SELVITA CAPITAL GROUP ANNUAL REPORT 2022

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1 BASIC INFORMATION ON CAPITAL GROUP

1.1 Structure of the Capital Group

Parent Entity

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

Affiliates

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

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

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

Business name of the Company	Selvita d.o.o.
Registered office	Zagreb, Croatia
Shareholders	100% of shares held by Selvita S.A.
Share Capital	HRK 51.000.000/ EUR 6.768.863,23

Business name of the Company	Ardigen S.A.*
Registered office	Podole 76, 30-394 Krakow
Company ID (REGON)	362983380
TAX ID (NIP)	6762495865
KRS Number	0000585459
Legal form	Joint-Stock Company
Shareholders	46,74% of shares held by Selvita S.A.

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

** Selvita has stopped consolidating Ardigen's results on January 17, 2023 due to the fact that Selvita no longer holds more than 50% of the votes at Ardigen's general meeting of shareholders. As of December 31, 2022 Selvita S.A. held 46,74% shares entitling to exercise 54,03% votes. As of the publication date of this report Selvita S.A. holds 46,74% shares entitling to exercise 46,22% votes.*

1.2 Issuer's managerial bodies

Management Board

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

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

Supervisory Board

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

2 ECONOMIC AND FINANCIAL HIGHLIGHTS

The consolidated financial statements, prepared in accordance with the International Accounting Standards, International Financial Reporting Standards and the related interpretations announced in European Commision regulations ("IFRS"), cover the period from January 1, 2022 to December 31, 2022 with comparative period from January 1, 2021 to December 31, 2021.

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:

- concerning the consolidated balance sheet:

Selvita S.A. Group	Data in PLN thousand		Data in EUR thousand	
Item	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Total assets	**584,911**	**455,923**	**124,717**	**99,127**
Trade and other receivables	98,802	65,616	21,067	14,266
Cash and other monetary assets	74,157	83,550	15,812	18,165
Other financial assets	2,018	13,435	430	2,921
Total liabilities	311,750	250,369	66,473	54,435
Long term liabilities	189,083	154,513	40,317	33,594
Short term liabilities	122,667	95,856	26,156	20,841
Equity	**273,161**	**205,554**	**58,245**	**44,691**
Share capital	14,684	14,684	3,131	3,193

- concerning the consolidated profit and loss statement:

Selvita S.A. Group	Consolidated data in PLN thousand				Consolidated data in EUR thousand			
Item	From 01.01.2022 to 31.12.2022	From 01.01.2021 to 31.12.2021	From 01.10.2022 to 31.12.2022	From 01.10.2021 to 31.12.2021	From 01.01.2022 to 31.12.2022	From 01.01.2021 to 31.12.2021	From 01.10.2022 to 31.12.2022	From 01.10.2022 to 31.12.2022
Revenues from sales	**407,462**	**310,921**	**105,035**	**91,168**	**86,911**	**67,924**	**22,400**	**19,671**
Revenues from subsidies	8,367	4,804	3,258	1,841	1,785	1,049	695	397
Other operating revenues	329	1,406	213	646	70	307	45	139
Revenues from operating activities	**416,158**	**317,131**	**108,506**	**93,655**	**88,766**	**69,280**	**23,140**	**20,208**
Operating expenses	-371,383	-291,047	-93,973	-87,746	-79,215	-63,582	-20,041	-18,933
Operating expenses (excl. incentive scheme)	-340,545	-259,578	-91,012	-76,274	-72,637	-56,707	-19,409	-16,458
Depreciation	-36,828	-27,488	-8,963	-9,723	-7,855	-6,005	-1,911	-2,098
Depreciation (excl. IFRS 16 impact)	-22,518	-17,636	-5,223	-6,874	-4,803	-3,853	-1,114	-1,483
Incentive program valuation	-30,838	-31,469	-2,961	-11,472	-6,578	-6,875	-631	-2,475
Profit from operating activities / EBIT	44,775	26,084	14,533	5,909	9,550	5,698	3,099	1,275
Profit from operating activities / EBIT (excl. incentive scheme)	**75,613**	**57,553**	**17,494**	**17,381**	**16,128**	**12,573**	**3,731**	**3,750**
Profit before income tax	40,207	21,068	15,761	6,493	8,576	4,603	3,361	1,401
Net profit	32,608	18,222	12,002	9,378	6,955	3,981	2,560	2,024
Net profit (excl. incentive scheme)	**63,446**	**49,691**	**14,963**	**20,850**	**13,533**	**10,855**	**3,191**	**4,499**
EBITDA	81,603	53,572	23,496	15,632	17,406	11,703	5,011	3,373
EBITDA (excl. incentive scheme)	**112,441**	**85,041**	**26,457**	**27,104**	**23,983**	**18,578**	**5,642**	**5,848**
Net cash flows from operating activities	75,430	85,406	2,286	34,886	16,089	18,658	488	7,527
Net cash flows from investing activities	-79,789	-162,263	-31,868	-15,909	-17,019	-35,448	-6,796	-3,433
Net cash flows from financing activities	-5,672	66,818	26,762	-9,565	-1,210	14,597	5,707	-2,064
Total net cash flows	-10,031	-10,039	-2,820	9,412	-2,140	- 2,193	-601	2,031
Number of shares (weighted average)	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 (in PLN)	1.65	0.81	0.69	0.44	0.35	0.18	0.15	0.10
Diluted profit (loss) per share (in PLN)	1.65	0.81	0.69	0.44	0.35	0.18	0.15	0.10
Book value per share (in PLN)	14.28	10.73	14.28	10.73	3.05	2.33	3.05	2.33
Diluted book value per share (in PLN)	14.28	10.73	14.28	10.73	3.05	2.33	3.05	2.33
Declared or paid dividend per share (in PLN)	-	-	-	-	-	-	-	-

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

1. Items relating to the profit and loss statement and the cash flow statement were converted using the exchange rate constituting the arithmetic average of the exchange rates, applicable as of the last day of every month in the given period, based on the information published by the National Bank of Poland (NBP):
   - for the period from 01.01.2022 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,
   - for the period from 01.01.2021 r. to 31.12.2021 r.: 4.5775 PLN,
   - for the period from 01.10.2021 r. to 31.12.2021 r.: 4.6345 PLN.
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 2022: PLN 4.6899,
   - as of 31 December 2021: PLN 4.5994.

2.1.2 Impact of the Incentive Scheme for 2021-2024 on results

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

The valuation of the program, with regards to the shares currently issued to employees as of December 31, 2022, indicated the total estimated cost of PLN 72,647 thousand, which is recognized in the Group's expenses from the second quarter of 2021 to the first quarter of 2025. The impact of the program on the reporting period result is PLN 30,838 thousand (including PLN 2,961 thousand in Q4) and this amount reduces the gross result, net result, EBIT and EBITDA in 2022 (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:

- 2023: PLN 9.572 thousand,

- 2024: PLN 673 thousand,

- 2025: PLN 95 thousand.

Item	From 01.01.2022 to 31.12.2022		From 01.01.2022 to 31.12.2022	From 01.10.2022 to 31.12.2022		From 01.10.2022 to 31.12.2022
	including incentive scheme	incentive scheme valuation	excluding incentive scheme	including incentive scheme	incentive scheme valuation	excluding incentive scheme
	The impact of the valuation of incentive program on consolidated statement of comprehensive income in 2022 in PLN thousand					
Operating expenses	-371,383		-340,545	-93,973		-91,012
EBIT	44,775		75,613	14,533		17,494
Gross profit	40,207	30,838	71,045	15,761	2,961	18,722
Net profit for the period	32,608		63,446	12,002		14,963
EBITDA	81,603		112,441	23,496		26,457

Item	As of 31.12.2022		As of 31.12.2022
	including incentive scheme	incentive scheme valuation	excluding incentive scheme
	The impact of the valuation of incentive program on consolidated statement of financial position in 2022 in PLN thousand		
Equity, incl:	273,161	0	273,161
Other reserve capitals	62,544	-30,838	31,706
Net profit for the period	32,608	30,838	63,446

A detailed description of the program provided in the Note 28 to the interim 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

SELVITA S.A. GROUP				
Data in PLN thousand	From 01.01.2022 to 31.12.2022	From 01.01.2021 to 31.12.2021	From 01.10.2022 to 31.12.2022	From 01.10.2021 to 31.12.2021
Revenue	**416 159**	**317,131**	**108 505**	**93,654**
Segment of Services executed in Poland	216 046	155,327	56 479	46,016
Bioinformatics Segment	47 727	31,589	12 927	9,889
Segment of Services executed in Croatia	147 748	127,099	37 049	36,044
Revenues from subsidies	8 367	4,804	3 258	1,841
Other operating revenue	329	1,406	213	646
Exclusions of revenues between segments	-4 058	-3,094	-1 421	-782
EBIT (excl. incentive scheme)	**75 613**	**57,553**	**17 493**	**17,380**
%EBIT (excl. incentive scheme)	18%	18%	16%	19%
EBITDA (acc. to IFRS16 excl. incentive scheme)	**112 441**	**85,041**	**26 456**	**27,103**
%EBITDA (acc. to IFRS16 excl. incentive scheme)	27%	27%	24%	29%
Net profit (excl. incentive scheme)	**63 446**	**49,691**	**14 963**	**20,850**
%Net profit (excl. incentive scheme)	15%	16%	14%	22%
MSSF 16 impact on EBITDA	*14 310*	*9,852*	*3 740*	*2,849*

Data in PLN thousand	From 01.01.2022 to 31.12.2022	Percentage share	From 01.01.2021 to 31.12.2021*	Percentage share
Revenues from external customers	**401 420**	**100%**	**306 660**	**100%**
Biotechnology companies	207 068	51%	156 320	51%
Pharmaceutical campanies	145 111	36%	123 249	40%
Companies operating in the chemical and agrochemical field	11 185	3%	10 131	3%
Academia and Foundations	14 845	4%	9 340	3%
Other	23 211	6%	7 620	3%

**assignment of customers to industries from 2022 was updated*

In 2022, Selvita S.A. Group recognized total operating revenue of PLN 416,159 thousand, which represents 31% increase compared to the previous year, when the total operating revenue amounted to PLN 317,131 thousand. The Group continued growing organically in all operating segments. The revenues from subsidies increased by PLN 3,563 thousand from PLN 4,804 thousand in 2021 to PLN 8,367 thousand in 2022.

In 2022, after elimination of the incentive scheme impact, the Group reported EBITDA which amounted to PLN 112,441 thousand and increased by 32% compared to 2021. The high dynamics of EBITDA is the effect of increase in the Group's profitability of services executed by the Group. EBITDA ratio remained at the 27% both in 2021 and 2022. The depreciation of Polish złoty against other currencies resulted in a positive impact on EBITDA of approximately 1.9 p.p.

The Group's net profit, after elimination of the incentive scheme impact, amounted to PLN 63,446 thousand and increased by 28% compared to the net profit reported in 2021.

The structure of external revenues in 2022 is dominated by the biotechnology and pharmaceutical industries, whose share in total external revenues amounted to 51% and 36%, respectively, and remained at a level similar to that of 2021.

SEGMENT OF SERVICES EXECUTED IN POLAND				
Data in PLN thousand	From 01.01.2022 to 31.12.2022	From 01.01.2021 to 31.12.2021	From 01.10.2022 to 31.12.2022	From 01.10.2021 to 31.12.2021
Revenue	**220,028**	**157,797**	**57,544**	**47,101**
Revenues from external customers	205,945	147,972	52,717	43,958
Between segments and to Ryvu	10,101	7,355	3,762	2,058
Revenues from subsidies	3,872	1,588	961	695
Other operating revenue	110	882	104	390
EBIT (excl. incentive scheme)	**43,995**	**21,468**	**11,876**	**7,628**
%EBIT (excl. incentive scheme)	20%	14%	21%	16%
EBITDA (acc. to MSSF16) excl. incentive scheme	**62,254**	**36,116**	**15,961**	**11,727**
%EBITDA (acc. to MSSF16) excl. incentive scheme	28%	23%	28%	25%
IFRS16 impact on EBITDA	*6,271*	*5,367*	*1,726*	*1,480*

In 2022 segment of Services executed in Poland recorded continuing growth of revenues from external customers which increased by 39% and amounted to PLN 205,945 thousand compared to PLN 147,972 thousand in 2021. The very good contracting results in the area of regulatory services reported from the third quarter of the last year continued in 2022.

Effective beginning of 2022, sales responsibility regarding Services executed in Croatia was transferred on Selvita global sales team and the respective sales costs overheads are allocated to the Services Executed in Croatia Segment. In case the corresponding cost had been allocated to the Services Executed in Croatia in 2021, EBIT, EBITDA of this segment would have been lower by 3.0 p.p. (approximately PLN 3,852 thousand) while EBIT, EBIDTA of the Segment of Services Executed in Poland would have been higher by 2.6 p.p. (PLN 3,852 thousand).

In 2022 EBITDA ratio was at 28% in 2022 which means its increase by 5pp compared to 2021 resulting of improved profitability of the services offered, the impact of the allocation of selling costs and the weakening of PLN, mainly against the US dollar. In addition, higher sales revenues resulted in an increase in EBITDA value from PLN 36,116 thousand in 2021 to PLN 62,254 thousand in 2022.

SEGMENT OF SERVICES EXECUTED IN CROATIA				
Data in PLN thousand	From 01.01.2022 to 31.12.2022	From 01.01.2021 to 31.12.2021	From 01.10.2022 to 31.12.2022	From 01.10.2021 to 31.12.2021
Revenue	**147,914**	**127,533**	**37,128**	**36,267**
Revenues from external customers	147,748	127,099	37,049	36,044
Other operating revenue	166	434	79	223
EBIT	**26,770**	**27,653**	**5,351**	**6,121**
%EBIT	18%	22%	14%	17%
EBITDA (acc. to MSSF16)	**43,990**	**39,313**	**9,871**	**11,445**
%EBITDA (acc. to MSSF16)	30%	31%	27%	32%
IFRS16 impact on EBITDA	*7,471*	*3,930*	*1,874*	*1,233*

Segment of Services executed in Croatia has been extracted in 2021 as a result of the acquisition of Fidelta d.o.o. (currently Selvita d.o.o.) which is the only legal entity in this operating segment. In 2022, Selvita d.o.o. continued the upward trend, achieving 16% increase in sales from PLN 127,099 thousand in 2021 to PLN 147,748 thousand in 2022. In 2022, the Segment continued its dynamic development in all areas of the services provided, i.e. in the field of chemistry, ADME / DMPK, in vitro research and in vivo & toxicology.

In 2022 the segment's EBITDA profitability was 30% and remained at the close level to the corresponding period of 2021. Operating profit reached 18% in 2022 compared to 22% in 2021. The lower operating profit resulted from depreciation of newly leased premises in the new location (Hondlova Street) and bearing the cost of sales management.

BIOINFORMATICS SEGMENT				
Data in PLN thousand	From 01.01.2022 to 31.12.2022	From 01.01.2021 to 31.12.2021	From 01.10.2022 to 31.12.2022	From 01.10.2021 to 31.12.2021
Revenue	**52,275**	**34,895**	**15,253**	**11,068**
Revenues from external customers	47,727	31,589	12,927	9,889
Revenues from subsidies	4,495	3,216	2,297	1,146
Other operating revenue	53	90	29	33
EBIT	**4,848**	**8,433**	**266**	**3,632**
%EBIT	9%	24%	2%	33%
EBITDA (acc. to MSSF16)	**6,197**	**9,612**	**625**	**3,931**
%EBITDA (acc. to MSSF16)	12%	28%	4%	36%
IFRS16 impact on EBITDA	*569*	*555*	*136*	*136*

Revenue from external customers in bioinformatics segment (i.e. subsidiary Ardigen S.A., including Ardigen Inc.) amounted to PLN 47,727 thousand in 2022, which represent increase of 51% compared to the corresponding period of the previous year of PLN 31,589 thousand. The bioinformatics segment generated in 2022 operating profit of PLN 4,848 thousand which is 43% decrease compared to PLN 8,433 thousand in 2021 and resulted from higher development expenses related to own platforms. Similarly, EBITDA ratio was 12% and reported 16 p.p. decrease.

2.2.2 Contracted (Backlog)

BACKLOG *				
Item	**For 2023, as of Mar 28, 2023**	**For 2022, as of Mar 24, 2022**	**Change**	**Change %**
Services executed in Poland	108,941	98,438	10,503	11%
Services executed in Croatia	90,166	90,171	(5)	0%
Grants	3,976	1,806	2,170	120%
Total continued operations in 2023	**203,083**	**190,415**	**12,668**	**7%**
Bioinformatics – commercial revenues	*28,584*	*23,448*	5,136	22%
Bioinformatics - grant	*898*	*6,933*	(6,035)	(87%)

The backlog includes revenues already invoiced in a given year

The value of the 2023 contracts portfolio resulting from commercial contracts and grant agreements as of March 28, 2023 (backlog) for continued operations amounts to PLN 203,083 thousand and is 7% higher compared to the record 2022 backlog announced in March last year by PLN 12,668 thousand. The lower backlog dynamics observed for Services executed in Croatia is the result of a more difficult market environment visible at the turn of the year, 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 particular entering into FTE collaboration agreements for shorter periods than was the case a year ago. In the case of the Bioinformatics segment, we observe an downward dynamics of the backlog by 3% year on year.

2.2.3 Consolidated data

As of December 31, 2022, the total value of the Selvita Group's assets was PLN 584,911 thousand. At the end of December 2022, the most significant current assets are short-term receivables which amounted to PLN 98,802 thousand, cash amounting to PLN 74,157 thousand and other financial assets of PLN 2,018 thousand. The increase in short-term receivables is the result of an increase in the scale of the Group's operations. The decrease in cash is the result of significant investing activity transactions, financing of investing activity cash flows and servicing financial liabilities which overall exceeded the positive cash flows generated on operating activity.

Fixed assets are mainly laboratory equipment, expenditures incurred for Laboratory Services Center, good will, recognized assets due to the right to use and deferred tax assets in the amount of PLN 10,094 thousand.

The total of non-current assets increased in comparison to December 31, 2021, by PLN 105,031 thousand mainly as a result of fixed assets additions regarding Laboratory Services Center and purchase of land at Podole street. The Laboratory Services Center was commissioned in March 2023.

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

	31.12.2022	31.12.2021
Current ratio current assets/current liabilities including short-term provisions and deferred revenues (excl. accruals)	2.06	2.44
Quick ratio (current assets-inventory)/current liabilities including short-term provisions and deferred revenues (excl. accruals)	1.98	2.41

The main item in the Selvita Group's equity and liabilities is equity, which amounted to PLN 273,161 thousand as of December 31, 2022. Increase of equity compared to the end of 2021 is due to net profit generated in 2022 and recognized increase of reserve capitals from incentive scheme valuation of PLN 30,838 thousand.

Another significant source of financing are long term liabilities which amounted to PLN 189,083 thousand at the end of December 2022. The highest value items in the long-term liabilities are credits and bank loans in total PLN 109,088 thousand, which increased in the part related to financing the investment in Laboratory Services Center, and lease liabilities in total PLN 62,413 thousand.

The increase of short-term liabilities from PLN 95,856 thousand at the end of 2021 to PLN 122,667 thousand at the end of December 2022 resulted from increased scale of operations of the Capital Group and the loan to finance the investment as previously described which in its short term part totals PLN 3,990 thousand.

2.3 Current and projected financial condition

The Group's financial position as of the report date is very good. As of December 31, 2022, the value of the Group's cash and other financial assets amounted to PLN 74,157 thousand, and as of March 26, 2022, the amount of Selvita Group cash and other financial assets was PLN 81,322 thousand. The increase in the level of cash compared to December 31, 2022, is the effect mainly of the surplus of operating revenues inflows over cash transactions regarding the construction and equipping of the Laboratory Services Centre made in 2023.

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 2022.

2.6. Post balance sheet significant events

No significant post balance sheet date events occurred.

2.7. Unusual events 12nalyses12 in the reporting period

COVID-19

Covid-19 pandemic, which began in the first quarter of 2020, continued during the whole reported period, and from May 16, 2022, the epidemic was abolished and the state of epidemic threat came into force. The Issuer currently does not record a negative impact of Covid-19 on operational efficiency and timeliness in terms of the services provided.

Particularly, in the reporting period direct business contacts, physical participation in conferences has been possible again, which is essential for the implementation and provision of the services offered by the Issuer and was the greatest challenge from the Issuer's perspective in recent quarters. The Issuer's Management Board expects that, due to the lifting of the restrictions related to Covid-19, this tendency will continue in the following quarters.

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

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 12nalyses 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 5th September 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.

3 INFORMATION ON THE GROUP'S ACTIVITY

3.1 THE AREA OF DRUG DISCOVERY

In 2022 a new department**, Integrated Drug Discovery (IDD),** was introduced within the Selvita Group. The IDD department is to be responsible for the scientific delivery of all IDD projects and IDD Business Development activities across the Selvita Group.

The IDD Team was formed from existing experienced employees and is being joined by more, including some of the best scientists from across the EU in the areas of DMPK, in vitro pharmacology and medicinal chemistry. In 2023, the team will seek to recruit further experienced IDD scientists from the EU and the US to support the Selvita Group's IDD activities.

The increasing complexity of the medicinal chemistry projects being undertaken across all Selvita Group sites has been accompanied by transfer of scientific expertise across our main sites in Poland and Croatia to provide the best possible scientific solutions to our partner's IDD projects.

A significant increase in the number of IDD business development activities has resulted in multiple proposals being generated. These proposals have already secured multiple new IDD projects initiated from Q2 through Q4, plus key extensions to existing projects over the same time period and into 2023. In addition, the IDD team has also begun to support our BD team at conferences, following the pandemic, and initiated visits to existing and new clients. The IDD team will continue to expand its BD support throughout 2023.

The IDD team has established routine IDD project review meeting (PRM) updates for all ongoing IDD projects following comprehensive introductory reviews of the projects during Q2 and Q3.

During H2 a focussed internal IDD training programme for our current and aspiring project leaders was initiated to ensure they are able to develop at the accelerated rate required to keep pace with Selvita's future growth plans to become a recognised IDD project CRO. The training programme will comprise 23 tutorials being generated and delivered by its participants, throughout 2023, working closely with our most experienced IDD scientists.

Throughout 2022 **the Chemistry Department** have grown in numbers of employees at each site: Zagreb, Poznan and Cracow which allow to provide support for new clients as well as expand collaborations for the existing partners. Department continued working mainly for the pharmaceutical industry clients on the medicinal chemistry and IDD projects from European clients but with the increased interest also from the US. Selvita's chemistry customer portfolio remains diversified and was additionally expanded to the new one from biotechnology sector. Selvita scientists across three research sites in Zagreb, Poznan and Cracow have worked on improving the physicochemical properties and activities of new compounds with promising pharmacological profile. One of the main tasks for our medicinal chemists was to design new scaffolds - molecular skeletons around which small libraries of compounds could be built to validate the biological hypothesis of the project to enable the project to move to the next stage of development. Medicinal chemists were responsible for studying the structure-activity relationship (SAR) and designing new, more biologically active compounds using appropriate synthetic strategy.

The team of organic chemists was focusing on the cost-effective and time-efficient syntheses of a series of compound libraries with potential activity against specific molecular targets. The analytical chemists purified and characterized the synthesized substances which were then subjected to further studies including: ADME testing, in vitro pharmacology studies, and PK profile determination. The test results were then fed back to the team of computational and medicinal chemists to enable further iterative structure optimization according to the adopted strategy.

In 2022, **the Computational Chemistry Department** continue with growing, to be able support the IDD projects by analysing the data available in the public domain, tracking the SAR for the duration of the projects, by designing next-generation structures using virtual techniques based on the protein structure, such as virtual screening or focused docking, to identify key ligand-protein interactions. Continuously, Selvita is increasing the range of available modelling tools and put significant emphasis on the application of the artificial intelligence approaches to drug discovery by employing experienced specialists. We expect AI to become an area of dynamic growth within the DD business.

In 2022 scientist have been involved in two grant projects supported by the National Centre for Research and Development (NCBiR):

1. Creation of ProBiAI platform to produce focused libraries of bioactive compounds by applying machine learning and by integrating the design, parallel synthesis and automatic purification, all of which optimized using artificial intelligence methods in order to accelerate the drug discovery process. The platform will utilize machine learning and it will integrate library design, parallel synthesis, and automatic purification. These processes will be optimized with the help of AI.
2. 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.

Both platforms were progressing according to the schedule with no major issues to be reported.

In 2022, **the Chemistry Department** continued its synthetic work mainly in the area of drug discovery, but also in the area of agrochemistry and optimization of large-scale processes. Department remains very active in implementation and development new synthetic techniques including cold isotope labelling, photochemistry as well as successful campaigns for peptide synthesis projects. In the case of peptide synthesis, we have seen a large increase in interest among our partners, for whom we have completed several such projects over the past year.

In 2022 Selvita scientist attend on several international drug discovery and chemistry focused conferences as the presenters, speakers or for the education purposes, continuing building our global presence in the biotech industry.

Similarly, to previous years more than 95% of the projects were based on the FTE model.

The Pharmacology and Translational Research Department has continued to prosecute IDD projects and integrated pharmacology projects, as well as stand-alone services for its clients during 2022. Scientific integration with Kraków site was initiated and it has included cross trainings

between sites, exploration of novel technological platforms, discussions related to introduction of AI into DD process with special focus on RNAseq, scientific review of Selvita IDD projects, as well as analysis of the offerings from our competitors in the field of oncology.

Discussion with several potential PIs related to possible increase of number of clinical sites involved in collection of existing samples (lungs) & collection novel type of samples for research (different types of malignancies incl. breast, skin, urinary, hematological malignancies) has been initiated by the Translational team. Strategic collaboration in the field of GI oncology with Faculty of Medicine and Clinical Centre in Rijeka was also initiated.

In vitro pharmacology group has continued to support hit and lead identification and optimization on various drug discovery projects, either by in vitro compound testing or ex vivo analysis of animal samples from in vivo studies. A testing of drug candidates, translational research, biomarker exploration and analysis continued to be performed on collected human tissues for several clients. First two FTE based projects that are not IDD have been initiated. Single cell labelling equipment was acquired.

Additional laboratory space has been dedicated to ex vivo work in in vivo pharmacology, in particular histopathology, clinical pathology, formulation room and laboratory dedicated for work with viruses. Most of the work was focused on bacterial and viral infections, fibrosis, gastro-intestinal diseases, inflammation, and immuno-inflammation. In addition to compound testing in number of studies across different animal models, a group has put significant focus on developing novel medically highly relevant models and procedures, such as a colonoscopy in mice, aerosol and dry powder inhalation and setting up a facility and licenses for the imaging systems. In addition, a collection of tissue samples from different animal models, dedicated to a tissue biobank storage, has been initiated and continues progressing in line with the plan.

In September, Head of In vivo joined the team at the Kraków facility with the main task to ensure functioning of new in vivo facility in Kraków, recruitment of the staff and setting up of PK and oncology models. A clear plan towards bringing animal facility in Krakow to full functionality including obtaining of relevant licenses has been mapped. A competitive landscape of in vivo oncology offerings has been explored and market inputs collected from the potential clients. A plan has been made to set up first oncology in vivo models in Zagreb and transfer them later to Krakow.

In addition, the Pharmacology and Translational Research Department has been active in external scientific communication.

In May, a role of pathology in biomedical research was presented at LAS webinar series and our research on repurposing of tetracycline antibiotics as new immuno-oncology agents presented at 7th Croatian Congress of Microbiology with International Participation won the best poster award.

In June, effects of oseltamivir on pulmonary changes in an immunocompetent murine model of influenza B (Florida/04/2006) were reported on AMS- Microbe Conference and histopathological changes in pancreas in a diet-induced mouse model of non-alcoholic steatohepatitis were presented at 28th Ljudevit Jurak International Symposium on Comparative Pathology in Zagreb. Furthermore, we have evaluated several different semisynthetic high-fat diets in development of a 4-week mouse NASH model and have reported outcome of the study at EASL International Liver Congress, also held in June.

Effects of ALK5 inhibitor on collagen 1A1 deposition in mouse models of toxic and metabolically induced liver fibrosis were presented on 34th European Congress of Pathology in Basel in September.

In October, findings related to claudin-2 overexpression in stem cell zone correlates with increased intestinal permeability and epithelial cell proliferation during short recovery period in acute murine DSS model of inflammatory bowel disease were reported on UEG Week Conference in Vienna and setting up of human skin explant as a model for inflammation and wound healing was communicated at 3rd International Conference on Tissue Repair, Regeneration, and Fibrosis in Chania, Greece.

In collaboration with Croatian Society for Mucosal Immunology, we have organised Mini-Symposium titled „Bridging Translational Gap in Inflammatory Bowel Disease“ in our facility in Hondlova at the very end of 2022.

Five articles have been published in scientific journals, two of them from internal work and three from collaboration with academic institutions. Furthermore, two review articles have been published in specialised bimonthly medical journal.

1. Unprecedented Epimerization of an Azithromycin Analogue: Synthesis, Structure and Biological Activity of 2'-Dehydroxy-5"-Epi-Azithromycin. Goran Kragol, Victoria A Steadman, Zorica Marušić Ištuk, Ana Čikoš, Martina Bosnar, Dubravko Jelić, Gabrijela Ergović, Marija Trzun, Berislav Bošnjak, Ana Bokulić, Jasna Padovan, Ines Glojnarić, Vesna Eraković Haber. Molecules. 2022;27(3):1034. Published 2022 Feb 3. doi:10.3390/molecules27031034
2. Synthesis, photochemistry and computational study of novel 1,2,3-triazole heterostilbenes: Expressed biological activity of their electrocyclization photoproducts. Mlakić M, Faraho I, Odak I, Talić S, Vukovinski A, Raspudić A, Bosnar M, Zadravec R, Ratković A, Lasić K, Marinić Ž, Barić D, Škorić I. Bioorg Chem. 2022 Apr;121:105701. doi: 10.1016/j.bioorg.2022.105701. Epub 2022 Feb 23.PMID: 35228009
3. Isolation of MDCK cells with low expression of mdr1 gene and their use in membrane permeability screening, Ana Bokulić, Jasna Padovan, Darija Stupin Polančec, Astrid Milić:. Acta Pharmaceutica, June 2022
4. New naphtho/thienobenzo-triazoles with interconnected anti-inflammatory and cholinesterase inhibitory activity. Mlakić M, Odak I, Faraho I, Talić S, Bosnar M, Lasić K, Barić D, Škorić I. Eur J Med Chem. 2022 Jul 19;241:114616. doi: 10.1016/j.ejmech.2022.114616.
5. Biological evaluation of novel bicyclic heteroaromatic benzazole derived acrylonitriles: synthesis, antiproliferative and antibacterial activity. Perin N, Cindrić M, Zlatar Ivo, Persoons L, Daelemans D, Radovanović Vedrana, Banjanac Mihailo, Brajša Karmen, Hranjec M. Medicinal Chemistry Research 2022; 31(8):1-12, DOI:10.1007/s00044-022-02915-w
6. Chronic intestinal inflammation: immune cells and signalling pathways. Marija Podolski, Lidija Požgaj, Ema Prenc, Vesna Eraković Haber. Medix, Year XXVII, 153/154- September/October 2022.
7. Human gut microbiome, big dana and inflammatory bowel diseases. Marko Banić, Sanja Pleško, Vesna Eraković Haber. Medix, Year XXVII, 153/154- September/October 2022.

In 2022, the **Department of Cell and Molecular Biology (CMBD)** has continued the execution of Drug Discovery projects based on SAR (Structure-Activity Relationship) studies. 50% of scientists in the department (FTEs) have been involved in the execution of above mentioned projects for several biotech and pharma companies from Europe and USA. Their role was to develop and optimize panel of biochemical and cell-based assays that were then used to determine activity and efficacy as well as mechanism of action of novel drug candidates. Several new projects were launched for customers from EU, UK and USA. One of them was an integrated Drug Discovery project for European customer in the area of neuroscience. It`s novelty lies in design and synthesis of peptide ligands and screening cascade for assessment of both efficacy and selectivity at the same time. In addition, collaborations with several other European customers have been expanded.

In 2022, the High-Throughput Screening team (HTS) won several new projects executed for customers from both Europe and USA. The aim of those projects was to analyze libraries of NCEs in order to identify active hits (hitID, Hit Identification). Selvita's Imaging team (HCS) in turn performed few programs for European clients that helped them to understand the mode of action of drug candidates as well as validate the targets (Target Validation). It is worth emphasizing that both groups together initiated execution of HCS-HTS campaign of 100k compounds for European client. At the same time new libraries were delivered (200k diverse compound library, additional library of fragments, CNS-, kinase-focused) and now they are offered by the HTS team. Biophysical team installed two major pieces of equipment that broaden the portfolio of available techniques to support Fragment-based Drug Design capabilities.

The In Vitro Pharmacology Team has commenced the process of obtaining tumor samples from patients for the analysis of the activity of anticancer compounds. The aim of the project is to build a repository of cell cultures derived from tumors for testing drug candidates (Translational Research in oncology).

Moreover, in the described period of time, scientists from Selvita`s Cell and Molecular Biology Department have been engaged in the execution of three projects co-financed by National Center for Research and Development (NCBiR). Activities performed within the scope of the first project "HiScAI – Development of phenotypic assay platform, based on high-content screening technology (HCS) with the analysis using artificial intelligence algorithms, to facilitate drug discovery process for treatment of neuroinflammatory and fibrotic diseases" have been focused on development of complex assays enabling multiparametric analysis of phenotypic changes in cells with the use HCS technology and AI computational procedures. In H1 2022 the HiScAI team successfully completed Industrial Research Package in the grant – set of AI-supported assays in the field of neuroinflammation were developed. Currently the execution of these assays is being fully automated to increase throughput. Concurrently assays for fibrotic diseases are being developed and next milestone will be reached according to the plan in Q1 2023.

In the second project "Technology platform for new generations of drugs against diseases caused by coronaviruses, in particular SARS-CoV-2" CMBD scientists were supporting the activities of chemists by conducting biochemical and cell-based assays on compounds that are supposed to have anti-viral activity. In H2 20222 the team managed to generate compounds with high inhibitory activity against coronavirus proteases and at the same time reached the project milestone. The biology activities in the third project "Creation of ProBiAI platform for generation of targeted libraries of biologically active molecules utilizing machine learning, integrating design, parallel

synthesis and automated purification in order to accelerate drug discovery process" has been initiated and include designing of experiments, sourcing of required materials and execution of the preliminary experiments.

It is worth noting that in 2022, the Cell and Molecular Biology Department made a number of significant investments in scientific equipment thus developing all platforms (HTS, HCS and biophysical). Moreover, structure of the department was expanded by employing experienced specialists, promoting most talented ones as well as by building new functional teams.

In 2022, as in previous years, in addition to revenues generated by medicinal chemistry and integrated projects, a significant part of the Drug Discovery revenues came from the production and purification of recombinant proteins and the structural analysis of protein-ligand complexes, which **the Department of Biochemistry** in Krakow specializes in. High-quality recombinant proteins have been produced using both bacterial and eukaryotic (insect and mammalian cells) expression systems that enable the production of a wide variety of proteins, including those that are relatively difficult to produce. Similarly, crystal-grade proteins have been purified for respective projects and were used to generate high quality diffracting crystals followed by the structure solution and 3D model building. These research projects were carried out for both European and US clients representing the global pharmaceutical and biotechnology concerns, as well as smaller biotech companies related to the Drug Discovery activity.

The significant number of projects carried out in the Biochemistry Department in 2022 was undoubtedly related to the recognition of the brand of services of the Recombinant Protein Production and Selvita's Structural Biology Platforms.

In addition, in 2022, the Biochemistry Department successfully completed the project co-financed by the Małopolska Center of Entrepreneurship. This project aimed to expand the Structural Biology Platform related to the crystallography and structural analysis of protein-ligand complexes. It involved the development and implementation of methods for the production and crystallization of various classes of proteins as molecular targets that may be potentially important in the process of drug discovery.

In 2022, **the DMPK Department** was focused on building cross-site capacity in ADME to provide increased throughput and capacity required for early phases of drug discovery. This included expansion of laboratory space in Krakow, as well as further automation through state-of-the-art automated liquid handling platforms, ultrafast liquid chromatography–tandem mass spectrometry (LC-MS/MS) for sample analysis, software tools and cross-training of staff. In addition, a group of DMPK project representatives was established, to provide support for IDD projects and Clients with respect to in vitro/in vivo correlation, target engagement, PK/PD, and to ensure translation from in vitro and in vivo PK data to the prediction of human dose and regimen and providing input into exposure for pharmacodynamic and safety studies.

Furthermore, the DMPK Department continued to support Clients across a range of pharmaceutical organisations either through standalone services or within integrated drug discovery projects. DMPK services include a full suite of standard in vitro ADME assays required to progress discovery projects; in vivo rodent PK, PK/PD and toxicology studies; as well as GLP bioanalytical support (clinical). Revenues and staff growth has been consistent and on track to exceed the expectations.

During 2022, Selvita chemists continued their work in the Drug Discovery area, providing synthetic organic chemistry support for research projects aimed at developing new therapies. The main task of the chemist teams was to synthesize a series of libraries of compounds with potential biological activity, their purification and qualitative analysis to support customers' R&D projects. Cooperation in this area is most often based on long-standing relationships with customers and contracts that Selvita has signed with them in previous years.

3.2 REGULATORY STUDIES

At the beginning of 2022, Selvita's Analytical Department was transformed into **the Development and Contract Testing Department** and throughout the year, it worked within three teams: Analytical Laboratory, Quality Control Laboratory, and Biological Assays Laboratory.

Analytical Laboratory carried out projects related to the development, optimization, and validation of analytical methods for leading manufacturers of generic drugs.

In the area of small-molecule innovative drugs, research was conducted to support the CMC process for several new molecules at various stages of development. For the most advanced project, analytical methods were revalidated, stability studies were performed, and part of the registration documentation was prepared. The project was implemented as part of FTE collaboration. For biological drugs, the collaboration involved research work on novel molecules. A package of analytical methods was adapted, and release analyses for toxicological studies and stability tests were performed.

In 2022, projects conducted for a client operating on the US market were extended in the field of research on a biological drug. The work concerned both the active substance and the finished product, including the development and validation of analytical instrumental methods (such as HPLC, CE), biological methods and verification of compendial methods. Forced degradation studies and stability studies were carried out. One of the projects covered full characterization of the active substance.

In the area of biological drugs, several new customers were acquired for whom various analytical methods were developed, method validations and standard certifications were performed. The work covered a wide spectrum of analytical techniques such as LC-MS, HPLC and CE.

In the area of small molecules, the range of services related to the analysis of nitrosamines in medicinal products using the LC-MS technique has been significantly expanded. For products of plant origin, works related to the analysis of pyrrolizidine alkaloids were carried out. The number of projects related to the development and identification of impurities in pharmaceutical products with various matrices (tablets, capsules, plant matrices, ointments, gels) has been increased. Research and development projects based on the characterization of the tested compound were also carried out in order to confirm its structure. In order to ensure efficient implementation of projects in this area, three additional LCMS-QQQ systems were purchased.

In 2022, by combining competences, a team specializing in the analysis of metals and ions was created. This group performs both screening analyzes and analyzes in the GMP and GLP system. Due to the expansion of cooperation related to this area, additional equipment was purchased to determine trace amounts of metals (ICP-MS).

In 2022, new transfers of analytical methods for biological products were initiated.

In the area related to gas chromatography analyses, in 2022, an increased number of projects related to the analysis of the content of impurities at a low concentration level from the group of nitrosamines, determination of the content of DMS, glycols, dioxins, and furans, and identification of impurities.

The team also carried out a wide range of release analyses where gas chromatography was required.

In 2022, there was an increasing demand for GC-MS analyses of the content of low-molecular nitrosamines and glycols in raw materials and pharmaceutical and agrochemical products. Unknown contaminants were also identified using this technique. Orders were carried out concerning not only the reconstruction and transfer of such methods but, above all, the development of new analytical procedures dedicated to specific product matrices and the interpretation of test results for unknown pollutants. The laboratory equipment, as well as the experience of the team's employees, fully allows for the implementation of such advanced projects.

For agrochemical companies, projects in GLP system were realized. The research included 5-batches analyzes of agrochemical substances such as technical materials and formulations. Validations of methods, certification of active compounds and impurities as well as physicochemical analyzes of active substances, metabolites and formulations were carried out. Services were provided for four large global agrochemical companies.

The services provided within the Analytical Laboratory of the Development and Contract Testing Department have been primarily dominated by studies on large molecules.

In the area of studies on large molecules, a key group of projects was related to proteomic research, based mainly on the mass spectrometry platform and studies on comprehensive protein characterization in accordance with ICH guidelines that have been supplemented with complementary techniques. As a result, teams of specialists operating in various fields of science were involved in the implemented projects, which allowed for tailored and holistic support of the Client’s requirements and their successful finalization. This group has significantly expanded its portfolio and has acquired many new customers by implementing multidimensional projects in broadly understood protein analysis. For example, a new service for analyzing host cell protein impurities (HCP) has been implemented as an essential part of protein-related regulatory research. Moreover, by purchasing the latest generation of the high-resolution mass spectrometer, the throughput of the implemented projects was significantly increased.

In 2022, in addition to the revenues generated by the proteomics team, a significant part of the profits came from bioanalytical projects, including research conducted under the rigor of GLP/GCP, and those supporting development research. For this purpose, a triple quadrupole mass spectrometer was also purchased, allowing for the simultaneously implementing of more projects.

In 2022, the activities of the Biological Assays Laboratory focused on the execution of projects for biological drugs using cell-based, biochemical, and biophysical methods. Many GMP-compliant routine batch release and stability tests have been carried out on biological drugs of various classes for European, US, and Australian customers. In 2022, BAL successfully validated biological assays

to assess the activity of peptide vaccines for treating patients suffering from unresectable/metastatic melanoma. Moreover, scientists from Selvita's BAL validated the methods for analyzing a biological product with cytostatic and immunotherapeutic properties used in cancer therapy. In addition, BAL completed the optimization of the bioassay for an innovative biological drug for a European customer and initiated a transfer of methods for new products. In 2022 BAL was equipped with additional qualified multimode microplate readers and a flow cytometer, which increased the portfolio of services.

In the area of regulatory and release studies, in the Quality Control Laboratory, certification of active substances as well as biological and small molecule finished products were carried out for several regular pharmaceutical companies, expanding portfolio with veterinary drugs. To provide complex services to pharmaceutical companies, stability tests of products seasoned under controlled conditions in stability chambers were continued. The transfer of two new products was completed, and the transfers for further two are ongoing.

3.3 R&D / Research and Development

An additional stream of revenues in 2022 came from the R&D projects.

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

In 2022, Selvita scientists also worked on contract synthesis of pharmaceutical and chemical compounds on a scale from mg to kg – providing the customers with active substances, intermediates, impurities and degradation products.

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

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

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

3.4 ARDIGEN S.A.

Ardigen is an AI CRO which transforms AI in drug discovery programs carried out by pharmaceutical and biotechnology companies. The company provides value at the intersection of biology and Artificial Intelligence to increase the likelihood of success and accelerate drug discovery processes. Thanks to its own platforms, it supports scientists in discovering valuable knowledge in large sets of biological and chemical data, helping them develop innovative drugs and concepts of personalised medicine.

Based on its very high competences (of international standard) in the field of biology and chemistry, bioinformatics, data science, computer science and own computing platforms using Artificial Intelligence, Ardigen does, using computers, research and simulations that replace and extend traditional research and laboratory experiments. Thanks to the Company, 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 the world's leading pharmaceutical and biotechnology companies as well as by research and scientific centres working on new drugs, therapies, biomarkers or involved in other advanced R&D in the field of medical biotechnology.

Ardigen competes on the global market of Artificial Intelligence in drug discovery (AI in Drug Discovery market). This market has emerged relatively recently as a segment of the bioinformatics market and the drug discovery market. The use of Artificial Intelligence technology and bioinformatics tools in the pharmaceutical and biotechnology industry provides biologists and chemists with unprecedented opportunities. Even partial replacement of the work of scientists in traditional laboratories by Artificial Intelligence technologies makes it possible to conduct research on new therapies on a significantly greater range, larger scale, faster, cheaper and with a lower risk of failure than before. As a consequence, it will be possible to launch a much bigger number of innovative drugs on the market. Artificial Intelligence is a revolutionary, ground-breaking change in the drug discovery market. Pharmaceutical companies are starting to build their AI strategies and are changing their organisational structures to make optimal use of AI technologies.

Companies dealing with Artificial Intelligence in drug discovery operate in the environment of pharmaceutical, biotechnology, technology companies and financial investors. The value of the global AI in Drug Discovery market was estimated at approx. USD 920 m in 2021. Forecasts for the coming years indicate a very rapid growth (CAGR of 53.3%), at least until 2029. In 2029, the AI in Drug Discovery market may reach the value of USD 24.6 billion (Source: Data Bridge Market Research, August 2022).

In a 2023 report by an analytical company called Deep Pharma Intelligence, Ardigen is listed in a narrow group of 40 global leaders out of 700 companies identified as operating on the AI in Drug Discovery market. This good position is the result of 8 years of scientific work, the Company's active presence on the US and European markets, the implementation of over 300 commercial projects with over 50 clients, including with 10 large pharmaceutical companies.

Ardigen positions itself as AI CRO on the AI in Drug Discovery market, i.e. a company which may be outsourced to perform part of the drug discovery process in a completely different approach than the traditional process. The central point in the Ardigen approach is biological and chemical data processed by AI algorithms coupled with appropriate laboratory experiments working in AI-Lab feedback loops.

Towards the end of 2022, Ardigen employed over 180 staff, of which 40 are the R&D team, systematically working on the development of own platforms, adapting emerging scientific discoveries and AI technologies, which are becoming more and more mature every year.

A significant event in 2022 was the conclusion of an agreement with the BROAD Institute (MIT and Harvard) as a result of which Ardigen joined the JUMP-CP consortium alongside such companies as: Janssen, Pfizer, Amgen, AstraZeneca, Bayer, BioGen, Eisai, Merck, Servier, Takeda. The role of Ardigen is to support the consortium in the field of imaging analysis competence in relation to information on chemical compounds. Participation in the consortium gives the Company access to large amounts of data and, most importantly, to experienced drug discovery experts focused on the development of the latest concepts of phenotypic drug discovery. The key role in this approach is played by AI technologies, which in the JUMP-CP consortium are represented only by Ardigen.

Towards the end of 2022, the Company compiled a new commercial offer for 2023, presenting a new approach to the drug discovery process. This offer is a significant step towards building a modern approach to an automated and integrated drug discovery process, in which advanced computational methods are as important as laboratory experiments. In the traditional approach, calculations limited to bioinformatics played only an auxiliary role.

In 2022, the sales force grew. Two more staff joined the team which works in the USA on a permanent basis. One of the new staff members focuses on business development and sales of the PhenAID platform.

One of the elements of Ardigen's strategy is infrastructural preparation of biotechnology and pharmaceutical companies to work with AI technology. For this purpose in 2022 the Company obtained AWS certification, becoming the official partner of AWS - a supplier of the Cloud platform widely used by biotechnology and pharmaceutical companies in AI in Drug Discovery projects.

The year 2022 also marked intensive growth of the Ardigen team, which was joined by many talented specialists from Poland and abroad. In the months of May and June, the "Code Against Cancer" marketing campaign targeted at potential employees was launched. These activities translated into a significant increase in the interest in the company from Poland and abroad. The strength of Ardigen lies in its team of world-class specialists, hence Employer Branding activities aimed at acquiring talents are of particular importance.

In July, Ardigen was awarded the title of Great Place to Work, obtaining, for the second year in a row, a high score in the survey, confirming the organisational culture of the Company which is attractive for employees. The Company's great care for the People & Culture area translates into very high employee retention, which is particularly important for high-tech companies.

RESEARCH AND DEVELOPMENT

In 2022, the Company conducted intensive research and development in the following areas:

- biomedical imaging,
- immunology,
- the microbiome.

BIOMEDICAL IMAGING

In 2022, the company was involved in development in the area of application of machine learning methods supporting the early stage of the small molecule drug discovery process, in particular based on imaging data from phenotypic drug discovery experiments.

In the previous period, the team was working on the basic functionalities of the PhenAID technology platform, which include methods for predicting the mechanism of action of small molecule compounds, their properties, and identifying hits. 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 the structural data of the molecules and their imaging from High-Content Screening (HCS) experiments. The results of the research were presented at a conference in Boston organised by the Society for Biomolecular Imaging and informatics (SBI2 2022) and ELRIG (UK Drug Discovery 2022) in London.

An important event in the first half of 2022 was the signing of a contract for the continuation of work with a key partner (a company from the segment of the largest pharmaceutical companies). Work on this project covers the scope of innovative application of computer vision technology in the process of small molecule drug discovery. The project is focused on the development of algorithms to predict the properties of small molecule compounds based on imaging from HCS experiments.

In addition, in the second quarter of 2022, a separate agreement was signed with the same partner under which research was conducted to explore the possibilities of improving existing solutions based on alternative data sets.

An important event in the third quarter of 2022 was the signing of an agreement under which Ardigen joined the 'JUMP-Cell Painting Consortium' alongside companies such as Amgen, Astra Zeneca, Bayer, Biogen, Eisai, Janssen, Merck KGaA, Pfizer, Servier and Takeda. The consortium is developing the world's largest imaging dataset characterising cellular phenotypic changes caused by the action of small molecule compounds. Joining the consortium significantly supports research, enabling the improvement of existing technological solutions, as well as strengthens the credibility and recognition of the Company in the area of Phenotypic Drug Discovery.

In addition, in 2022, the Company continued to work together with Selvita S.A. on a contract with the National Centre for Research and Development (NCBiR) to co-fund a project to develop a phenotypic research platform based on HCS aimed at discovering new drugs in neuroinflammatory and fibrotic diseases. As part of this project, Ardigen continues to develop technology based on computer vision methods, which will enable quick and precise analysis of imaging received from the HCS platform.

In the last quarter of 2022, work was carried out on updating the 2023 offer, including improvements to the PhenAID Technology Platform.

IMMUNOLOGY

The immunology team continued to develop the AI platform - ArdImmune, which consists of four main components: ARDentify, ARDisplay, ARDitox and TCR Suite. Platform components allow to identify and predict neoantigens, antigen presentation, detection of potential toxicities, and design

and optimisation of T cell receptors (TCRs). The above project is co-financed under the 2014-2020 Smart Growth Operational Programme.

Significant improvements were made to the neoantigen prediction and ranking component during the study. In addition, the focus was on improving the component to detect potential toxicities and a patent application was filed. Cooperation with an academic centre in Germany is also continued, the purpose of which is to develop and validate the component on the identification of toxicity and optimization of TCRs.

A total of 100 patients with colorectal cancer were recruited as part of an observational clinical trial number NCT04994093. The obtained biological samples are used to conduct experiments that will be used to develop the pHLA:TCR database, which is crucial for the operation of the ARDImmune platform.

Laboratory experiments were carried out by three European subcontractors who specialise in particular stages of the experimental process designed by Ardigen immunologists.

THE MICROBIOME

In 2022, the BioForte project co-funded under the 2014-2020 Smart Growth Operational Programme was completed. The project started in the fourth quarter of 2017. In December 2022, the final application for payment was submitted along with the final report summarising the research results. The project developed a technology that allows in silico determination of the bacterial compositions of candidates for next-generation probiotics that will make the gut microbiota of patients not responding to selected immunotherapies similar to that of patients who have benefited from these therapies. Laboratory experiments were carried out to validate the developed platform. The selection of bacterial strains made by the platform under development was validated. By real-time PCR analysis of the samples, the presence of characteristic sequences belonging to the given strains was determined in each of the samples. These sequences were selected by an AI algorithm as differentiating the two groups of patients. In addition, the strains selected as a result of platform operation due to their probiotic nature predicted by the AI algorithms, were tested for actually having this feature. The positive result of laboratory experiments confirmed appropriate operation of the Ardigen Microbiome Platform in the selection of bacterial strains and the accuracy of determining the composition of a new generation probiotic candidate. The resulting platform was implemented in Ardigen operations and was included in the Company's 2023 offer.

In the first half of 2022, a project co-funded under the 2014-2020 Smart Growth Operational Programme was completed. "Map of the Microbiome of Poland", implemented jointly with the Institute of Bioorganic Chemistry of the Polish Academy of Sciences in Poznań. The project accounts were settled and thus it entered the durability phase.

Together with the Central Forensic Laboratory of the Police, the Jagiellonian University, the Pomeranian Medical University in Szczecin, and the Medical University of Warsaw, the company continues a project of developing tools enabling the use of environmental microbiome analysis for forensic purposes. The planned closure of the project is scheduled for the second quarter of 2023. The project is co-funded as part of competition No. 10/2019 announced by the National Centre for

Research and Development for the implementation and funding of projects in the field of scientific research or development for the defence and security of the state.

3.5 Market and competitive landscape

R&D Funding in 2022

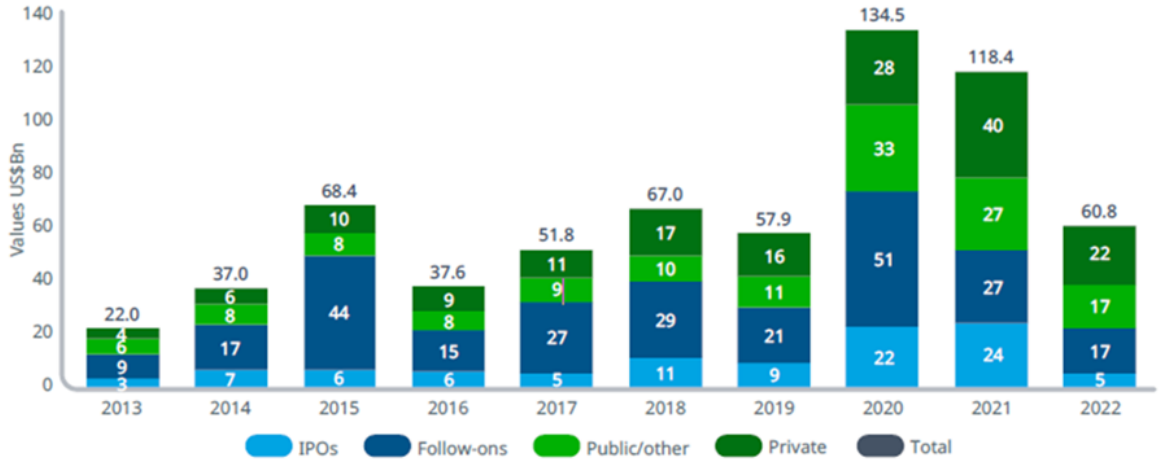
According to the report "Global Trends in R&D 2023" issued by IQVIA Institute, the past year (2022) has seen a return to pre-pandemic levels of funding for biopharmaceutical companies in both initial and follow-on public offerings and private market investment in the US after two years of increased access to capital being a direct result of the Covid-19 pandemic.. The level of investor activity continues to exceed that of 2019, although the mix of funding types has shifted, and IPO activity was notably lower. The shifts in deal activity reflect changes in the types of companies being invested in, their therapeutic areas and project development. Start-ups with a focus on COVID-19 had seen funding expand during 2020 and 2021 but slowed in the most recent months.

The above is part of a general trend of cyclicality in biotech funding. According to a February 2023 analysis by investment bank Raymond James, the current funding cycle is approaching its longest observed downward trend. The current cycle is approximately 21 months away from the last funding peak, compared to a 14-month median. A positive conclusion from the report, however, is that the peaks are increasing each time, suggesting that once funding is unfrozen, access to capital and activity in the markets should be observed at levels higher than they were during the record post-pandemic period.

Research in the area of oncology continues to be a focus, growing at a CAGR of 10.5% over the past five years, with the development of projects in the area of solid tumours contributing more significantly to the growth.

Biopharma funding levels slowed in 2022 but still exceed the 2019 level

Exhibit 1: Biopharma funding levels US$Bn, 2013–2022



Source: "Global Trends in R&D 2023", IQVIA Institute, February 2023

Global Drug Discovery Outsourcing Market Overview

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

Drug discovery outsourcing is a growing market because the benefits outweigh the costs for pharmaceutical and biotechnology companies. Outsourcing is still a rapidly evolving market and therefore CROs constantly have to adapt to the pharmaceutical business needs. According to an analysis by investment bank Houlihan Lokey, the outsourcing of new drug research and development is expected to increase from around 27% in 2020 to around 36% in 2027.
According to The Insight Partners report („Medical Device and Diagnostics Contract Research Organization Market Forecast to 2028 - COVID-19 Impact and Global Analysis by Type and Services and Geography) on The Global Drug Discovery Outsourcing Market Forecast, the drug discovery outsourcing market reached USD 50 billion in 2021. This market is predicted to expand in the next decade with strong growth in the drug discovery outsourcing resulting in reaching approx. USD 89 billion market worth by 2028. This growth stems from an increasing demand for outsourced services as pharmaceutical companies become more willing to share the burden of high-risk/high-reward novel drug discovery. Another driver is the arrival of big pharma patent cliff, as the pharmaceutical industry has undergone a number of patent expiries over the last few years, it will be looking to infuse the pharmaceutical drug pipelines with a new set of candidates with a high potential of introduction to the market. The drug discovery outsourcing market is one of the fastest growing sectors of the pharmaceutical contract research markets. Increased costs in the discovery and development of new drugs, due in part to high attrition rate of drug candidates in development, has driven companies to outsource part or all of their discovery process. CROs have evolved rapidly to meet the needs for full spectrum of companies from virtual companies to large pharma. In recent years, Visiongain has observed an increasing number of collaborations between pharmaceutical sectorand 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.

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

At the same time, the drug discovery outsourcing market is becoming increasingly global as pharmaceutical and biotechnology companies are increasingly seeking collaboration partners in order to outsource their drug discovery process in different parts of the world. According to Coherent Market report, North America was the world's largest market among the region in 2019 with sales of USD 12,174.4 million. Followed by North America market was Europe, with sales worth USD 6,831.2 million in 2017, representing 33.9% share of the global market. In 2028, the Asia-Pacific market is expected to generate sales of USD 13,662.7 million, with a share of 19.9% of the global market with a rise from 19.1% in 2023.

The European drug discovery outsourcing market is expected to grow from USD 6,831.2 million in 2017 to USD 23,494.8 million in 2028, with 2023-2028 CAGR of 11.3%. The Europe will remain as the second largest region in the drug discovery outsourcing market despite losing market share to emerging economies such as China and India.

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

Pharmaceutical Analytical Testing Outsourcing Market

According to GVR's report on the pharmaceutical analytical testing outsourcing market was valued at USD 6,500.00 million in 2021 and is expected to grow with CAGR of 8.9% over the forecast period

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

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

Market growth factors:

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

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

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

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

Selvita's competitive position

The contract research industry is highly competitive. We often compete for business not only with independent CRO companies, but also with internal departments within some of our customers. If we are not successful in this competition, especially with respect to the competitive advantage of outsourcing requirements, our business will suffer. Whilst there is a small number of larger outsourcing service providers, which have emerged as leaders within the industry, 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 are planned for the current year to increase the company's sales potential and intensify sales departments in the US and the UK. 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.

In the US, it is planned to hire three experienced specialists (Senior Director Business Development) and one person at sales support level (Internal Sales Specialist). For other markets, the plan is to recruit three specialists (Director Business Development) and one sales support person (Internal Sales Specialist) for the European market and one experienced person (Director Business Development) in the UK. For the sales team responsible for the implementation of the company's GLP/GMP testing offer, it is planned to employ an additional person in the sales support team (Internal Sales Specialist).

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 2023, Selvita's representatives will attend nearly 120 scientific conferences, which is a 20% increase compared to 2022.

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 our business and financials. As a result of competitive pressures, the CRO market has

experienced consolidation in recent years and such a trend toward consolidation is expected to continue.

An important factor mitigating the above risk and ensuring increased competitiveness of the Selvita Group's services was the acquisition of Fidelta d.o.o. (currently Selvita d.o.o.) at the beginning of 2021. The addition of Fidelta to the Issuer's Capital Group have had a positive impact on building a competitive advantage in the consolidating market, mainly by introducing services in the areas of in vivo pharmacology and toxicology to the offer, as well as extending the offer and scale of operations in other departments, resulting in strengthening Selvita's market position. It should be noted that customers prefer suppliers that are in a position to provide a comprehensive offer. Supplementing the offer of services provided by the Selvita Capital Group with new areas and competencies is in line with the Issuer's Strategy related to building the international position of a CRO providing comprehensive Drug Discovery and Development services for clients from the biotechnology and pharmaceutical industries. Mergers and acquisitions remain one of our top, long-term priorities for disciplined capital allocation and enhancing our development strategy with a focus on enhancing the scope of our scientific capabilities, expanding our global presence, entering into new therapeutic areas, and maintaining our position in advanced and emerging therapies.

Important suppliers and customers

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

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

There were no such changes in the 2022 financial year.

3.7 Sponsoring and charitable activities

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

In 2022, a significant part of CSR activities was focused on supporting the victims of the war in Ukraine and the refugee crisis related to Russia's attack on Ukraine. Actions taken in this regard were primarily focused on supporting Selvita employees from Ukraine and their families located in the area affected by the armed conflict. We decided to organize transport to Krakow for all willing relatives of our employees who were in Ukraine at the time of the attack. Moreover, Selvita’s employees were involved in the collection of food, clothing and basic necessities for refugees, as well as in a financial collection aimed at the purchase of powerbanks for the Ukrainian Territorial Defense. In addition, Selvita S.A. made a donation of PLN 50,000 to the Polish Humanitarian Action (PAH) and funded the purchase of a generator for the Ukrainian city of Turka.

Furthermore, 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 2022, 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.

Moreover, as every year we took part in a Kraków charity run 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 2022 to PLN 13 000 PLN.

3.8 Employment data

Due to the dynamic development of Issuer and its Capital Group, employment in 2022 increased significantly. At the end of 2022, there were 1046 people employed in the Capital Group, including 402 in Selvita S.A. whereas, at the end of 2021, the Group employed 864 people, including 335 in Selvita S.A. Data includes people employed under employment contracts, as well as associates providing services under civil law contracts.

	As of 31.12.2022	As of 31.12.2021
Selvita S.A.	402	335
Selvita's Affiliates	644	529
[TOTAL]	**1046**	**864**

3.9 Significant events

A) During the reporting period

Conclusion of significant purchase orders

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

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

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

Changes in the Management Board

On 31 January 2022, the Issuer's Supervisory Board appointed Ms. Adrijana Vinter to the Issuer's Management Board with effect from 1 February 2022. Ms. Adrijana Vinter currently serves as Managing Director of Selvita d.o.o., based in Croatia, a subsidiary of the Issuer. Joining the Issuer's Management Board, Ms. Vinter will be responsible for overseeing the drug discovery services provided across the Issuer's group.

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

Conclusion of a real estate purchase agreement

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

Announcing the new Selvita Capital Group Strategy for 2022-2025

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

The business objectives of the Company's previous strategy for 2020-23, as reported in the current report no 10/2020 on April 29, 2020, that assumed an increase in sales revenue to EUR 70 million, an increase in the scale of operations through acquisitions and over EUR 230 million in market capitalisation, had been achieved by the end of 2021.

In view of the above, the Company's Management Board decided to present a new development strategy for 2022-2025. During this period Selvita plans to triple its sales revenue (to EUR 200 million), maintaining high profitability. The 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.

To implement the Strategy the Company plans to allocate funds in the total amount of approximately EUR 210 million, including approximately EUR 40 million to finance organic growth, approximately EUR 60 million for laboratory infrastructure development and approximately EUR 100 million for acquisitions.

Selvita's Management Board anticipates that the capital expenditures will be financed with own funds, from grants, as well as with bank loans and debt instruments, including leasing agreements (the assumed target level of net debt to EBITDA is below 3x). In the area of acquisitions, in the years 2022-2025 Selvita plans to acquire at least two preclinical CROs in Europe or North America, providing services complementary to the Company's offer or enabling the expansion of the scale of its operations.

Obtaining a permit for investments subject to tax relief

On April 12, 2022 the subsidiary Selvita d.o.o. received the decision of the Minister of Economy and Sustainable development No. 517-03-02-01-01-22-8 of April 7, 2022 on the issuance of a permit for investments subject to tax relief.

Obtaining this permit will enable the company to take advantage of the income tax relief in the amount of 25% of the investment expenditure incurred in the period from March 26, 2021, to March 26, 2024.

Receipt of a series of significant purchase orders

On August 1, 2022 Selvita d.o.o. received a purchase order ("Order") under a framework of Research Service Agreement executed on 16th of July 2015, amended as of 18th July 2022 between the Company and one of the largest pharmaceutical company with its registered offices in Europe ("Client"). In accordance with the Order until July 31st, 2023 the Company shall provide ADME/DMPK services including physicochemical profiling and analytical services to the Client that will support its research programs with a total indicative value of EUR 2,200,000 (PLN 10,360,240 converted at the rate EUR 1 = PLN 4.7092). The exact value of the Order will be based on a number of performed assays. The total value of the collaboration between Selvita together with its affiliates and the Client in the first six months of 2022 amounts to EUR 1,705,115 (PLN 8,029,728 converted at the above rate).

On October 3, 2022, the subsidiary Selvita d.o.o. received a purchase order expanding the scope of existing cooperation under a framework of Research Service Agreement dated 16th of July 2015, amended as of 18th July 2022 ("Order"), concluded between the Company together with its subsidiaries and one of the largest pharmaceutical capital groups in Europe ("Client"). Under the Order the Company shall provide ADME/DMPK services including physicochemical profiling and analytical services to the Client that will support its research programs. The Order's increase will raise the estimated value of the Order by the amount of EUR 1,400,000 (PLN 6,758,080 at the exchange rate of EUR 1 = PLN 4.8272) to the total amount of EUR 3,600,000 (PLN 17,377,920 at an exchange rate of 1 EUR = 4.8272 PLN). The total value of services provided by Selvita Capital Group

to the Client's capital group companies during the eight months of 2022 amounted to EUR 2,727,134 (PLN 13,164,419 converted at the exchange rate of 1 EUR = 4.8272 PLN).

On December 9, 2022 the Company has received a purchase order with a total value of EUR 1.083.876,00 (PLN 5.084.679,10 converted at the average exchange rate published by the National Bank of Poland on December 12, 2022, EUR 1 = PLN 4,6912) under a framework agreement executed on June 20, 2018 ("Purchase Order") between Selvita and one of the largest pharmaceutical companies in the world with its registered office in Germany ("Client"). Selvita's business cooperation with the Client has begun in 2011. Selvita had reported expansion of its business relationship with the Client in the current stock report no 6/2020 dated March 30th, 2020 and current stock report no 32/2021 dated December 14, 2021. The subject of the Purchase Order is chemistry support in the FTE model in the Client's R&D projects leading to the discovery of new drugs over the next 12 months. Supporting the Client's innovative programs will focus on provision of chemical synthesis services.

On December 15, 2022 the Issuer's subsidiary – Selvita Inc. received from a biotechnology company based in the United States (the "Client") a work order under a framework agreement concluded with the Client on August 22, 2016, the subject of which is to provide support for the Client's drug discovery platform in the field of medicinal chemistry, involving synthesis of chemical compounds indicated by the Client ("Work Order"). The value of the Work Order, which is to be executed over the following 6 months, amounts to USD 1,297,224 (PLN 5,720,757.84 converted at the average exchange rate of the National Bank of Poland USD 1 = PLN 4.4100 of December 15, 2022). The Work Order will involve medicinal chemistry support in the FTE model such as a synthesis of compounds for biological evaluation and a synthesis of intermediates for Client's internal needs.

On December 21, 2022 the Issuer's subsidiary – Selvita Inc. received from a biotechnology company based in the United States (the "Client") a purchase order under a framework agreement concluded with the Client on December 16, 2019 (the "Purchase Order"). The value of the Purchase Order, which is to be executed over the following 12 months, amounts to EUR 1,239,960 (PLN 5,784,165.40 converted at the average exchange rate of the National Bank of Poland EUR 1 = PLN 4.6648 of December 21, 2022). Under the Purchase Order the subsidiary of the Issuer will provide services in the area of medicinal chemistry and synthetic chemistry to support the Client's discovery programs.

On December 22, 2022 Selvita d.o.o. received a statement of work with a total value of EUR 2.639.501,00 (PLN 12.313.536,11 converted at the exchange rate of the National Bank of Poland of December 22, 2022 EUR 1=PLN 4.6551) under a framework agreement executed on 1st October 2018 with one of the largest pharmaceutical companies in Europe. The scope of the work is to identify compounds for the treatment of idiopathic pulmonary fibrosis and other interstitial lung diseases. The subsidiary, in its laboratories in Zagreb, will provide services in the area of medicinal chemistry, computer aided drug design, in vitro and in vivo pharmacology, ADME and DMPK profiling, Phys-Chem profiling, and analytics. The services under this Statement of Work are to be provided over the next 12 months.

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

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

On January 18, 2023, the Issuer received information about the registration of an increase in the share capital of Ryvu Therapeutics S.A., with its registered office in Krakow ("Ryvu"), as a result of which Mr. Paweł Przewięźlikowski's share in the total number of votes at the General Meeting of Ryvu decreased from 33.03% to 27.91%.

Pursuant to § 27 of the Articles of Association of the Issuer's subsidiary Ardigen S.A. ("Ardigen") – Selvita's personal privilege as to the voting rights of Ardigen's series A and B preferred shares, consisting in the fact that each of the shares of those series carries two votes at the General Meeting of Ardigen, is dependent upon Mr. Paweł Przewięźlikowski's holding of at least 33% of the total number of votes in Ryvu – a company, from which Ardigen was separated in the form of an Organized Part of the Enterprise (in Polish: Zorganizowana Część Przedsiębiorstwa, "ZCP"), comprising a separate set of tangible and intangible assets intended for the performance of specific economic tasks, within which service activities in the area of biotechnology of the Contract Research Organization were carried out, including shares in Ardigen S. A, and then ZCP was transferred as a result of the corporate spin-off of Selvita S.A. (now Ryvu) to a new company (Selvita CRO S.A.), now operating under the name Selvita S.A.

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

Prior to the registration of the increase in Ryvu's share capital, the Issuer held 54.03% of the total number of votes at the general meeting of Ardigen. The Issuer's Management Board wishes to emphasize that Selvita's share in Ardigen's share capital has not changed as a result of registration of Ryvu's capital share increase and amounts to 46.74% of Ardigen's share capital.

In view of the above, as of January 17, 2023 Selvita ceased to be a parent company of Ardigen, within the meaning of Article 4 § 1(4)(a) of the Commercial Companies Code. Thus, the Issuer no longer has control over Ardigen within the meaning of Article 5-9 of International Financial Reporting Standard 10 – Consolidated Financial Statements (IFRS). Consequently, the Issuer will not fully consolidate the results and other financial data of Ardigen in 2023 – Ardigen S.A. will be recognized by Selvita S.A. as an associated company and consolidation will be based on the equity basis.

The Issuer's Management Board notes that the discontinuation of the consolidation of Ardigen's results does not affect any of the Issuer's business objectives set out in the Selvita Group Development Strategy for 2022-2025 which did not include Ardigen. The Issuer also indicates that in its periodic reports, in consultation with Ardigen's Management Board, it will continue to provide updates on the development and situation of this company in view of its significant shareholding in Ardigen.

3.10 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.

The business objectives of the Company's previous strategy for 2020-23, as reported in the current report no 10/2020 on April 29, 2020, that assumed an increase in sales revenue to EUR 70 million, an increase in the scale of operations through acquisitions and over EUR 230 million in market capitalisation, had been achieved by the end of 2021.

In view of the above, the Company's Management Board decided to present a new development strategy for 2022-2025. During this period Selvita plans to triple its sales revenue (to EUR 200 million), maintaining high profitability. The 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.

To implement the Strategy the Company plans to allocate funds in the total amount of approximately EUR 210 million, including approximately EUR 40 million to finance organic growth, approximately EUR 60 million for laboratory infrastructure development and approximately EUR 100 million for acquisitions.

Selvita's Management Board anticipates that the capital expenditures will be financed with own funds, from grants, as well as with bank loans and debt instruments, including leasing agreements (the assumed target level of net debt to EBITDA is below 3x). In the area of acquisitions, in the years 2020-2025 Selvita plans to acquire at least two preclinical CROs in Europe or North America, providing services complementary to the Company's offer or enabling the expansion of the scale of its operations.

4 RISK FACTORS ASSOCIATED WITH GROUP'S ACTIVITIES

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

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

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

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

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

However, the Issuer predicts a rapid growth in its business and obtaining new customers, which, in the Issuer's opinion, will translate into an increase in the Issuer's market value. In accordance with the Strategy for 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 or by regulatory authorities. As a result, a slowdown in the implementation of further acquisitions or their absence in the short-term period cannot be fully avoided, and thus it might have an impact on a slower, than was originally assumed, pace of growth of operations and financial results.

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

Risk associated with loss of key customers

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

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

Risk associated with the inability to attract new customers

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

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

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

Risk associated with loss of managerial staff and key employees

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

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

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

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

Risk associated with failure to extend the lease agreements of laboratories

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.

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

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

Other risks

Risks relating to price, credit, equity, financial, market, currency, interest rate and liquidity risks are described in note 23 to the consolidated financial statement.

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

The above-mentioned risks are mitigated by conducting diligent due-diligence processes by dedicated teams within the Issuer supported by external advisors, as well as a strong back-office of the Capital Group created 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 Company's services and products are directed. The following factors have a direct and indirect impact on the financial results obtained by the Issuer: the dynamics of GDP growth, inflation (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 conduct business activities in Poland and Croatia, targeting their services mainly at international customers. Therefore, Issuer is exposed to the risk of changes in regulations in the Polish, Croatian, EU and international legal environment, as well as in the legal environment of those countries where its customers operate. Legal regulations in Poland are subject to frequent changes and Polish courts and public administration bodies do not apply particular regulations in a uniform manner. In addition, the Issuer, in connection with potential subsequent acquisitions, must control changes in the regulations applicable not only in Poland, but also in countries where the acquired companies operate or will conduct their operations. Some provisions raise interpretational doubts due to their ambiguity, which entails the risk of imposing administrative or financial penalties in the event of adopting an incorrect legal interpretation. The legal regulations related to the conduct of business activity by the Company, which have changed frequently in recent years, include: tax law, labour, social security law, and commercial law. Both the above-mentioned changes and the direction of these changes have an impact on the achievement of the goals set by the Issuer's Group.

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

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

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

As a significant part of the revenues of the Issuer's Capital Group is carried out abroad, tax risks also relate to changes in regulations, interpretations and settlements in other countries, especially with regard to issues related to withholding tax, which concerns, among others, license revenues from technologies developed by the Issuer.

Other risks

Risks relating to price, credit, equity, financial, market, currency, interest rate and liquidity risks are described in note 23 to the consolidated financial statement.

5 STATEMENT REGARDING IMPLEMENTATION OF CORPORATE GOVERNENCE PRINCIPLES

5.1. Principles of corporate governance applying to the Issuer

The Issuer's Management Board hereby informs that in 2022 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 has been for the first time subject to non-financial reporting on ESG. The Company has started to work on developing a strategy for ESG.

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 has been for the first time subject to non-financial reporting on ESG. The Company has started to work on developing a strategy for ESG.

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 has been for the first time subject to non-financial reporting on ESG. The Company has started to work on developing a strategy for ESG.

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.

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

Explanation of the Issuer:

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

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

Explanation of the Issuer:

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

5.2. Internal control and risk management systems

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

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

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

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

5.3. Management and Supervisory Boards

Management Board

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

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

Supervisory Board

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

In 2022 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 2022 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 2022 there were no changes in Renumeration Committee.

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

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

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

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

1. The audit company which will carry out the statutory audit of Selvita's ("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 Capita Group operate);
h) the proposed price of the service provided

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

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

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

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

The auditing company auditing the Issuer's and Issuer's Capital Group's financial statements, that is 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

Shares held by members of the Management and Supervisory Board of Selvita S.A. as of 31.12.2022

Shareholder	Series A*	Other Series	No. of shares	% of share capital	No. of votes	% votes at GM
Management Board						
Bogusław Sieczkowski	550 000	392 417	**942 417**	5,13%	**1 492 417**	6,83%
Miłosz Gruca	-	60 760	**60 760**	0,33%	**60 760**	0,28%
Mirosława Zydroń	-	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%
Supervisory Board						
Paweł Przewięźlikowski	2 932 000	120 663	**3 052 663**	16,63%	**5 984 663**	27,41%
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, there were a few changes in the number of shares held by members of corporate bodies of the Company. On January 3, 2022 Mr. Tadeusz Wesołowski transferred 8000 of his shares to Augebit FIZ, an entity controlled by him.

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

On April 12, 2022 Mr. Romanowski sold further 60,000 shares. Before the transaction, Mr. Romanowski owned 160.000 shares entitling to the same number of votes at the Issuer's general meeting, which constituted 0,87% of shares in the share capital and 0,71% of votes, respectively. After the transaction, Mr. Piotr Romanowski holds 100.000 shares entitling to the same number of votes (0,54% in the share capital and 0,46% of votes, respectively).

On September 30, 2022 Mr. Paweł Przewięźlikowski, Member of the Supervisory Board transferred 28 000 shares to the Company due to the implementation of a non-diluting incentive program. Before this transfer Mr. Paweł Przewięźlikowski had 3 880 663 shares, constituting 21,14% of the Company's share capital, which gave the right to 7 380 663 votes, constituting 32,94% of all the votes at the general shareholders meeting. After this transfer Mr. Paweł Przewięźlikowski had 3 852 663 shares, constituting 20,99% of the Company's share capital, which gave the right to 7 352 663 votes, constituting 32,82% of all the votes at the general shareholders meeting.

On September 30, 2022 Ms. Adrijana Vinter informed the company about having acquired 12 000 shares of the Company, due to the implementation of the incentive program. Before this transfer Ms. Adrijana had no shares; after Ms. Vinter had 12 000 shares, constituting 0,07% of the Company's share capital, which gave the right to 12 000 votes, constituting 0,05% of all the votes at the general shareholders meeting.

On November 2, 2022, Mr. Paweł Przewięźlikowski requested the Company to convert 568 000 of his preferred series A shares into ordinary bearer shares. As a result of the conversion, a total of 568 000 series A registered shares lost their preference as to voting rights at the Company's General Meeting (preference to grant one series A registered share two votes at the Company's General Meeting).

Consequently, the current structure of the Company's share capital in terms of series A shares is as follows:

- 3,482,000 series A preferred registered shares;

- 568,000 ordinary series A bearer shares.

Prior to the said conversion, the amount of the Company's share capital was PLN 14,684,379.20, and the total number of votes at the Company's General Meeting was 22,405,474.

After the said conversion, the amount of the Company's share capital has not changed and amounts to PLN 14,684,379.20, and the total number of votes at the Company's General Meeting has changed and now amounts to 21,837,474 votes.

On November 22, 2022 the Company received information from Mr. Paweł Przewięźlikowski about the sale of 800,000 of ordinary shares. Prior to the transaction, Paweł Przewięźlikowski held 3,852,663 shares in the Company, representing 20.99% of the Company's share capital and 31.07% in the total number of votes at the Company's General Meeting. After the transaction, Paweł Przewięźlikowski now holds 3,052,663 shares in the Company, representing 16.63% of the Company's share capital and 27.41% in the total number of votes at the Company's General Meeting.

On November 23, 2022 the Company received information from Augebit FIZ about the sale of 200,000 of ordinary shares. Prior to the transaction, Augebit FIZ held 1,047,738 shares of the Company, representing 5.71% of the Company's share capital and 4.80% in the total number of votes at the Company's general meeting.

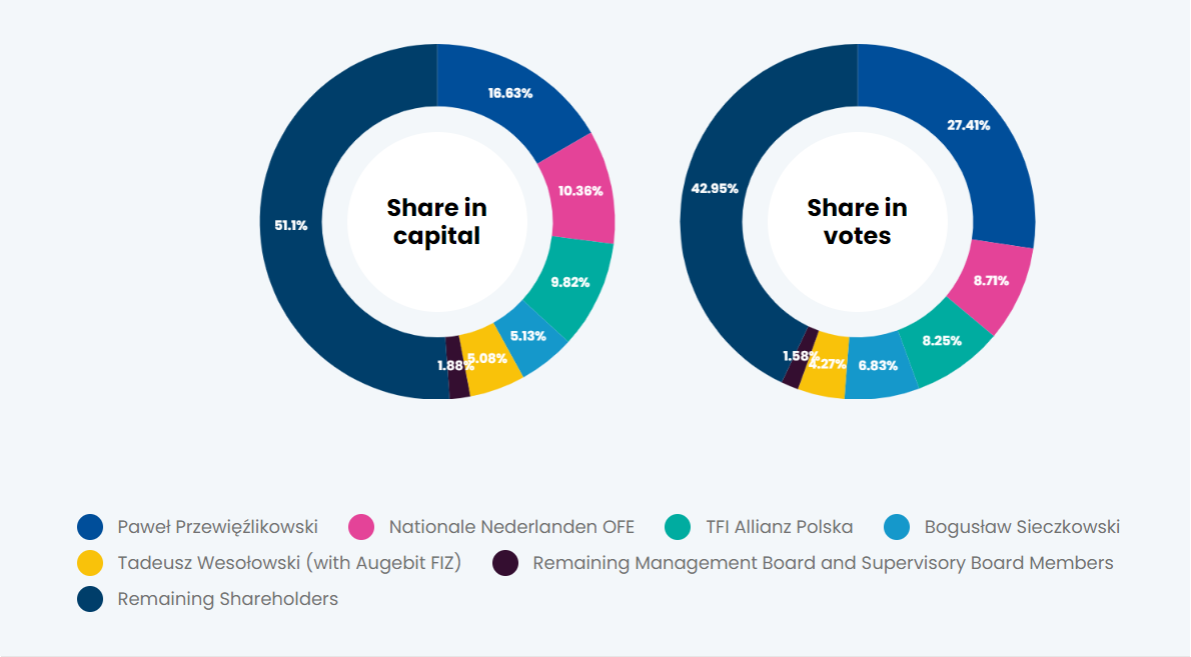
After the transaction, Augebit FIZ holds 847,738 shares of the Company, representing 4.62% of the Company's share capital and 3.88% in the total number of votes at the Company's general meeting.

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

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

Shareholder	Shares	% (Shares)	Votes	% (Votes)
Paweł Przewięźlikowski	3 052 663	16,63%	5 984 663	27,41%
Nationale Nederlanden OFE	1 901 000	10,36%	1 901 000	8,71%
TFI Allianz Polska	1 801 928	9,82%	1 801 928	8,25%
Bogusław Sieczkowski	942 417	5,13%	1 492 417	6,83%
Tadeusz Wesołowski (with Augebit FIZ)	932 713	5,08%	932 713	4,27%

Shareholders structure as of Annual Report publication date



Restrictions on the exercise of voting rights

Not applicable.

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

Not applicable.

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

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

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

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

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

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

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

b) defining the Company's development strategy;

c) handling the Company's matters;

d) concluding contracts;

e) shaping the Company's employment policy;

f) compliance with information obligations of a public company;

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

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

i) implementing and complying with corporate governance rules;

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

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

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

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

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

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

„General Meeting of the Shareholders

§ 14

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

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

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

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

§ 15

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

§ 16

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

§ 17

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

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

§ 18

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

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

§ 19

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

a) purchasing and disposing of real estate, permanent usufruct or share in real estate or permanent usufruct;

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

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

Management Board

Composition of the Management Board

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

7. Dismissal of a Member of the Management Board does not prejudice his/her claims under an employment agreement or another legal relationship related to his/her function as a Member of the Management Board.

Meetings of the Management Board

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

Adopting of the resolutions

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

Minutes of the meetings

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

Obligations of the Members of the Management Board

1. All members of the Management Board are obliged and entitled to handle jointly the Company's matters.

2. A Member of the Management Board in all his/her dealings is obliged to perform his/her duties with due care appropriate for the actions performed in business trading, in strict compliance with the law and the provisions of the Company's Articles of Association.
3. A Member of the Management Board may not, without the permission of the Supervisory Board, engage in competitive interests or participate in a competitive undertaking as a partner of a partnership or a member of a body of a corporate entity, or participate in another competitive legal entity as a member of its body. This ban also covers participation in a competitive company, if a Member of the Management Board holds at least 10% of shares or the right to appoint at least one Member of the Management Board.
4. In the event of a conflict of interest of the Company with the interest of a Member of the Management Board, his/her spouse, relatives or next of kin to the second degree and people with whom he/she is personally related. A Member of the Management Board should refrain from participation in the consideration of such matters and may request a respective mention in the minutes.

Supervisory Board

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

competitive against the Company's or to participate in companies or ventures competitive against the Company.

9. The Supervisory Board will hold meetings at least once a quarter.
10. The members of the Supervisory Board will exercise their rights and responsibilities in person. The Supervisory Board may delegate members to individually perform particular supervisory activities. Those members will receive separate remuneration, the amount of which will be decided by the General Meeting of Shareholders. Those members are required to meet non-competition obligations.
11. In order for the Supervisory Board's resolutions to be valid, it is necessary to invite all the Supervisory Board members to the meeting and to ensure that at least one-half of all Supervisory Board members are present at the meeting.
12. The resolutions of the Supervisory Board are passed by an absolute majority of votes of the Supervisory Board members. In the event of an equal number of votes, the Chairman of the Supervisory Board has the casting vote.

Audit Committee

Audit Committee is operating within the Supervisory Board.

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

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

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

Remuneration Committee

Remuneration Committee is operating within the Supervisory Board

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

3) Regarding share-based compensation that can be granted to members of the Management Board and employees of the Company:
    a) discussing the general principles for implementing equity incentive programs based on shares, share options, subscription warrants,
    b) presenting proposals to the Supervisory Board in this respect,
    c) presenting proposals to the Supervisory Board regarding equity incentive programs.

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

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

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

Remuneration of the members of management and supervisory bodies

Remuneration of the members of the Management Board of Selvita S.A. for period 1.01.2022- 31.12.2022 [in PLN]

Members of the Management Board	Remuneration for performing functions in the Management Board	Remuneration for employment contracts concluded with the Issuer	Renumeration for contracts concluded with subsidiaries	Total remuneration in 2022
Bogusław Sieczkowski	932 900	128 417,39	336 360	1 397 677,39
Miłosz Gruca	840 300		437 989,97	1 278 289,97
Mirosława Zydroń	503 100		304 890,94	807 990,94
Edyta Jaworska*	11 500	10 961,77	10 000	32 461,77
Dariusz Kurdas	380 200	128 808,76	174 000	683 008,76
Dawid Radziszewski	541 000	2 000 (civil contract)	297 094,60	840 094,60
Adrijana Vinter*			1 860 054,67*	1 860 054,67*

***Remuneration converted from Croatian kuna according to the average exchange rate of the National Bank of Poland as of 31 December 2022 1 HRK = 0,6224 PLN.*

Renumeration of the members of the Supervisory Board of Selvita S.A. for period 1.01.2022-31.12.2022 [in PLN]

Members of the Board	Remuneration for performing functions in the Supervisory Board	Total Remuneration in 2022
Paweł Przewięźlikowski	59 517,41	90 071,70
Piotr Romanowski	80 248,27	171 888,3
Tadeusz Wesołowski	69 108,00	69 108,00
Rafał Chwast	60 250,35	60 250,35
Wojciech Chabasiewicz	60 250,35	144 766,9
Jacek Osowski	59 388,00	59 388,00

Transactions concluded by the Issuer with affiliated entities in 2022

Affiliated entity	Manner of affiliation	Transaction details	Transaction value [PLN]
ALTIUM Piotr Romanowski	Piotr Romanowski (key managerial personnel – member of the Supervisory Board)	Purchase of advisory services	91 640,00
CHABASIEWICZ KOWALSKA I WSPÓLNICY SPÓŁKA KOMANDYTOWO-AKCYJNA	Wojciech Chabasiewicz (key managerial personnel – member of the Supervisory Board)	Purchase of advisory services	84 516,51

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 woman and four men, while the Supervisory Board of the Company consists of only men. The decisive aspects are, above all, the qualifications and substantive preparation to perform a specific function.

6 STATEMENT OF THE MANAGEMENT BOARD REGARDING APPLICABLE ACCOUNTING PRINCIPLES

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

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

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

Management Board of Selvita S.A. with its registered office in Krakow, declares that the entity authorized to audit financial statements auditing the annual financial statements for the financial year 2022 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.

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

Items	As at 31/12/2022	As at 31/12/2021
Mandatory audit of the financial statements	634	515
Other attestation services	27	14
Tax advisory services	-	-
Other services	-	-
Total	661	529

8. OTHER INFORMATION

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

The Capital Group of Selvita S.A. as of December 31, 2022 includes:

- Selvita S.A. – parent entity;
- Selvita Services sp. z o.o. – affiliate, 100% of shares held by Selvita S.A.;
- Selvita Inc. – affiliate, 100% of shares held by Selvita S.A.;
- Selvita Ltd. – affiliate, 100% of shares held by Selvita S.A.;
- Ardigen S.A.* – affiliate, 46,74 % of shares held by Selvita S.A.;
- Ardigen Inc.* – affiliate, 100% of shares held by Ardigen 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.

**as of January 17, 2022, Ardigen is no longer considered an affiliate and part of Selvita Capital Group. Selvita is no longer in control of majority of votes in Ardigen S.A., possessing now 46,74% of votes.*

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) 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. Under the above-mentioned facility agreement, the Issuer is also entitled to launch a construction credit in the maximum amount of up to PLN 65,000,000 for the construction of a new Research and Development Center for Laboratory Services in the area of drug discovery and development in Krakow at Podole Street in Krakow along with laboratory equipment.

Total value of these loans is PLN 119,629 thousand as of 31.12.2022.

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 139,389 thousand - mainly the Laboratory Services Center and laboratory equipment.

8.4. Court Proceedings

In the financial year 2022, 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 2022.

8.7. Information about owned branches (plants)

Company does not own any branches.

8.8. Information on risks arising from held financial instruments

Risks affiliated with held financial instruments were described above.

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 2022 - in the form of a separate document, which forms an integral part of this annual report.

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The annual report of Selvita Capital Group for the financial year 1 January 2022 - 31 December 2022 is hereby approved

Krakow, March 28, 2023

Dokument podpisany przez Bogusław Stanisław Sieczkowski
Data: 2023.03.28 23:29:29 CEST

Bogusław Sieczkowski

President of Management Board

Dokument podpisany przez Miłosz Kazimierz Gruca
Data: 2023.03.28 22:25:49 CEST

Miłosz Gruca

Vice-President of Management Board

Dokument podpisany przez Mirosława Monika Zydroń
Data: 2023.03.28 20:33:59 CEST

Mirosława Zydroń

Member of Management Board

Digitally signed by Adrijana Vinter
Date: 2023.03.28 21:21:52 CEST

Adrijana Vinter

Member of Management Board

Dokument podpisany przez Dariusz Tomasz Kurdas
Data: 2023.03.28 20:02:54 CEST

Dariusz Kurdas

Member of Management Board

Dokument podpisany przez Dawid Patryk Radziszewski
Data: 2023.03.28 22:54:43 CEST

Dawid Radziszewski

Member of Management Board

CONTACT

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MEDIA
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Selvita

Selvita

Selvita S.A.

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