	(1,193)	(4%)
Bioinformatics – grant	-	898	(898)	(100%)
<b>Total Bioinformatics</b>	<b>27,391</b>	<b>29,482</b>	<b>(2,091)</b>	<b>(7%)</b>

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



### 2.2.3 Consolidated data

As of December 31, 2023, the total value of the Selvita Group's assets was PLN 636,260 thousand. At the end of December 2023, the most significant current assets are short-term receivables which amounted to PLN 70,228 thousand and cash amounting to PLN 52,654 thousand. The decrease in short-term receivables is the result of a lower tax and grant receivables as well reduced trade receivables which do not comprise Ardigen balances as of December 31, 2023. The cash balance at the end of 2023 is the net result of higher cash flows from the operating activity, not consolidating Ardigen cash and significant financing of investing

activity cash flows followed by servicing financial liabilities. Fixed assets are mainly expenditures incurred for Laboratory Services Center laboratory equipment, recognized assets due to the right to use, investment in Ardigen (PLN 63,313 thousand) and deferred tax assets (PLN 10,992 thousand). The total of non-current assets increased in comparison to December 31, 2022, by PLN 103,185 thousand mainly as a result recognizing Ardigen as an investment and its fair value valuation as of the date of loss of control (as described in more detail in point 2.1.2) and of fixed assets additions regarding Laboratory Services Center.

TABLE 11.

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

	31.12.2023	31.12.2022
<b>Current ratio</b> current assets/current liabilities including short-term provisions and deferred revenues (excl. accruals)	1,80	2,06
<b>Quick ratio</b> (current assets-inventory)/current liabilities including short-term provisions and deferred revenues (excl. accruals)	1,72	1,98

The main item in the Selvita Group's equity and liabilities is equity, which amounted to PLN 327,071 thousand as of December 31, 2023. Increase of equity compared to the end of 2022 is due to net profit generated in 2023 and recognized increase of reserve capitals from incentive scheme valuation of PLN 11,514 thousand and disclosing lost control over Ardigen S.A. Another significant source of financing are long term liabilities which amounted to PLN 215.419 thousand at the end of December 2023. The highest value items in the

long-term liabilities are credits and bank loans in total PLN 112,879 thousand, and lease liabilities in total PLN 64,973 thousand. The decrease of short-term liabilities at the end of 2023 compared to 2022 was due to lower trade payables, tax liabilities and accruals.

For 2024, the Group plans expenditure on the acquisition of fixed assets in the amount of approximately PLN 36 million.



## 2.2.4 Valuation of Ardigen using the equity method

For the purpose of valuation under the equity method, Selvita S.A. identified Ardigen's assets and liabilities and valued them at fair value. As a result of the analysis, the following

components of net assets were identified that were previously not recognized: Order portfolio, Customer relationships, and AI Platform.

TABLE 12.  
Valuation of Ardigen using the equity method

Asset component	Valuation method	Fair value as of 01.01.2023	Amortization period (years)	Amortization in 2023	Annual amortization in 2024-2025	Annual amortization in 2026-2027
in PLN '000						
Order portfolio	Excess of operating profit	2.300	1	2.300	-	-
Customer relations	Excess of operating profit	12.200	5	2.440	2.440	2.440
AI Platform	Reproduction cost	7.600	3	2.533	2.533	-
<b>Total</b>		<b>22.100</b>		<b>7.273</b>	<b>4.973</b>	<b>2.440</b>

The calculation of the share of profit/loss of associated entities valued using the equity method for Ardigen in 2023 is as follows:

TABLE 13.  
The calculation of the share of profit/loss of associated entities valued using the equity method for Ardigen in 2023

	12 months ended 31/12/2023 in PLN '000
Operating revenues	53.396
Financial revenues	197
Operating costs	48.516
Financial costs	1.200
Amortization of identifiable net assets as of the date of loss of control	7.273
(Loss) gross	(3.396)
(Loss) net	(2.423)
<b>(Loss) net attributed to the shareholders of the Parent Company (46,74%)</b>	<b>(1.132)</b>



As of December 31, 2023, the investment in Ardigen is recognized in the financial statement at an amount of PLN 63,313 thousand:

**TABLE 14.**  
**The investment in Ardigen**

Changes in the value of investments valued using the equity method:	As of 31.12.2023 in PLN '000
Cost of investment at the initial recognition	64.600
Share of profit/(loss) attributable to the shareholders of the Parent Company	(1.132)
Other comprehensive income from the translation of foreign entity	(154)
<b>Balance sheet value of Ardigen S.A. as of December 31, 2023</b>	<b>63.313</b>

## 2.3. Current and projected financial condition

The Group's financial position as of the report date is very good. As of December 31, 2023, the value of the Group's cash and other financial assets amounted to PLN 52,654 thousand, and as of March 22, 2024, the amount of Selvita Group cash and other financial assets was PLN 55,134 thousand. The change in the level of cash compared to December 31, 2023 is mainly due to generating cash from operating activities, offset by settling financial obligations to banks and leasing institutions.

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

## 2.4. Significant off-balance sheet items

Significant off-balance sheet items are described in the Note 30 to the consolidated financial statements.

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

The Issuer did not publish the financial forecast for 2023.

## 2.6. Post balance sheet significant events

On March 18, 2024, the Company decided to expand its operations through the introduction of a new type of services related to the discovery and development of biologic drugs. The Company's objective is to broaden its services portfolio and create entirely new revenue streams. The new activity in the field of biologic drugs will enable the Company to address the second-largest segment of the drug discovery market, after small molecule drugs.

The Company plans to commence its operations in the biologic drugs field by providing services related to the preclinical development of monoclonal antibodies.

## 2.7. Unusual events in the reporting period

### Conflict in Ukraine

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

## 2.8. Data regarding agreement with entity authorized to audit financial statements

The Agreement with an entity authorized to audit financial statements, i.e. Pricewaterhousecoopers Polska sp. z o.o. Audyt sp.k., appointed to audit the financial statements of Selvita S.A. and the consolidated financial statements of the Selvita Capital Group was concluded on September 5, 2022 for auditing financial statement for years 2022, 2023 and 2024.

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

## 2.9. Principles of preparation of annual financial statement

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

# 03 — Information on the Group's activity

## 3.1. The area of drug discovery

In Drug Discovery segment, our aim is to help clients discover new drugs in safe and effective way. By combining our deep disease area knowledge with cutting edge technologies, we strive to be at the forefront of services market.

In 2023 we have been working to help our Clients bring their projects to clinical phase, not only by smart design and optimization of molecules, but also translational approach to screening cascades that increase chances of success. In addition to small molecule development, the team has also worked on oligonucleotides, PROTACs and peptides. Our approach to projects consists of optimization and speeding up processes in organic chemistry by adding AI note into it. AI was an integral part of our projects and therefore we developed several AI-based image analysis (HCS) methods including CellPainting technology that supports target identification and analysis of mechanism of action of drug candidates.

Movement into newly built labs and office spaces both in Krakow and Zagreb serves us as a firm ground for future developments.

Our mission is to become the best service provider and consequently, we put a lot of emphasis on integrating every segment of our services offer to platform built of, not only technologies and facilities, but also of exceptional scientists from our sites in Poland, Croatia, and virtual teams from all around the globe. In our HIT Identification package, we have extended fragment based offer by connecting structural biology, biophysics, and NMR together with the design and synthesis of fragments.

Being aware of the importance of precision medicine, we focused development of our services on the deep

investigation of biological basis of disease to support innovative therapies tailored to the patients. Our capabilities were enhanced by introduction of 3D cultures of cancer cell lines and CAR-T reporter-gene assay for well-validated biomarker used in CAR-T therapies. We have broadened our hospital network to be able to develop translational concept of patient derived samples to study cancer in a more effective way and added in vivo animal models to this oncology package. Phenotypisation of primary immunological cells from human tumor tissues and establishment of ex vivo human skin wound model were initiated. Moreover, single cell approach to scRNAseq was developed where we will demonstrate powerful workflow starting from collection of relevant human cells and tissues from healthy donors and patients, performing in vitro experiments and then approach with AI models to analyze data and validate them on protein level.

Continual developments in the therapeutic area of immunology broadened our offer by introduction of Nebulized Aerosol Inhalation and Dry Powder Delivery by Nose-only Exposure System as well as 2D in vivo imaging optical imaging (fluorescence and bioluminescence) and PET- $\mu$ CT imaging for in life imaging and monitoring of various biologically relevant events. Adding stereotactic assisted high precision instrument will assure us interventions and deliveries into central nervous system structures and creation of digital pathology algorithms.

To be able to study the interactions of drugs with its molecular protein target we have been producing high quality, extensively customized recombinant proteins including complex membrane proteins and have been applying structural biology approach, X-ray and CRYO-EM techniques.

Integrated drug discovery collaborations were supported with ADME/PK screening, target engagement and PK/PD modelling, across different therapeutic areas, to ensure input



into exposure for pharmacodynamic and safety studies, as well as human dose predictions.

Furthermore, additional efforts were focused on assay modifications and validations to support profiling of upcoming new modalities, across various in vitro and in vivo systems, as well as biomarker analysis to support projects in collaboration with other Selvita pharmacology departments.

Amid new platforms developments, two platforms were introduced:

- ProBiAI platform to be able to produce focused libraries of bioactive compounds by applying machine learning and by integrating the design, parallel synthesis, and automatic purification, all of which optimized using artificial intelligence methods in order to accelerate the drug discovery process. The platform utilizes machine learning and in library design, parallel synthesis, and automatic purification.
- Technology platform for new generations of drugs against diseases caused by coronaviruses, in particular SARS-CoV-2. The project is devoted to the establishment of a service platform enabling the discovery of innovative drugs to fight coronavirus infections, particularly COVID-19, based on high throughput screening of the focused library of compounds with potential antiviral properties.

In conclusion of all above mentioned, in 2023 we have created integrated drug discovery platform that will assure new and high-quality projects delivery in every segment of our services offer with special emphasis of better understanding of the disease biology in the areas of oncology and immunology.

### 3.2. Regulatory studies

The Development and Contract Research Department is a rapidly growing division of Selvita, focusing on services in the area of broad-based development and optimization of analytical and bioanalytical methods, as well as regulatory services encompassing method verifications and validations, stability studies, and release testing under the GxP system for active substances, starting materials, impurities, and finished medicinal products. These services in 2023 were carried out through two platforms – the first dedicated to small molecule substances and pharmaceutical and agrochemical

companies, and the second, where projects were executed for pharmaceutical companies dealing with biological products.

In the scope of the platform tailored for the analysis of small molecule drugs, the department primarily engaged in the development and validation of analytical methods using instrumental techniques such as liquid chromatography, ion chromatography, gas chromatography, mass spectrometry, and inductively coupled plasma. The portfolio of completed projects significantly expanded due to new services introduced in recent years. This is especially true in the area of nitrosamine analysis using LC-MS and GC-MS techniques, as well as investigations of pyrrolizidine alkaloids in herbal matrices. In the newly introduced research field concerning extractables and leachables from packaging materials and matrices, the department successfully carried out its initial projects.



Within this platform, the approach to projects supporting the early development of generic formulations was also developed and systematized. In this area, the team conducted numerous analyses related to the determination of content and properties of active substances and preservatives,



cleaning validation for gel formulations, identification of stabilizers in formulations such as syrups and oral sprays, and validation of methods for impurity determination in active substances of various polarities and precursors in active substance synthesis. Additionally, the team developed and implemented methods for dissolution and release of drug products with low content of controlled active substances.

For customers in the agrochemical industry, a full package of physicochemical analysis of formulations and active materials under GLP conditions has been introduced. Alongside the existing offering, which includes certifications of impurities and active substances, method development and validation, type 5 batch studies, and stability testing, this new service ensures a comprehensive approach to the execution of long-term projects in the agro science sector.

Thanks to the expansion of laboratory space, the expansion of the quality control laboratory, and the enlargement of the space dedicated to stability testing, stability studies under controlled conditions in climatic chambers have been introduced until the expiration date of the product. This ensured complementarity of services related to the testing of medicinal products introduced to the market. For one significant client, the department offered, for the first time, storage services for reference samples for each batch of products manufactured and delivered to patients.

The major projects in the field of small molecule drug analysis were related to in-house method transfers and implementation of pharmacopeial methods for further stability studies or routine release of products to the European market. Preparations for the transfer of analytical methods for a significant client associated with a new stability testing package have been initiated. This collaboration, besides stability studies, also involves support for CMC processes.

Within the platform of biological drug research, significant development has occurred through collaboration with clients operating in the United States market. New, major, and high-margin projects included stability studies of product series intended for toxicological testing, in-use tests, technological process characterization, and validation of analytical methods. The successful transfer of a new biosimilar product from the monoclonal antibodies group was also achieved as part of collaboration with a company active in the South Korean market. The department also engaged in the transfer of

analytical methods for a new client from India, whose products will be analyzed at Selvita before entering the EU market. Additionally, thanks to the newly introduced service, the team has undertaken interesting projects involving comprehensive chemical analysis of ADC (Antibody-Drug Conjugate) products. Collaboration has also taken place with clients specializing in the production of peptides and modified peptides. Projects undertaken for these clients mainly involved the development of new analytical methods, identification of impurities, and certification of reference substances, conducted within the framework of FTE cooperation.

Throughout 2023, the Laboratory maintained collaboration with one of the leading pharmaceutical companies globally, focusing on the comprehensive characterization of biopharmaceuticals. The primary objective was to analyze host cell protein contaminants (HCPs), leading to the development and validation of an innovative analytical method based on LC-MS technology. Collaboration with two new clients centered around newly introduced vaccine analyses, including the development and validation of analytical methods for sample analysis, as well as aggregation and oligomerization analyses for both drug substance and drug product. Laboratory capabilities in the area of full biopharmaceutical characterization were enhanced through the acquisition of essential equipment, such as a Differential Scanning Calorimeter (DSC). This equipment plays a crucial role in determining key protein properties, particularly thermal stability, which is fundamental for conducting comparative studies of biomolecules. Additionally, the laboratory secured contracts for services related to quantitative proteomic analysis, a crucial component of integrated projects conducted by various Selvita departments. Provision of these proteomic services is planned for two significant clients at the moment. In the realm of bioanalytical research, the laboratory continued its productive collaboration with existing clients, engaging in short-term and long-term projects within R&D and GxP environments. In 2023, the Biological Assay Laboratory played a pivotal role in generating biological models for activity analysis of innovative peptides used in oncological therapy for a new European customer. Simultaneously, efforts continued in optimizing a biological method for a drug acting as a TNF $\alpha$  protein inhibitor.

The Biological Assay Laboratory's activities focused on major projects related to the routine release of biosimilar drug batches in accordance with Good Manufacturing Practice



(GMP) principles and stability testing for clients from Europe, the United States, and Australia. To meet the growing trend in the production and the need for testing of self-administered biologic drugs, towards the end of the year, the department introduced functionality analysis of autoinjectors to its services. Another step to ensure complementarity of services in this area is the expansion of the offering to include storage of reference samples for each batch of products manufactured and delivered to patients.

### 3.3. Ardigen S.A.

The year 2023 marked dynamic development of a global megatrend, i.e. Artificial Intelligence. ChatGPT showed the power of AI technology. Last year, management boards of companies in various parts of the world stopped wondering whether it was worth using AI and started taking steps to use AI in the businesses they managed. Ardigen has also observed such a situation in the entire Life Sciences market, in particular in biotechnology and pharmaceutical companies.

The pharmaceutical industry is struggling with the problem of high and constantly increasing costs of discovering and developing new drugs. This cost has already exceeded \$2.6 billion. This is mainly due to an extremely high percentage of failed clinical trials reaching 90%. Ardigen's solution to this global problem is to combine AI with laboratory experiments in the drug discovery process. The development of AI technology and the AI in Drug Discovery market itself is bringing the industry closer to making this vision come true.

On the AI in Drug Discovery market Ardigen positions itself as an AI CRO company working on AI transformation in drug discovery projects carried out by pharmaceutical and biotechnology companies. The Company's goal is to increase the likelihood of success of innovative drug development programmes. Through its proprietary AI platforms, Ardigen supports scientists in finding the right answers to complex scientific problems. These answers are sought in large biological and chemical data sets. In this way, Ardigen actively participates in the discovery of innovative drugs and in the development of the concept of precision and personalized medicine.

Based on its world-class competence in the field of biology and chemistry, bioinformatics, data science, computer science



and on its proprietary computational platforms using artificial intelligence, Ardigen does research and simulations using computers that replace and extend traditional laboratory research and experiments. As a result the process of drug discovery and development is faster, cheaper and with a lower risk of failure.

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

In 2023, Ardigen launched an offer that fits into the architecture of a modern drug discovery process based on AI. This architecture consists of the following three layers:

- Data Universe – a central area with data sets which are a valuable source of answers to scientific problems,
- Infrastructure – an area comprising labs which generates particular technologies for managing large data sets of various modalities,
- Scientific Insights – a function that is key for scientists which enables them to find and present answers to scientific problems in the process of drug discovery. This area is supported with AI technologies.



The diagram below shows Ardigen's offer inscribed in the AI for Drug Discovery architecture. (diagram 1)

2023 marks 8 years of Ardigen's existence and over 400 completed projects with more than 100 clients, including 16 of the world's largest pharmaceutical companies. Ardigen has its place among the global leaders with its clear AI CRO strategy, focusing its efforts on solving problems related to the drug discovery process. This position is confirmed by numerous market analysis reports.

Last year was another one of systematic and consistent development of the Ardigen brand on the US and Western Europe markets. New materials were produced to promote the Ardigen offer, which is part of the architecture of a biotechnology company in the AI era. The company participated in numerous industry conferences.

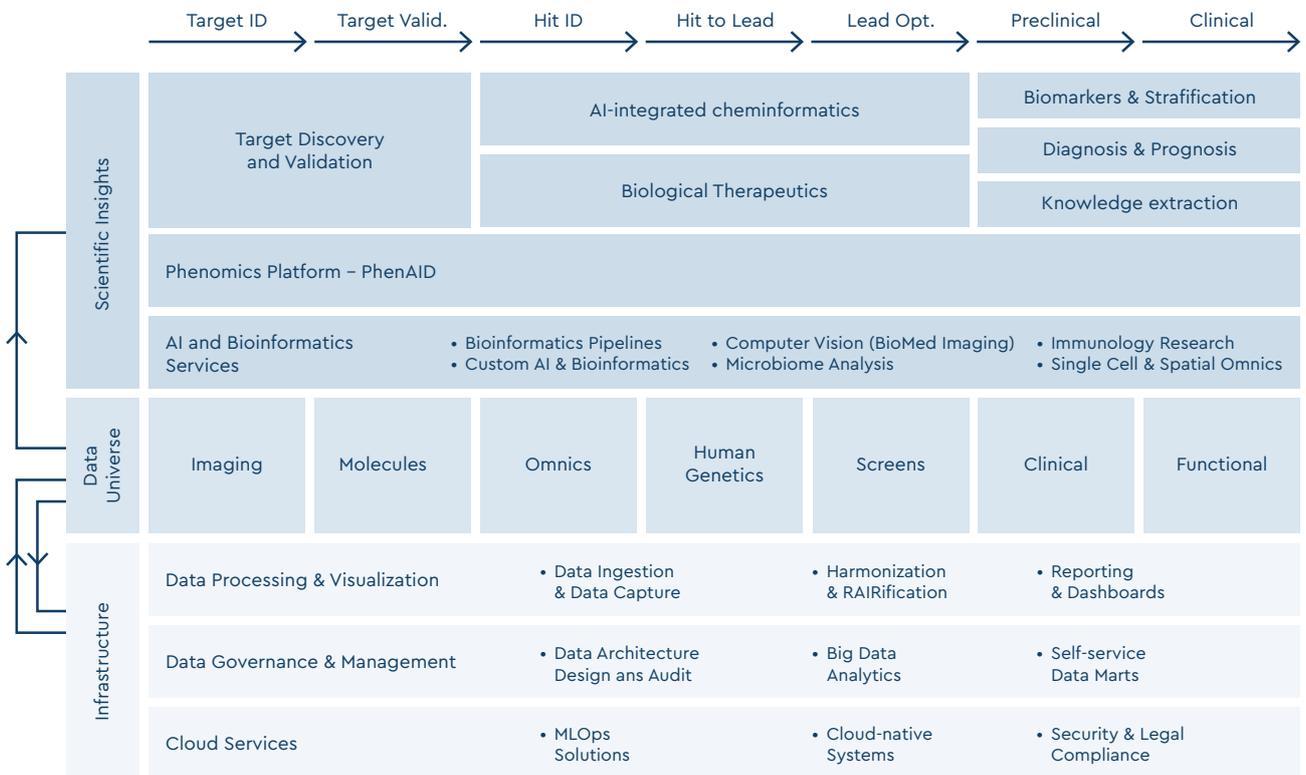
An important development in 2023 was a systemic approach to building an effective, scalable, international sales team. The existing team was restructured, new staff were recruited,

intensive training and professional tools were provided. Recruitment of a sales director with experience in the Drug Discovery industry who will sit on the management board also began.

Intensive contacts with the Life Sciences market, with biotechnology and pharmaceutical companies as well as with investors, clearly demonstrated significant reduction in R&D budgets of large pharmaceutical companies and limited financing of new biotech ventures. These signals, on the one hand, were reflected in the difficulty in achieving the sales goals by Ardigen, and on the other hand, they indicated the operating directions such as the necessity to acquire new clients, expand cooperation with large pharmaceutical companies already in the Ardigen's portfolio and focus on selling its unique offer.

2023 was a special year due to the effects of commercialization of R&D results. Sales resulted in the signing of contracts with several large pharmaceutical companies. These are contracts for the use of the PhenAID technological platform to predict

**DIAGRAM 1.**  
**Ardigen's offer inscribed in the AI for Drug Discovery architecture**



the action mechanism of small-molecule compounds based on the structural data of the molecules and their imaging from HCS experiments. Commercialization of the PhenAID platform allows the Company to obtain revenues from access rights to the unique technology developed by Ardigen.

### **Ardigen's research and development activity**

In 2023 research and development continued in Immunology extended to biological drugs (Biologics) and biomedical imaging with a focus on machine learning methods to support the early stage of the small molecule drug discovery process (Small molecules), in particular those based on imaging data from phenotypic screening experiments (Phenotypic drug discovery). Additionally, Ardigen's offer in Target ID was prepared.

As part of research and development in Phenotypic Drug Discovery, the team worked in particular on the so-called virtual screening and hit-id identification methods dedicated to the PhenAID technology platform. The developed methods are based on advanced machine learning methods, in particular deep learning, and are used for multimodal and multi-parameter prediction of the properties of small-molecule compounds based on structural data of the molecules and their imaging from High-Content Screening (HCS) experiments. The proposed virtual and hit-id screening methods are used to select and identify low-molecule compounds which are likely to generate given phenotypic changes.

Research results were presented at the following conferences: SLAS in San Diego, SLAS Europe in Brussels, and SBI2 in Boston. Moreover, as part of cooperation in the JUMP-CP consortium coordinated by Broad Institute of Harvard and MIT, the Company published a scientific manuscript (preprint) and updated the publicly available PhenAID JUMP CP Data Explorer application. These operations significantly contributed to enhancing the recognition and credibility of Ardigen's offer.

Under the Small molecules area and in cooperation with one of the pharmaceutical companies, Ardigen conducted research on proprietary AI technologies for the optimization of small molecular compounds. These technologies form part of the developed PhenAID Platform.

In the Biologics area, cooperation was established with a biotechnology company, under which Ardigen technologies ARDock and ARDynamics were used and improved for structural modelling of protein-protein interactions using AI-based technological components. As part of work to increase the recognition and credibility of the developed technologies, two scientific manuscripts (preprints) describing specific application of Ardigen technology in the drug discovery process and a publication regarding an observational clinical study were published. Additionally, one of the developed methods was made public under a free license for academic use. The team also participated in a number of scientific conferences in San Francisco, Boston, Mainz, London, Amsterdam and Lisbon. The purpose of attending these conferences was to learn and establish scientific and business contacts.

In 2023, work was also done on the development of the Target Identification offer. Ardigen participated in the Discovery on target 2023 conference in Boston in order to keep up with global discoveries in the field and to verify its own scientific and product hypotheses in this area. As part of business development, cooperation was established with a biotechnology company from the USA. Additionally, research was carried out on AI technology dedicated to the analysis of multi-omics data in the process of target discovery under a commercial project.

Due to the fact that research projects on the Microbiome ended in 2022, the developed technology entered the commercialization phase and was included in the Company's offer. Further significant investments in the development of the Ardigen Microbiome platform will depend on the outcome of commercialization and market development.



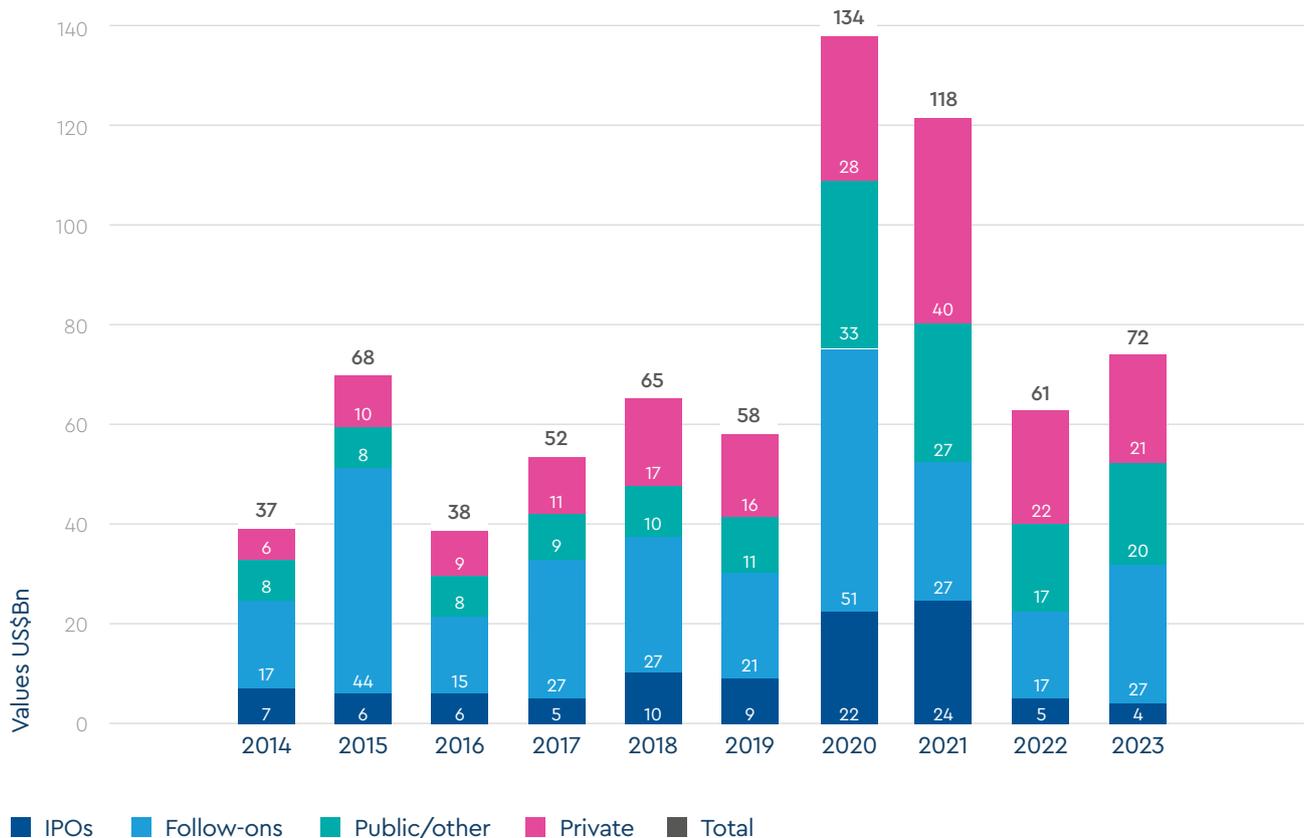
### 3.4. Market and competitive landscape

#### R&D Funding in 2023

According to the report "Global Trends in R&D 2024" issued by IQVIA Institute in February 2024, R&D funding levels in the biopharma area have increased in 2023 to \$72Bn in 2023, up from \$61Bn in 2022, although still well below the levels from the record Covid-19 pandemic period, i.e., 2020-21. M&A in this market activity jumped to \$140Bn from \$78Bn in 2022, while the median deal value dipped for the second year. R&D expenditure by large pharma corporations totalled a record \$161Bn in 2023, an increase of almost 50% since 2018, and historically high at 23.4% of net sales for those companies.

According to IQVIA Institute report biopharma funding, including IPOs, follow-on funding, and venture capital investment, increased in 2023 after a sharp slowdown in 2022. The shifts in deal activity reflect changes in the types of companies being invested in, their therapeutic profile, and the stage of development of the projects they are working on. In 2023, follow-on funding represented about 38% of biopharma funding, for which 91% was comprised of companies headquartered in the U.S. Companies headquartered in China and Europe have seen deals slow more dramatically than those in the U.S., decreasing by 59% and 74%, respectively.

**CHART 1.**  
**Biopharma funding levels rebounded in 2023 despite fewer IPOs**  
 Exhibit 1: Biopharma funding levels US\$Bn, 2014 – 2023

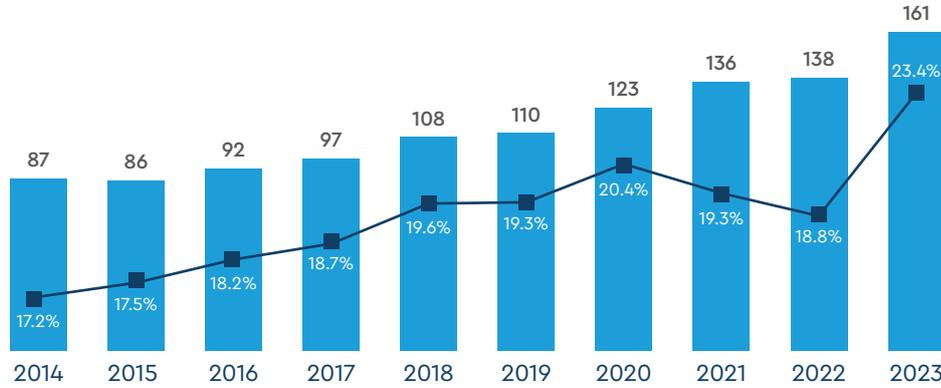


Source: "Global Trends in R&D 2024", IQVIA Institute, February 2024



CHART 2.

R&D expenditure by large pharma corporations totaled a record \$161Bn in 2023, an increase of almost 50% since 2018  
 Exhibit 7: Large pharma R&D spending as a percentage of sales 2014 – 2023\*, US\$Bn



■ R&D spending    —■— R&D spending as a percentage of sales

Source: "Global Trends in R&D 2024", IQVIA Institute, February 2024

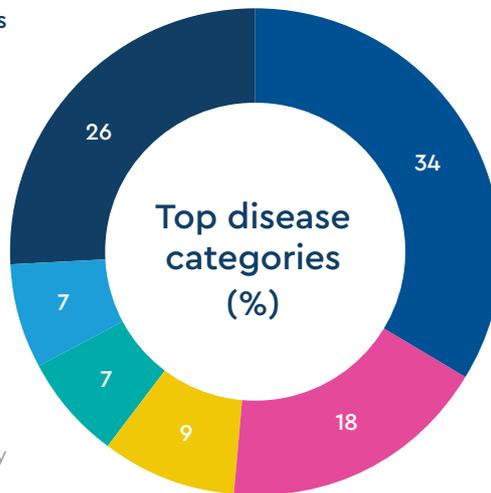
In 2023, the big pharmaceutical firms collectively invested over \$161 billion into research and development, marking a significant increase of \$53 billion or 49% compared to their expenditures five years earlier in 2018. This surge pushed the aggregate R&D spending to 23.4% across these 15 analysed companies, a substantial jump from the previous year, largely influenced by reduced sales due to the downturn in COVID-19 vaccine and therapeutic sales, as well as the inclusion

of acquired R&D expenses as part of operational costs by certain firms. It's important to note that these figures are based on the financial reports of the respective companies, encompassing expenses related to failed R&D initiatives, which can contribute to fluctuations in total spending from year to year. Additionally, divisions such as consumer health typically have lower R&D intensity compared to the pharmaceutical division within these companies.

CHART 3.

Drugs in development: Top disease categories

- Oncology
- Infectious disease
- Autoimmune/immunology
- Neurology
- Respiratory
- Other



Source: "UK Biotech Financing 2023", UK Bioindustry Association, January 2024



According to the UK Bioindustry Association report on biotech financing, the drug development pipeline is robust, with oncology taking the lead as the primary disease category, which is followed by infectious diseases and autoimmune/immunology diseases.

During 2023, biotech funding decreased by 43.2% compared to 2022 and by 52.3% compared to 2021, attributed to macroeconomic pressures causing investors to be more cautious and prioritize existing portfolios, meaning more investment going to advanced, clinical phases of development. Growing optimism can be seen on the market indicating potential that more financing will be moving to the early stages of drug discovery and preclinical drug development.

## Global Drug Discovery Outsourcing Market Overview

Pharmaceutical companies now increasingly contract out parts or all aspects of the early-stage drug discovery process to an external provider, otherwise removing the need for expensive in-house manufacturing capacity. The drug discovery operations are typically contracted out to a third party, such as a contract research organization (CRO). The strategy of outsourcing drug discovery has the following benefits:

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

In the long and medium term the drug discovery outsourcing is a growing market because the benefits outweigh the costs

for pharmaceutical and biotechnology companies. Outsourcing is still a rapidly evolving market and therefore CROs constantly have to adapt to the pharmaceutical business needs.

CROs have evolved rapidly to meet the needs for full spectrum of companies from virtual companies to large pharma. In recent years, Visiongain has observed an increasing number of collaborations between pharmaceutical sector and CROs. This has resulted from plans to reduce the cost of discovery and from the fact that companies are increasingly requiring specialized expertise from CROs whilst seeking to accelerate the drug discovery process. The trend is showing that CROs are becoming the powerhouses behind drug discovery.

Selvita should be a beneficiary of the globalization trend of outsourcing the drug discovery and development process.

The evolving landscape of pharmaceutical outsourcing underscores a rising need for external service providers, driven by the escalating intricacies of drug development, particularly in fields such as biologics, cell, and gene therapies. The COVID-19 crisis has expedited this dependency on external resources for both drug discovery and development.

## Selvita's competitive position

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

An important element in strengthening Selvita's position in key markets will be the growth of existing sales teams. Significant recruitments were performed in 2023 and are furtherly planned for the current year to increase the company's sales potential and intensify sales departments. These processes are designed to recruit experienced specialists with the widest possible network of business contacts, who will be able to contribute to sales processes already in the current year.



Sales activities will be supported by intensified marketing activities to promote brand recognition and enhance scientific reputation. This is to be achieved through participation in key scientific conferences dedicated to selected therapeutic areas. In 2024, Selvita's representatives plan to attend nearly 100 scientific and business conferences.

The drug discovery and development services market has continued to see a trend towards consolidation, in particular among the biotechnology companies, which are targets for each other and for larger pharmaceutical companies. If such a trend continues, it is likely that more competition will be produced among the larger companies, in relation to both clients and acquisition candidates. Additionally, small, highly specialized entities considering entering the markets will continue to find lower barriers to entry, and private equity firms might determine that there are opportunities to buy and consolidate these companies, thus further increasing potential competition.

Increased competition often leads to price and other forms of competition that might adversely affect Selvita's operations.

### Important suppliers and customers

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

## 3.5. Changes in the basic principles of managing the Issuer's and its Capital Group enterprise

There were no such changes in the 2023 financial year.

## 3.6. Sponsoring and charitable activities

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

Selvita Group has been continuously supporting the activities of the Krakow-based UNICORN Association, a charitable

organization established in 1999, which supports oncology patients and their families. The association runs the first Polish psycho-oncology center – a place where patients get professional psychological help to support them getting through the oncology diagnosis and treatment. In 2023, Selvita sponsored, through a financial donation of PLN 40 000, the organization of Family Psycho-Oncology Camps, i.e. weekly rehabilitation and respite stays, which were meant to be a time of summer rest and return to joy for families facing daily oncological stress due to the illness of a family member. During their stay, families are accompanied by a support group- psycho-oncologists, educators, instructors of various therapeutic methods - providing support, so necessary in the process of dealing with emotions, building courage and faith in returning to health and a good life. In addition, volunteers from Selvita employees in Krakow were directly involved in helping during three Psycho-Oncology Camps, providing their time and support for children from families struggling with oncological disease.

Employees of Selvita in Poland also took part in the initiative called "Letters" (organized by the Santa Claus Foundation for Seniors) and prepared 18 packages that responded to the needs and dreams of people staying in social welfare homes and other care facilities. As part of cooperation with the same Foundation, separate aid was also prepared for one of the Social Care Homes - support was provided in the form of necessary stationery and educational products (purchased articles worth PLN 2 000 were donated).

Moreover, as every year we took part in a Kraków charity run (stationary in Krakow and virtually in other locations in Poland, Croatia, UK and USA) organized by Poland Business Run Foundation. Foundation supports people with mobility impairment, provides assistance in their activation and in eliminating social barriers. Also, the foundation promotes the awareness about disabilities and tries to change the social perception of disabled people. Financial support in that area amounted in 2023 to PLN 12 000 PLN.

During 2023, Selvita in Zagreb in its sponsoring and community supporting activities focused on children and youth. Among others, Selvita in Zagreb supported International Association for Natural Health and their Healthy Children project (project for children with psychophysical difficulties such as hyperactivity, aggression, poor concentration and communication, withdrawal, fears, insecurity, depression,



nocturnal urination, allergies, weakened immunity, bronchitis, asthma, speech problems, vision, motor movement problems, etc.), PET PLUS association (with the aim of promoting healthy life choices among children and young people), Hope association (with the aim of supporting therapeutic riding for children with developmental disabilities), ISHI Judo club for people with disabilities. Employees in Zagreb took part in Zagreb Advent Run – charity event, from which the funds will be donated to the UniSport Srce Foundation (founded by the Croatian Academic Sports Association) with the aim of encouraging the development of student athletes in the Republic of Croatia. What is more, there were also different activities of employees aimed at popularization of chemistry for pupils and students, sponsoring international competition Grand Prix Chimique or providing scholarships. In 2023 Selvita in Zagreb continued supporting Zaklada Ana Rukavina with the aim of promoting voluntary bone marrow donation bank. Donations in the activities undertaken in Croatia amounted to a total of 8 200 EUR.

### 3.7. Employment data

Employment in 2023 has changed, in particular due to cessation of data consolidation for Ardigen S.A. and Ardigen Inc. At the end of 2023, there were 886 people employed in the Capital Group, including 415 in Selvita S.A. whereas, at the end of 2022, the Group employed 1046 people, including 402 in Selvita S.A. Data includes people employed under employment contracts, as well as associates providing services under civil law contracts.

TABLE 15.  
Employment data

	As of 31.12.2023	As of 31.12.2022
Selvita S.A.	415	402
Selvita's Affiliates	471	644 (475*)
<b>Total</b>	<b>886</b>	<b>1046 (877*)</b>

\*to enable comparability of data, parentheses show employment as of 31.12.2022, excluding individuals employed at Ardigen S.A. and Ardigen Inc.

### 3.8. Significant events

#### A) During the reporting period

#### Change of consolidation methods of Ardigen S.A. within Selvita S.A. capital group from 2023

Full details of the changes to Ardigen S.A.'s consolidation rules can be found in note 13.1 to the interim condensed consolidated financial statements.

#### Real estate acquisition by Selvita d.o.o.

On May 5th, 2023, the Issuer's subsidiary – Selvita d.o.o. with its registered office in Zagreb has concluded with the Municipality of Brdovec ("Seller") an agreement for the acquisition of a property in the town of Savski Marof, with an area of 26,901 m<sup>2</sup> ("Property"). The price for the acquisition of the Property by the Company has been set at EUR 550,000. The acquisition of the Property, located in the immediate vicinity of other companies in the life sciences/pharma sector, aims to secure the possibility of further organic development



of the Issuer's Capital Group in Zagreb through the future construction of its own laboratory infrastructure and is consistent with the announced Strategy of the Selvita Capital Group for the years 2022-2025.

### Conclusion of a significant statement of work

On June 29th, 2023 the Company has entered into a Statement of Work with a total value of EUR 1,856,213 under a Framework Agreement entered into on March 21st, 2022 with an earlystage drug discovery company with its registered office in Italy.

Under the Statement of Work, the Company will provide FTE-based integrated drug discovery support for a period of 12 months.

### Receipt of a significant order by a subsidiary of Selvita S.A.

Issuer's subsidiary, Selvita Services Sp. z o.o. with its registered office in Krakow, received on September 1st, 2023 an order from a biopharmaceutical company based in Europe, the subject of which is to conduct analyses of samples derived from the biologic drug purification process. These analyses serve as essential characterization and validation of activities aimed at confirming that the utilized production process is proper at all stages and will lead to a specific product profile in terms of its quality. Analyses within the scope of the order will be carried out over the course of 8 months. The value of the Order will range from EUR 2,400,368 to EUR 3,600,552 depending on the number of analyses performed.

### Receipt of significant purchase orders from a big pharma company

Selvita d.o.o. has received a number of orders and extensions of existing orders from September 20 to 22, 2023, under a research services agreement concluded on July 16, 2015 between the company and one of the world's largest pharmaceutical companies. The subject of the orders, which will run until July 31, 2024, are integrated ADME/DMPK support services, including physicochemical profiling services, analytical services and in-vivo PK studies to support the client's research programs in the area of drug development. The assignments will be predominantly carried out at the Zagreb laboratory. In addition, the existing cooperation with the client will be expanded to include services in in-vitro and in-vivo pharmacology, which will be completed by the end of 2023.

The total value of the orders is EUR 3,239,630 of which:

- the value of services performed under the orders until the end of 2023 will amount to EUR 1,190,707,
- the value of services performed under orders in 2024 will amount to EUR 2,066,067.

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

### Selvita S.A. expands operations through introduction of new type of services related to biologic drug discovery and development

The Management Board of Selvita S.A., on March 18, 2024, adopted a resolution regarding the expansion of the Company's operations through the introduction of a new type of services related to the discovery and development of biologic drugs. The Company's objective is to broaden its services portfolio and create entirely new revenue streams. The new activity in the field of biologic drugs will enable the Company to address the second-largest segment of the drug discovery market, after small molecule drugs. The Company plans to commence its operations in the biologic drugs field by providing services related to the preclinical development of monoclonal antibodies.

In connection with the planned entry into the new service area, Selvita entered into a conditional equipment purchase agreement on March 18, 2024, with Pure Biologics S.A. headquartered in Wrocław, Poland ("Seller"). Under this agreement for the amount of PLN 1,976,138 net, Selvita will acquire a set of high-quality equipment necessary to provide services related, among others, to the selection and preclinical development of biologic antibodies ("Equipment"). The transfer of ownership of the Equipment to Selvita shall occur no later than April 30, 2024, primarily following the condition of obtaining consent for the sale of the Equipment ("Consent") expressed by the Extraordinary General Meeting of Shareholders of the Seller, along with standard conditions for such transactions. The takeover of the Equipment will be preceded by a technical audit.

On March 15, 2024, the Company also concluded - conditioned by Consent - a 5-year lease agreement ("Agreement") for approximately 430 square meters of laboratory space with the space owner in the Business Garden complex in



Wrocław, Vastint Poland sp. z o.o. The Agreement allows the possibility of increasing the laboratory space to approximately 800 square meters. Ultimately, this could create jobs for approximately 50 specialists.

Simultaneously, the Company has entered into letters of intent with 16 high-class specialists in the field of biologic drug development ("Team"), with extensive experience gained, among others, from Pure Biologics S.A., expressing readiness to enter into employment agreements with Selvita. The commencement of operations related to services in the field of biologic drug development is planned for the first half of April 2024.

The Team, Equipment, and laboratory space are intended to form the foundation for further expansion of Selvita's service portfolio in biologic drugs and the gradual increase in resources in line with the increase of sales in the new area.

### 3.9. Planned development of Selvita Capita Group and new initiatives

#### Selvita Capital Group strategy and new initiatives

On March 31, 2022 the Company announced that the new Development Strategy of Selvita Group for the years 2022-2025 ("Strategy") has been adopted.

During this period Company intends to implement the strategy through organic growth and acquisitions. The implementation of the planned investments will enable Selvita to become a global leading pre-clinical CRO.

The Selvita Group Development Strategy for 2022-2025 is focused around three main goals:

- Building a comprehensive drug discovery and development offering - supplementing the drug discovery offer and building the drug development segment;
- Focus on providing high-value services for the customer – specialization in selected therapeutic areas and development of unique competences;
- Growth of the Group's business in the largest markets in the United States and the United Kingdom - growing teams and potentially establishing new research locations. ●

# 04 — Risk factors associated with Group's activities

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

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

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

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

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



However, the Issuer predicts a rapid growth in its business and obtaining new customers, which, in the Issuer's opinion, will translate into an increase in the Issuer's market value. In accordance with the Strategy for 2022-2025, the Issuer intends to continue development through acquisitions, which, in addition to organic growth, will ensure optimal development of the Issuer and its Group.

There is a risk that the implementation of the planned strategic plans may not be possible, or it may not be possible entirely. Obtaining new clients may involve significant expenditure, or the Issuer and its Group may not be able to offer competitive services to potential clients. Potential acquisition plans depend on many factors, including those that are beyond the Issuer's control and which relate to decisions made by the owners of potential entities selected for acquisitions. As a result, a slowdown in the implementation of further acquisitions or their absence in the short-term period cannot



be fully avoided, and thus it might have an impact on a slower, than was originally assumed, pace of growth of operations and financial results.

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

### **Risk associated with loss of key customers**

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

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

### **Risk associated with the inability to attract new customers**

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

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

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

### **Risk associated with loss of managerial staff and key employees**

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

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

In relation to the Polish and Croatian markets, the macroeconomic situation – i.e. the high level of inflation over recent years, additionally strengthened by the introduction of the euro in Croatia, affects the wage pressure from employees. Wage expectations are often difficult to meet. On the other hand, the more difficult situation on the biotechnology market – globally, but also on local labor markets – limits the risk of the increased employees' attrition.

To sum up these two opposing trends – the challenge and task for the Group's management will be more – maintaining employees' engagement than only just retention.

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



In 2023, the Group significantly expanded its interdisciplinary team of experts supporting integrated projects. It is a team with a strongly international character, consisting of high-class specialists in the area of, among others: medicinal chemistry, pharmacology and pharmacokinetics with experience from top pharmaceutical and biotechnology companies. The fact that such a group of specialists was successfully acquired also indicates Selvita's strong brand as an employer in the industry.

### **Risk associated with failure to extend the lease agreements of laboratories**

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

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

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

The above risk is currently mitigated by Selvita's own new Research and Development Center for Laboratory Services, the construction of which has finished in March 2023. This Center provides the Issuer with additional laboratory space.

Additionally, it should be noted that the Issuer's subsidiary – Selvita d.o.o. is also adequately secured in terms of the lease area. In accordance with the terms of the share purchase agreement, Selvita d.o.o. extended the lease agreement with Pliva Hrvatska d.o.o. for the main office and laboratory space by the end of 2027 and concluded a new conditional lease agreement for the rental of additional office and laboratory space, allowing for further organic growth of this company in Croatia. In addition, after Selvita d.o.o. acquired the land in March 2023, a scenario of constructing a laboratory building on this land and leasing it back in case the terms of the lease extension with Pliva Hrvatska d.o.o. are not agreed upon is also possible.

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

While providing services to clients, the Issuer's Capital Group gains access to confidential commercial information, constituting the clients' trade secrets. The research procedures conducted by the Group also encompass the Company's confidential information and know-how developed over several years. To safeguard the commercial and scientific secrets of clients and the Company, confidentiality agreements should be established between the Issuer or its Affiliates and key employees, consultants, customers, and suppliers. However, the Group cannot guarantee the adherence to these agreements, potentially resulting in competitors gaining access to the aforementioned confidential and privileged data. The Group is also unable to entirely eliminate the possibility of facing claims related to the unauthorized transfer or use of third-party trade secrets by companies within the Issuer's Capital Group or their employees.

## **4.2. Risk factors associated with the environment in which the Issuer operates**

### **Risk associated with increased competition**

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

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

There is a big competition in the research services market. Both Polish and global outsourcing for the pharmaceutical and biotechnology industries are developing very dynamically, with a high probability of further intensification of competition on the international market. This applies to many aspects of the business, especially technology, quality, ability to protect confidential information, intellectual property, timeliness, good manufacturing practice and pricing. By offering advanced, complex services along the drug value chain, the



Group should be successful in winning against other market players. In view of the competition on the global market of services developing so dynamically, the Issuer and its Group cannot guarantee that the existing and potential competitive factors will not have a negative impact on its operations.

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

### **Risk associated with decline in demand for research and development services**

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

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

### **Risk related to acquisitions**

In the Group's Strategy announced for the years 2022-2025, an important factor of strengthening the Group's position and further development are acquisitions that enable Selvita to achieve a significant increase in its operations. The inability to acquire potential targets or the inability to acquire potential targets on terms and conditions that are attractive due to the Management Board's opinion may adversely affect the dynamics of the future growth or the scale of operations, and thus the financial and economic situation of the Group and its market position.

In the absence of acquisitions or in case the acquired companies are not properly integrated, the dynamics of the

future growth of the Capital Group's revenues may slow down. This may be the result of (among others):

1. lower than expected profitability of the acquired entities, especially in the short term after the transaction,
2. significant differences between the results actually achieved by the acquired entities and assumptions made under investment decision,
3. personnel changes and changes in relations with business partners, resulting from the change of control over the acquired entity,
4. delays in the process of integrating the acquired company into the Group's structures resulting from, inter alia, with the specificity of a given market or differences in organizational culture;
5. lower than assumed synergistic benefits,
6. lower than assumed expansion of the Group's services portfolio with complementary services, which may not guarantee the assumed improvement of the Group's competitive position in the long term,
7. changes in the business or legal environment of the acquired entity.

The above-mentioned risks are mitigated by conducting diligent due-diligence processes by dedicated teams within the Issuer supported by external advisors, as well as a strong back-office of the Capital Group created in order to effectively integrate new entities, that has already proved to be effective in 2021, when the integration of Selvita d.o.o. took place.

### **Risk associated with changes of currency exchange rates**

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

In order to reduce the risk of exchange rate fluctuations, the Issuer's Management Board tries to maximize natural hedging by adjusting the purchase currency to the currencies in which



the Group's revenues are realized and by denominating significant costs. These activities are carried out, inter alia, by establishing the billing currency in the lease agreements for laboratory space at Jagiellonian Innovation Center (Jagiellońskie Centrum Innowacji Sp. z o.o.) in EUR and conclusion of leasing contracts for laboratory equipment denominated in EUR.

With regard to Selvita d.o.o, most of sales revenues and costs are also related to EUR and USD exchange rates. Therefore, fluctuations in the exchange rates of these currencies may have an impact on the future results of operations and cash flow (same as in case of the Issuer). In order to omit or mitigate this risk Selvita d.o.o. uses natural hedging by adjusting the currency of purchases to the currencies of sales revenues. It is worth pointing out that as of January 2023, Croatia has adopted euro as its currency.

### **Risk associated with interest rates**

Changes in market interest rates may adversely affect the financial result of the Selvita Group. The Group is exposed to this risk in the area of changes in the value of interest charged on loans and leases granted by external financial institutions. In view of the above, the Group aim to operate on the basis of variable interest rates, calculated in correlation with market (interbank) rates.

### **Risk associated with macroeconomic situation**

The financial situation of the Issuer and its Group depends on the macroeconomic situation of Poland as well as Croatia and other countries to which the Group's services and products are directed. The following factors have a direct and indirect impact on the financial results obtained by the Issuer: the dynamics of GDP growth, inflation (exerting pressure on the Issuer's margins in particular), the state's monetary and tax policy, the level of unemployment, changes in average salaries in the economy, and the demographic characteristics of the population. Both the above-mentioned factors, as well as the direction and level of their changes, have an impact on the achievement of the goals set by the Issuer.

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

The Issuer and its Group engage in business operations in Poland and Croatia, primarily catering to international clientele. Consequently, the Issuer is exposed to the risk of regulatory changes in the legal environments of Poland, Croatia, the

European Union, and internationally, as well as in the legal frameworks of the countries where its customers operate. Legal regulations in Poland undergo frequent modifications, and the application of specific regulations by Polish courts and public administration bodies lacks uniformity. Additionally, the Issuer, in anticipation of potential future acquisitions, must monitor regulatory changes not only in Poland but also in the countries where the acquired companies currently operate or plan to conduct their activities. Ambiguities in certain provisions pose interpretational challenges, carrying the risk of administrative or financial penalties if an incorrect legal interpretation is adopted. Recent and frequent changes in legal regulations governing the Company's business activities include tax law, labor law, social security law, and commercial law. Both the nature and direction of these changes impact the Issuer's Group's ability to achieve its set goals.

The Issuer operates within a specific legal framework, primarily associated with legislation in the healthcare sector. Numerous procedures related to the Issuer's activities must adhere to the requirements of EU certificates and directives. The possibility exists that the EU may introduce additional technical standards, necessitating significant expenditures for the Company.

The majority of the Issuer's revenues hinge on services provided to the international pharmaceutical and biotechnology industry. As a result, the Issuer's and its Group's development is directly contingent on the growth of the biotech industry. Globally, the pharmaceutical industry faces evolving regulatory environments and heightened oversight, demanding greater assurances of the safety and efficacy of medicinal products. Regulatory bodies for pharmaceutical companies impose more stringent requirements for demonstrating product efficacy and safety, leading to a reduction in the number of approved products. Additionally, products already on the market undergo periodic reevaluation based on their risk-benefit ratio.

Changes in the tax system, tax regulations, and social security regulations represent potential factors affecting the activities of the Issuer and its Capital Group. The risk lies in alterations to current regulations that may prove less favorable for the Issuer's Capital Group, impacting its financial results. Furthermore, many existing tax regulations lack precise formulation and clear interpretation, potentially resulting in differences in interpretation between the Issuer,



its Capital Group, and tax authorities. This uncertainty raises the possibility of tax declarations and statements on social security contributions (including those for previous years) being contested by relevant institutions, potentially leading to higher taxes or fees than initially assessed. Settling any tax arrears or liabilities to the Social Insurance Institution, along with associated interest, could significantly adversely affect the development prospects, achieved results, and financial situation of the Selvita Capital Group. Given that a substantial portion of the Issuer's Capital Group's revenues is generated abroad, tax risks extend to changes in regulations, interpretations, and settlements in other countries, particularly concerning issues related to withholding tax.

### **Other risks**

Risks relating to price, credit, equity, financial, market, currency, interest rate and liquidity risks are described in note 24 to the consolidated financial statement. ●

# 05 — Statement regarding implementation of corporate governance principles

## 5.1. Principles of corporate governance applying to the Issuer

The Issuer's Management Board hereby informs that in 2023 the Company complied with all the rules and recommendations of corporate governance contained in the document: "Best Practice for GPW Listed Companies 2021" (GPW – Warsaw Stock Exchange), with the exceptions described and appropriately justified below:

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

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

##### *Explanation of the Issuer:*

The Issuer's Capital Group started reporting non-financial data in 2023 and has since been working on implementing a strategy integrating ESG factors into its general business strategy.

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

##### *Explanation of the Issuer:*

The Issuer's Capital Group started reporting non-financial data in 2023 and has since been working on implementing a strategy integrating ESG factors into its general business strategy.

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

##### *Explanation of the Issuer:*

The Issuer's Capital Group started reporting non-financial data in 2023 and has since been working on implementing a strategy integrating ESG factors into its general business strategy.



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

*Explanation of the Issuer:*

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

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

*Explanation of the Issuer:*

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

2.2. Decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at

least 30% according to the goals of the established diversity policy referred to in principle 2.1.

*Explanation of the Issuer:*

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

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

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

*Explanation of the Issuer:*

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

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

*Explanation of the Issuer:*

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

3.3. Companies participating in the WIG20, mWIG40 or SWIG80 index appoint an internal auditor to head the internal audit function in compliance with generally accepted international standards for the professional practice of internal auditing. In other companies which do not appoint an internal auditor who meets such requirements, the audit committee (or the supervisory board if it performs the functions of the audit committee) assesses on an annual basis whether such person should be appointed.

*Explanation of the Issuer:*

The Company has not appointed an internal auditor to head the internal audit function; however functions related to the



internal audit are performed by the Company's employees within the finance and controlling department of the Shared Services Center (Centrum Usług Wspólnych) in a dispersed format.

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

*Explanation of the Issuer:*

Currently, the Company does not enable shareholders to participate in a general meeting by means of electronic communication (e-meeting), due to the lack of interest in such a solution among the Company's shareholders, as well as in order to reduce the risks associated with the legitimacy of votes cast in this way. If the Company's shareholders express their wish to participate in the general meeting by means of electronic communication (e-meeting) in the future, the Company will consider implementing such a solution and providing the necessary technical infrastructure.

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

*Explanation of the Issuer:*

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

## 5.2. Internal control and risk management systems

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

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

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

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



## 5.3. Management and Supervisory Boards

### Management Board

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

In 2023 there were no changes in Issuer's Management Board.

### Supervisory Board

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

In 2023 there were no changes in Issuer's Supervisory Board.

### Audit Committee

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

In 2023 there were no changes in Audit Committee.

### Remuneration Committee

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

In 2023 there were no changes in Remuneration Committee.



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

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

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

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

1. The audit company which will carry out the statutory audit of Selvita's ("Company") and Selvita Capital Group's financial statements is selected by the Supervisory Board of the Company.
2. When selecting the entity authorized to audit, the Supervisory Board of the Company will get acquainted with the recommendations submitted by the Company's Audit Committee.
3. The Supervisory Board of the Company is in no way bound by the recommendations of the Company's Audit Committee indicated in par. 2 above. In particular, it may select an entity other than that proposed by the Audit Committee in its recommendations. Any contractual clauses in the agreements concluded by the Company that is limiting the possibility of selecting an audit company for the purpose of carrying out the statutory audit of financial statements by the Supervisory Board for example to the specific lists of audit companies or specific categories of such companies shall be deemed illegal and invalid.
4. When selecting an audit company which will conduct the audit of the Company, the following principles should be observed (in particular):

- a. the impartiality and independence of the audit company;
  - b. the quality of the audit work performed;
  - c. knowledge of the industry in which Selvita and Selvita Capital Group operate;
  - d. the previous experience of the audit company in auditing reports of public interest entities;
  - e. professional qualifications and experience of persons directly providing services in the scope of the conducted research;
  - f. the ability to provide the required scope of services;
  - g. the territorial scope of the audit company and the international nature of the network in which it operates (operating in most countries in which the Company and Selvita Capital Group operate);
  - h. the proposed price of the service provided
5. The Audit Committee of the Company may request information, explanations and documents necessary to perform its tasks related to the selection of the audit company.
  6. The Company's Audit Committee may submit recommendations aimed at ensuring the reliability of the audit company selection process.

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

1. Neither the statutory auditor nor an audit company which carries out the statutory audit of Selvita S.A. ("Company") and Selvita Capital Group or an entity affiliated with this audit company, nor any of the members of the network to which the statutory auditor or the audit company belongs, shall not provide, directly or indirectly, any prohibited non-audit services or financial audit activities to the Company or its affiliated entities (if any).
2. A detailed catalogue of prohibited services is specified in Article 5 of the Regulation of European Parliament and of the Council (EU) No 537/2014 of 16 April 2014 on specific requirements regarding statutory audit



of public-interest entities and repealing Commission Decision 2005/909/.

3. The prohibited services referred to in point 2 above are not the services indicated in art. 136 sec. 2 of the Act on statutory auditors and their self-government, entities authorized to audit financial statements and on public supervision („Permitted non-audit services“).
4. Providing of Permitted non-audit services is possible only to the extent unrelated to the tax policy of the Company, after the Audit Committee will assesses the threats and safeguards to auditors' independence.
5. Providing of services other than audit will be carried

out in accordance with the independence requirements specified for such services in the rules of professional ethics and standards for performing such services.

The auditing company auditing the Issuer's and Issuer's Capital Group's financial statements, that is Pricewaterhousecoopers Polska sp. z o.o. Audyt sp.k., did not provide the Issuer with permitted non-audit services in the period covered by this report and in the period after the balance sheet date (statement made as of the date of this Report).

### Shares held by members of management and supervisory bodies

TABLE 16.

Shares held by members of the Management and Supervisory Board of Selvita S.A. as of 31.12.2023 and as of the day of report's publication

Shareholder	Series A*	Other Series	No. of shares	% of share capital	No. of votes	% votes at GM
<b>Management Board</b>						
Bogusław Sieczkowski	550,000	392,417	942,417	5.13%	1,492,417	6.83%
Miłosz Gruca	-	60,760	60,760	0.33%	60,760	0.28%
Mirosława Zydróż	-	42,909	42,909	0.23%	42,909	0.20%
Adrijana Vinter	-	12,000	12,000	0.07%	12,000	0.05%
Dawid Radziszewski	-	4,472	4,472	0.02%	4,472	0.02%
Dariusz Kurdas	-	4,286	4,286	0.02%	4,286	0.02%

<b>Supervisory Board</b>						
Paweł Przewięźlikowski	2,932,000	38,815	2,970,815	16.18%	5,902,815	27.03%
Tadeusz Wesołowski (through Augebit FIZ)	-	847,738	847,738	4.62%	847,738	3.88%
Tadeusz Wesołowski (directly)	-	84,975	84,975	0.46%	84,975	0.39%
Rafał Chwast	-	121,115	121,115	0.66%	121,115	0.55%
Piotr Romanowski	-	100,000	100,000	0.54%	100,000	0.46%

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



In the reporting period, on August 25, 2023, Mr. Paweł Przewięźlikowski donated 81,848 of Issuer's shares to the Issuer, due to the implementation of the incentive program.

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

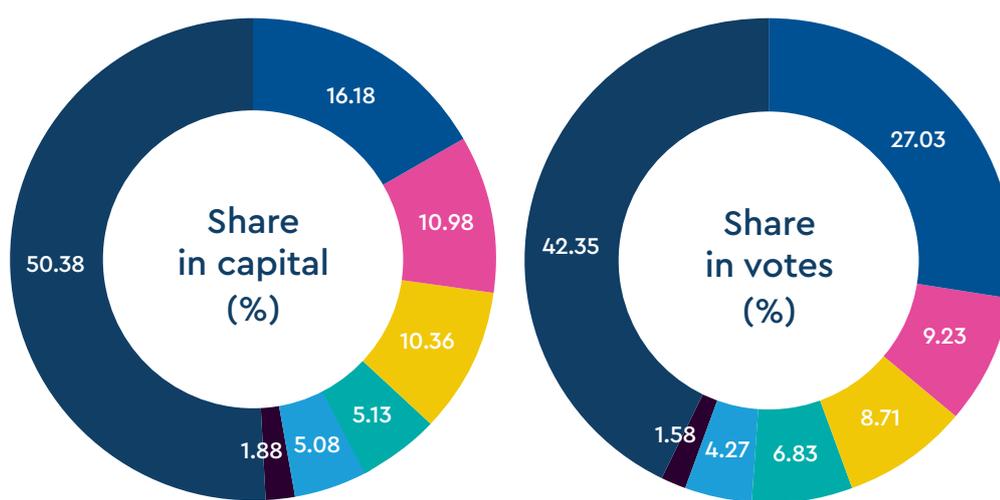
TABLE 17.

Shares held by significant shareholders of the Company as of 31.12.2023 as of the day of report's publication

Shareholder	Shares	% (Shares)	Votes	% (Votes)
Paweł Przewięźlikowski	2,970,815	16.18%	5,902,815	27.03%
Nationale Nederlanden OFE	1,901,000	10.36%	1,901,000	8.71%
TFI Allianz Polska	2,015,577	10.98%	2,015,577	9.23%
Bogusław Sieczkowski	942,417	5.13%	1,492,417	6.83%
Tadeusz Wesołowski (with Augebit FIZ)	932,713	5.08%	932,713	4.27%

CHART 4.

Shareholders structure as of the day of report's publication



- Paweł Przewięźlikowski
- TFI Allianz Polska
- Nationale Nederlanden OFE
- Bogusław Sieczkowski
- Tadeusz Wesołowski (with Augebit FIZ)
- Remaining Management Board and Supervisory Board Members
- Remaining Shareholders



### Restrictions on the exercise of voting rights

Not applicable.

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

Not applicable.

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

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

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

1. The Management Board manages the Company's activities, handles the Company's matters, manages the Company's property and represents the Company.
2. The Management Board looks after the transparency and effectiveness of the management system in the Company and handles its matters in accordance with the law and good practices.
3. The Management Board's responsibilities include all Company matters which are not reserved for the competence of the General Shareholders' Meeting or Supervisory Board, including, in particular:
  - a. defining business goals and financial assumptions for the Company's activities;
  - b. defining the Company's development strategy;
  - c. handling the Company's matters;
  - d. concluding contracts;
  - e. shaping the Company's employment policy;
  - f. compliance with information obligations of a public company;

- g. convening General Shareholders' Meetings within deadlines stipulated by the law or resulting from the Company's needs;
- h. preparing financial statements and written reports on the Company's operations (Directors' Reports) and providing them to the General Shareholders' Meeting and Supervisory Board;
- i. implementing and complying with corporate governance rules;
- j. reporting changes relating to the Company to the Register of Entrepreneurs of the National Court Register;
- k. ensuring the correct maintenance of the Company's documentation, including in particular the share register, book of resolutions of the Management Board, book of minutes of the General Shareholders' Meetings.

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

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



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

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

### „General Meeting of the Shareholders

#### § 14

1. The General Meeting of Shareholders will be convened as an ordinary or extraordinary meeting.
2. The Ordinary General Shareholders Meeting will be convened by the Company's Management Board, at least once a year, but no later than six months after the end of each financial year.
3. The Extraordinary General Meeting of Shareholders will be convened by the Company's Management Board on its own initiative or at the written request of the Supervisory Board or the shareholders representing at least one-twentieth of the share capital, no later than within two weeks of the date of submitting the respective application to the Management Board in writing or in electronic form.
4. The Supervisory Board may convene the Ordinary General Meeting of Shareholders if the Management Board does not convene it in the regulatory period referred to in section 2 and an Extraordinary General Meeting of Shareholders, if it considers it advisable.

#### § 15

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

#### § 16

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

#### § 17

1. Voting at the General Meeting of Shareholders is by open ballot.
2. A secret ballot will be ordered in elections and in voting motions to dismiss members of the Company's bodies or liquidators, or to call them to account for their acts, and in personal matters.

#### § 18

1. The General Meeting will be opened by the Chairman of the Supervisory Board or the Deputy Chairman, and subsequently, the Chairman will be elected from among the persons authorized to participate in the General Meeting. In the event of the absence of those persons, the General Meeting will be opened by the Chairman of the Management Board or a person appointed by the Management Board.
2. The General Meeting of Shareholders passes its rules that determine in detail the procedures for conducting the Meeting.

#### § 19

1. Apart from the issues described in the legal regulations and in other provisions of the Articles of Association the General Meeting's competencies comprise:
  - a. purchasing and disposing of real estate, permanent usufruct or share in real estate or permanent usufruct;
  - b. reviewing and approving the Directors' Report and the financial statements for the prior financial year;
  - c. passing a resolution on profit appropriation or offset of loss;
  - d. discharging the members of the Company's bodies from liability;



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

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

### Management Board

#### Composition of the Management Board

1. Members of the Management Board are appointed and dismissed by the Supervisory Board.
2. The Management Board consists of 1 (one) to 7 (seven) people, including the President of the Management Board. In the case of the Management Board consisting of several people, a Vice President or Vice Presidents and Members of the Management Board can be appointed.
3. The number of members of the Management Board in each term of office will be determined by the Supervisory Board.
4. Both shareholders and non-shareholders may be appointed to the Management Board.
5. The term of office of the Management Board is five years. Members of the Management Board are appointed for a common term of office. The mandate of a Member of the Management Board appointed before the end of a given term of the Management Board

expires upon the expiry of the mandates of the other members of the Management Board.

6. Any Member of the Management Board can be dismissed at any time.
7. Dismissal of a Member of the Management Board does not prejudice his/her claims under an employment agreement or another legal relationship related to his/her function as a Member of the Management Board.

#### Meetings of the Management Board

1. Meetings of the Management Board are convened and chaired by the President of the Management Board, and in the President's absence – by the Vice President of the Management Board.
2. The President of the Management Board, and in the President's absence – the Vice President of the Management Board calls meetings of the Management Board on his/her initiative, at the request of a Member of the Management Board, or at the request of the Supervisory Board.
3. Meetings of the Management Board may be attended by people invited from outside the Management Board, after prior arrangement with the person convening the meeting. The invited people may not vote at the meetings.



4. The date and time of a meeting of the Management Board is notified to Members of the Management Board in writing, by fax, e-mail or in another agreed way, at least 1 (one) day before the date of the meeting

### Adopting of the resolutions

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

### Minutes of the meetings

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

### Obligations of the Members of the Management Board

1. All members of the Management Board are obliged and entitled to handle jointly the Company's matters.
2. A Member of the Management Board in all his/her

dealings is obliged to perform his/her duties with due care appropriate for the actions performed in business trading, in strict compliance with the law and the provisions of the Company's Articles of Association.

3. A Member of the Management Board may not, without the permission of the Supervisory Board, engage in competitive interests or participate in a competitive undertaking as a partner of a partnership or a member of a body of a corporate entity, or participate in another competitive legal entity as a member of its body. This ban also covers participation in a competitive company, if a Member of the Management Board holds at least 10% of shares or the right to appoint at least one Member of the Management Board.
4. In the event of a conflict of interest of the Company with the interest of a Member of the Management Board, his/her spouse, relatives or next of kin to the second degree and people with whom he/she is personally related. A Member of the Management Board should refrain from participation in the consideration of such matters and may request a respective mention in the minutes.

### Supervisory Board

1. The Supervisory Board comprises from 3 (three) to 9 (nine) persons, and from the moment the Company becomes a public company the Supervisory Board will comprise from 5 (five) to 9 (nine) persons.
2. Members of the Supervisory Board, including its Chairman, are appointed and dismissed by the General Meeting of Shareholders.
3. Members of the Supervisory Board are appointed for a joint five-year term.
4. In respect of the voting for members of the Supervisory Board in individual groups, the Chairman of the Supervisory Board is selected from among the members of a particular group.
5. If the mandate of a member of the Supervisory Board expires before the end of the term of office, the Management Board is required to immediately convene a General Meeting of Shareholders to complete the composition of the Supervisory Board.
6. The Supervisory Board adopts the Rules that it submits to the General Meeting of Shareholders for approval.



7. The Supervisory Board exercises continuous supervision over the Company's operations.
8. In particular, the competencies of the Supervisory Board comprise:
  - a. assessing the Company's financial statements, the Directors' Report and the respective conclusions as to the appropriation of profit and offset of loss, and submitting the annual reports on the results of the assessments;
  - b. appointing an independent statutory auditor to audit the Company's financial statements and the Group consolidated financial statements;
  - c. appointing and dismissing members of the Company's Management Board;
  - d. determining the principles for remunerating members of the Management Board and the amount of the remuneration;
  - e. representing the Company in agreements and disputes between the Company and members of the Management Board unless the General Meeting appoints a plenipotentiary for this purpose;
  - f. approving the Rules of the Management Board;
  - g. approving the financial plan prepared by the Management Board;
  - h. granting consent to members of the Management Board for engaging in activities competitive against the Company's or to participate in companies or ventures competitive against the Company.
9. The Supervisory Board will hold meetings at least once a quarter.
10. The members of the Supervisory Board will exercise their rights and responsibilities in person. The Supervisory Board may delegate members to individually perform particular supervisory activities. Those members will receive separate remuneration, the amount of which will be decided by the General Meeting of Shareholders. Those members are required to meet non-competition obligations.
11. In order for the Supervisory Board's resolutions to be valid, it is necessary to invite all the Supervisory Board members to the meeting and to ensure that at least one-half of all Supervisory Board members are present at the meeting.

12. The resolutions of the Supervisory Board are passed by an absolute majority of votes of the Supervisory Board members. In the event of an equal number of votes, the Chairman of the Supervisory Board has the casting vote.

## Audit Committee

Audit Committee is operating within the Supervisory Board.

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



- f. drawing up a policy for providing permitted non-audit services by the audit company which conducts the audit, its related entities, and by a member of the audit company's network;
  - g. determining the procedure for the public interest entity selecting an audit company;
  - h. presenting the supervisory board or another supervisory or controlling body, or the body referred to in Art. 66 (4) of the Accounting Act of 29 September 1994, the recommendations referred to in Art. 16 (2) of Regulation 537/2014, in accordance with the policies referred to in points and 6;
  - i. submitting recommendations aimed at ensuring the reliability of the financial reporting process in the public interest entity. 6. The principles of the Supervisory Board's operation, i.e. in particular holding meetings and adopting resolutions by the Supervisory Board shall apply accordingly to the functioning of the Audit Committee, unless the Audit Committee decides otherwise.
5. The principles of the Supervisory Board's operation, i.e. in particular holding meetings and adopting resolutions by the Supervisory Board shall apply accordingly to the functioning of the Audit Committee, unless the Audit Committee decides otherwise.

## Remuneration Committee

Remuneration Committee is operating within the Supervisory Board

1. The Supervisory Board appoints and dismissed members of the Remuneration Committee, including its Chairman.
2. Members of the Remuneration Committee, including its Chairman, are appointed among the Supervisory Board Members.
3. The Remuneration Committee consists of at least three Members.
4. In particular, the competencies of the Supervisory Board comprise:
  - a. Regarding the remuneration of members of the Company's Management Board:
    - assessing the basic salary, bonuses and share-based compensation received by members of the Company's Management Board in relation to the scope of duties of members of the Company's

- Management Board and the manner of their performance, as well as market conditions,
  - presenting proposals to the Supervisory Board regarding appropriate forms of contracts with members of the Company's Management Board and the amount of their remuneration,
- b. Regarding directors and senior employees' remuneration:
- making a general assessment of the correctness of the Company's policy regarding remuneration of the directors and senior employees,
  - issuing general recommendations to the Company's Management Board regarding the level and of remuneration for directors and senior employees,
  - monitoring the level and structure of remuneration for directors and senior employees based on relevant information provided by the Company's Management Board,
- c. Regarding share-based compensation that can be granted to members of the Management Board and employees of the Company:
- discussing the general principles for implementing equity incentive programs based on shares, share options, subscription warrants,
  - presenting proposals to the Supervisory Board in this respect,
  - presenting proposals to the Supervisory Board regarding equity incentive programs.
5. 5. The principles of the Supervisory Board's operation, in particular holding of meetings and the adoption of resolutions by the Supervisory Board shall apply accordingly to the Remuneration Committee, unless the Remuneration Committee decides otherwise.

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

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



## Remuneration of the members of management and supervisory bodies

TABLE 18.

Remuneration of the members of the Management Board of Selvita S.A. for period 1.01.2023 – 31.12.2023 [in PLN]

	Remuneration for performing functions in the Management Board	Remuneration for employment contracts concluded with the Issuer	Remuneration for contracts concluded with subsidiaries	Total remuneration in 2023
<b>Members of the Management Board</b>				
Bogusław Sieczkowski	658 100.00	130 802.93	312 000.00	1 100 902.93
Miłosz Gruca	651 700.00	-	439 872.48	1 091 572.48
Mirosława Zydróż	338 300.00	-	305 890.72	644 190.72
Dariusz Kurdas	285 700.00	131 014.93	174 000.00	590 714.93
Dawid Radziszewski	373 000.00	-	299 214.00	672 214.00
Adrijana Vinter*	-	-	1 250 198.92*	1 250 198.92*

\*Remuneration converted from EURO according to the average exchange rate of the National Bank of Poland as of 31 December 2023  
1 EUR = 4,3480 PLN.

TABLE 19.

Remuneration of the members of the Supervisory Board of Selvita S.A. for period 1.01.2023 – 31.12.2023 [in PLN]

	Remuneration for performing functions in the Supervisory Board	Total remuneration in 2023
<b>Members of the Supervisory Board</b>		
Paweł Przewięźlikowski	60 750.00	60 750.00
Piotr Romanowski	79 267.50	79 267.50
Tadeusz Wesołowski	69 000.00	69 000.00
Rafał Chwast	60 975.00	60 975.00
Wojciech Chabasiewicz	60 975.00	60 975.00
Jacek Osowski	60 000.00	60 000.00



TABLE 20.

## Transactions concluded by the Issuer with affiliated entities in 2023

Affiliated entity	Manner of affiliation	Transaction details	Transaction value [PLN]
Chabasiewicz Kowalska i Wspólnicy Spółka Komandytowo-Akcyjna	Wojciech Chabasiewicz (key managerial personnel – member of the Supervisory Board)	Purchase of advisory services	19 000.00

Transactions with the related entities were conducted on market terms.

### System of control of employee share scheme

The incentive scheme based on the Company's shares donated by Mr. Pawel Przewieźlikowski, operating from 2021 to 2024, was approved by the General Meeting on May 17, 2021. Implementation of the program is directly supervised by the Supervisory Board and the Company's management board.

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

The aim of the diversity policy implemented by the Company is to build awareness and organizational culture open to diversity, which leads to increased work efficiency and prevents discrimination. When selecting the Company's governing bodies and its key managers, the Company strives to ensure versatility and diversity, especially in the area of gender, education, age and professional experience. The basis of diversity management is to provide equal opportunities in access to professional development and promotion. Currently, the Management Board of the Company consists of two women and four men, while the Supervisory Board of the Company consists of only men. The decisive aspects are, above all, the qualifications and substantive preparation to perform a specific function. ●

# 06 — Statement of the Management Board regarding applicable accounting principles

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

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

# 07 — Statement of the Management Board together with information regarding choice of statutory auditor

Management Board of Selvita S.A. with its registered office in Krakow, declares that the entity authorized to audit financial statements auditing the annual financial statements for the financial year 2023 was selected in accordance to the provisions of law and that the entity and the statutory auditors auditing these statements met the conditions for expressing an impartial and independent opinion on the audit, pursuant to relevant provisions of national law and professional standards.

Management Board of Selvita S.A. hereby informs that the selection of the audit company conducting the audit of the annual financial statements, i.e. Pricewaterhousecoopers Polska sp. z o.o. Audyt sp.k, was made in accordance with the applicable law, including those relating to the selection and selection procedure of an auditing company, and also:

- a. the audit company and members of the team conducting the audit met the conditions for the

preparation of an impartial and independent report from the audit of the annual financial statements in accordance with the applicable regulations, professional standards and professional ethics rules,

- b. the Issuer complied with all of the applicable regulations regarding the rotation of the audit company and the key statutory auditor as well as the mandatory grace periods,
- c. the Issuer adopted a policy for the selection of an audit firm and a policy for additional nonaudit or review services, including services conditionally exempt from prohibition of providing services by audit company, provided to the issuer by the audit company, entity affiliated to the audit company or a member of its network. ●

TABLE 21.

Remuneration of the entity authorized to audit financial statements [in thousand PLN]

Items	As at 31.12.2023	As at 31.12.2022
Mandatory audit of the financial statements	300	264
Review of the interim financial statements	169	138
Other attestation services	30	27
Tax advisory services	-	-
Other services	10	-
<b>Total</b>	<b>509</b>	<b>429</b>

# 08 — Other information

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

The Capital Group of Selvita S.A. as of December 31, 2023 includes:

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

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

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

## 8.2. Credits and Loans

Currently, the Issuer (and Selvita Services sp z o.o. together with Selvita d.o.o. as guarantors) is a party to the facility agreement with Bank Polska Kasa Opieki S.A. with its registered office in Warsaw, under which the creditor granted the Issuer:

- a. term credit in the total amount of EUR 21,840,000 to finance the acquisition of 100% shares in Selvita d.o.o., consisting of credit A in the amount of up to EUR 16,340,000 and credit B in the amount up to EUR 5,500,000,
- b. a construction credit in the maximum amount of up to PLN 65,000,000 for the construction of a new Research and Development Center for Laboratory Services in the area of drug discovery and development in Krakow at Podole Street in Krakow along with laboratory equipment.

Total value of these loans is PLN 123,727 thousand as of 31.12.2023.

The Group did not provide any loans or credits, including within its Capital Group in 2023.

## 8.3. Structure of major capital deposits and investments

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

During the current financial year the Capital Group made investments in tangible and intangible fixed assets worth PLN 96,696 thousand - mainly the Laboratory Services Center and laboratory equipment.



## 8.4. Court proceedings

In the financial year 2023, neither the Issuer nor its affiliates were a party to any material court, arbitration or public administration proceedings.

## 8.5. Assurances and guarantees

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

## 8.6. Purchase of own shares

Event did not occur in 2023.

## 8.7. Information about owned branches (plants)

Company does not own any branches.

## 8.8. Information on risks arising from held financial instruments

The Group does not have written financial risk management guidelines and recommendations that define its overall operational strategies, risk tolerance level and overall risk management philosophy, but has developed procedures to ensure timely and detailed monitoring and control of hedging transactions. Once a year, the procedures applicable in the Group are reviewed by the Company's Management Board.

The Group companies do not use hedge accounting.

Risks affiliated with held financial instruments were described in point 4.2 above and in the consolidated financial statements in note 22.

## 8.9. Report on non-financial information

The Company has prepared a report on non-financial information for its Capital Group - Selvita Group Report on Non-Financial Information for 2023 - in the form of a separate document, which forms an integral part of this annual report. ●

The annual report of Selvita Capital Group for the financial year 1 January 2023 – 31 December 2023 is hereby approved.

# Management Board

Krakow, March 26, 2024

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**Bogusław Sieczkowski**  
PRESIDENT OF MANAGEMENT  
BOARD

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**Miłosz Gruca**  
VICE-PRESIDENT OF MANAGEMENT  
BOARD

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**Mirosława Zydrón**  
MEMBER OF MANAGEMENT  
BOARD

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**Adrijana Vinter**  
MEMBER OF MANAGEMENT  
BOARD

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**Dariusz Kurdas**  
MEMBER OF MANAGEMENT  
BOARD

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**Dawid Radziszewski**  
MEMBER OF MANAGEMENT  
BOARD



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West Coast USA  
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South San Francisco, CA 94080

## **Selvita d.o.o.**

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## **Selvita Services Sp. z.o.o.**

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