
INDEPENDENT AUDITOR'S REPORT ON THE AUDIT

To the General Meeting and Supervisory Board of Selvita S.A.

Audit report on the annual financial statements

Opinion

We have audited the annual financial statements of Selvita S.A. (the 'Company') located in Kraków at ul. Profesora Michała Bobrzańskiego 14, which comprise the introduction to the financial statements, the balance sheet as at 31 December 2021, the income statement, the statement of changes in equity, the cash flow statement for the period from 1 January 2021 to 31 December 2021 and additional information and explanations (the 'financial statements').

The form of the financial statements prepared as at 31 December 2021 is prescribed by the Decree of the Minister of Finance dated 29 March 2018 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states ('the Decree on current and periodic information').

In our opinion the financial statements:

- give a true and fair view of the financial position of the Company as at 31 December 2021 and its financial performance and its cash flows for the period from 1 January 2021 to 31 December 2021 in accordance with required applicable rules of the Accounting Act dated 29 September 1994 ('the Accounting Act') and the adopted accounting policies,
- comply in respect of the form and content with laws applicable to Company and its Statute,
- have been prepared based on properly maintained accounting records, in accordance with chapter 2 of the Accounting Act.

The opinion is consistent with the additional report to the Audit Committee issued on 30 March 2022.

Basis for opinion

We conducted our audit in accordance with the National Standards on Auditing in the version of International Auditing Standards as adopted by the National Council of Statutory Auditors ("NAS") and pursuant to the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (the 'Act on Statutory Auditors') and the Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (the 'Regulation 537/2014'). Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), adopted by the National Council of Statutory Auditors and other ethical responsibilities in accordance with required applicable rules of the audit of financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. While conducting the audit, the key certified auditor and the audit firm remained independent of the Company in accordance with the independence requirements set out in the Act on Statutory Auditors and the EU Regulation 537/2014.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. They include the most significant assessed risks of material misstatement, including the assessed risks of material misstatement due to fraud. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we have summarized our reaction to these risks and in cases where we deemed it necessary, we presented the most important observations related to these types of risks. We do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
Recognition of revenue from contracts with customers	
<p>The Company's net revenues for the year ended 2021 amounted to PLN 111 million. The company recognizes revenues resulting from contract research and employee rental in accordance with the Accounting Act.</p> <p>The contracts with estimated period of time exceeds 6 months, the Company is estimating revenues based on percentage of completion using the expenditure-based methods.</p> <p>The Company estimates the overall budgets of such contracts, taking into account the detailed costs necessary to complete the order and determining the total result on the contract. The method of recognizing revenues from the above-mentioned contracts requires a significant element of the judgment of the Management Board of the Company in relation to the identification of performance obligations and significant estimates of the Management Board in terms of the degree of completion. Determining the moment of revenue recognition and proper presentation of revenues in the financial statements also require a number of significant estimates and judgments on the part of the Management Board. Due to the fact that the improper judgment or assessment of the Management Board in these areas may result in the incorrect recognition of revenues, we consider this issue to be a key audit matter.</p> <p>The accounting policy regarding the method of revenue recognition was described in the separate financial statements in Note 4.17 "Deferred income", 4.23 "Revenue recognition", with the required revenue recognition disclosures, including significant judgments and estimates. In the notes: 9, 10, 16 and 21 the Company presented required</p>	<p>As part of the audit of the separate financial statements of Selvita S.A. we assessed the adopted accounting policy in terms of recognition and presentation of revenues in terms of compliance with the Accounting Act.</p> <p>For significant revenue streams:</p> <ul style="list-style-type: none"> ▶ we documented the operation of identified processes and assessed key control mechanisms within the Company; ▶ for the completed contracts, on a selected sample of orders we performed transaction tests of source sales documents and payments received; ▶ for the contracts not completed as at 31 December 2021, for which revenue is recognized over time, on a selected sample of orders we performed tests of the reliability of contract budgets, which were the basis for determining the level of advancement and recognition of revenue; ▶ we conducted a historical analysis of the realization of contract budgets for significant contracts completed in the audited financial year in order to compare forecasts and budgets for unfinished contracts, as well as to identify possible risks that should be reflected in the valuation of open contracts; ▶ we held discussions with the Heads of departments realizing settled according to percentage of completion method, in order to discuss assumptions regarding budgets and risks and the degree of advancement of works on the contracts in progress, as well as the probability of changes in contract results; ▶ we discussed with the Company's Management Board the results of the analysis and the Management Board's assessment of the possible impact of after the balance sheet date events on the contracts performed by the Group;

<p>disclosure regarding revenues, trade receivables, prepaid expenses and deferred income related to research contacts.</p>	<p>► through analytical procedures, transaction tests and the analysis of unusual items from the accounting journal, we assessed the correctness of revenue recognition over the period of time and the correctness of the value of revenue recognized in individual periods.</p> <p>In addition, we assessed the adequacy of the presentation of the disclosures made in the separate financial statements regarding revenues, trade receivables, as well as prepaid expenses and deferred income related to the research contracts.</p>
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Responsibilities of the Company's Management and members of the Supervisory Board for the financial statements

The Company's Management Board is responsible for the preparation, based on properly maintained accounting records, the financial statements that give a true and fair view of the financial position and the financial performance in accordance with the Accounting Act, the applied accounting policies, other applicable laws, as well as the Company's Statute, and is also responsible for such internal control as the Company's Management Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, The Company's Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless The Company's Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Company's Management and the members of the Company's Supervisory Board are required to ensure that the financial statements meet the requirements of the Accounting Act. The members of the Company's Supervisory Board responsible for overseeing the Company's financial reporting process.

Auditor's responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with NAS will always detect material misstatement when it exists. Misstatements may arise as a result of fraud or error and are considered material if they, individually or in the aggregate, could be reasonably expected to influence the economic decisions of the users taken on the basis of these financial statements.

The concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. Hence all auditor's opinions and statements contained in the auditor's report are made with the contemplation of the qualitative and quantitative materiality levels established in accordance with auditing standards and auditor's professional judgment.

The scope of the audit does not include assurance on the future profitability of the Company nor efficiency or effectiveness of conducting business matters now and in the future by the Company's Management Board.

As part of an audit in accordance with NAS, we exercise professional judgment and maintain professional skepticism and we also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control,
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control,
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Management,
- conclude on the appropriateness of the Company's Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report, however, future events or conditions may cause the Company to cease to continue as a going concern,
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other information, including the Directors' Report

The other information comprises the management report of the Company for the period from 1 January 2021 to 31 December 2021 („Directors' Report") and the statement on corporate governance, which is a separate section of the Directors' Report and the Annual Financial Report for the financial year ended 31 December 2021 ('Annual Report') (jointly 'Other Information'). The Other Information does not include the financial statements and our auditor's report thereon.

Responsibilities of the Company's Management and members of the Supervisory Board

The Company's Management is responsible for the preparation of the Other Information in accordance with the law.

The Company's Management and members of the Company's Supervisory Board are required to ensure that the Directors' Report with separate elements meets the requirements of the Accounting Act.

Auditor's responsibilities

Our opinion on the financial statements does not include the Other Information. In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether it is materially inconsistent with the financial statements or our knowledge obtained during the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Other Information, we are required to report that fact in our independent auditor's report. Our responsibility in accordance with the Act on Statutory Auditors is also to issue an opinion on whether the Directors' Report was prepared in accordance with relevant laws and that it is consistent with the information contained in the financial statements.

In addition, we are required to issue an opinion on whether the Company has included the required information in the statement on corporate governance.

Opinion on the Directors' Report

Based on the work performed during our audit, in our opinion, the Directors' Report:

- has been prepared in accordance with the article 49 of the Accounting Act and paragraph 70 of the Decree of the Minister of Finance dated 29 March 2018 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (the 'Decree on current and periodic information'),
- is consistent with the information contained in the financial statements.

Moreover, based on our knowledge of the Company and its environment obtained during our audit, we have not identified material misstatements in the Directors' Report.

Opinion on the corporate governance statement

In our opinion, in the representation on application of corporate governance, the Company has included information stipulated in paragraph 70, section 6, point 5 of the Decree on current and periodic information.

Moreover, in our opinion, the information stipulated in paragraph 70, section 6, point 5 letter c-f, h and i of the Regulation. included in the statement on corporate governance is in accordance with applicable laws and information included in the financial statements.

Information on revenues from research and development services

Information on revenues from research and development services

In note 48 to the financial statements, the Management Board of the Company informed that sales revenues from research and development services realized by the Company in 2020 classified as scientific research and development studies, in line with Polish Classification of Goods and Services or industrial property rights, granted to the Company by authorities relevant for the industrial property rights, amounted to PLN 80,022,141.

Statement on the provision of non-audit services

To the best of our knowledge and belief, we represent that services, which we have provided to the Company and its controlled undertakings, are compliant with the laws and regulations applicable in Poland, and that non-audit services, which are prohibited under article 5 item 1 of Regulation 537/2014 and article 136 of the Act on Statutory Auditors, were not provided. The non-audit services, which we have provided to the Company and its controlled undertakings in the audited period, have been disclosed in the Directors' Report.

Appointment of the audit firm

We were appointed for the audit of the Company's financial statements initially based on the resolution of Supervisory Board from 21 June 2019. The financial statements of the Company have been audited by us uninterruptedly starting from the financial year ended on 31 December 2019, i.e. for the past 3 consecutive years.

Warsaw, 30 March 2022

Key Certified Auditor

Rafał Hummel

certified auditor

no in the register: 12455

on behalf of:

Ernst & Young Audyt Polska
spółka z ograniczoną odpowiedzialnością sp. k.

Rondo ONZ 1, 00-124 Warsaw

no on the audit firms list: 130