



SELVITA S.A. GROUP

CONSOLIDATED FINANCIAL STATEMENTS

**Prepared for the period
from 01/01/2022
to 31/12/2022**

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

It is the translation of Polish original document

Table of Contents	Page
Consolidated statement of comprehensive income	4
Consolidated statement of financial position	5
Consolidated statement of changes in equity	6
Consolidated statement of cash flows	7
Notes to the consolidated financial statements	8

Notes to the Consolidated Financial Statements

Page

1	General information	8
2	International Financial Reporting Standards	10
3	Summary of significant accounting policies	13
4	Significant accounting judgements and estimates	28
5	Sales revenue	31
6	Operating segments	34
7	Finance cost	39
8	Income taxes on continuing operations	40
9	Earnings per share	43
10	Tangible fixed assets and right of use assets	44
11	Goodwill	47
12	Other intangible assets	51
13	Subsidiaries	52
14	Other financial assets	56
15	Inventories	56
16	Financial instruments	57
17	Trade and other receivables	58
18	Leases	60
19	Share capital	62
20	Credit facilities and loans	64
21	Trade and other liabilities	66
22	Liabilities due to retirement benefits	66
23	Financial instruments	67
24	Accrued costs and deferred income	76
25	Related party transactions	77
26	Cash and cash equivalents	78

27	Average headcount in the Group	78
28	Share-based payments	79
29	Capital commitments	82
30	Contingent liabilities and assets	82
31	Notes on the consolidated statement of cash flow	83
32	Significant event of the reporting period	83
33	Approval of the financial statements	84

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM 1 JANUARY 2022 TO 31 DECEMBER 2022**

	Note	Year ended 31/12/2022	Year ended 31/12/2021
		000'PLN	000'PLN
Sales revenue	5	407,462	310,921
Grant income	5	8,367	4,804
Total revenue		415,829	315,725
Amortization and depreciation	5	(36,828)	(27,488)
Consumption of materials and supplies		(68,394)	(59,665)
External services		(66,684)	(44,184)
Employee benefit expense	5	(155,991)	(121,527)
Employee Capital Plans		(944)	(769)
Costs of the incentive program	28	(30,838)	(31,469)
Other expenses		(9,426)	(3,975)
Taxes and charges		(2,043)	(1,757)
Total operating expenses		(371,148)	(290,834)
Other operating revenue		329	1,406
Other operating expenses		(235)	(212)
Operating profit		44,775	26,085
Financial revenue		4	14
Financial expenses	7	(4,572)	(5,031)
Profit before income tax		40,207	21,068
Income tax expense	8	(7,599)	(2,846)
NET PROFIT		32,608	18,222
Net other comprehensive income			
Foreign subsidiaries results translation differences		4,068	2,966
Total net other comprehensive income		4,068	2,966
TOTAL INCOME FOR THE PERIOD		36,676	21,188
Net profit attributed to:	9		
Majority shareholders		30,309	14,899
Non-controlling shareholders		2,299	3,323
Total income attributed to:			
Majority shareholders		34,377	17,865
Non-controlling shareholders		2,299	3,323
Earnings per share (expressed in PLN cents per share)	9		
With continued operations:			
Basic		1.7	0.8
Diluted		1.7	0.8

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
PREPARED AS AT 31 DECEMBER 2022

	Note	Balance as at 31/12/2022	Balance as at 31/12/2021
		000'PLN	000'PLN
ASSETS			
Non-current assets			
Tangible fixed assets	10	160,908	62,106
Right of use assets	10;18	96,919	88,177
Goodwill	11	78,057	76,732
Other intangible assets	12	34,791	37,178
Deferred tax asset	8	10,094	11,776
Other financial assets	14	1,060	829
Total non-current assets		381,829	276,798
Current assets			
Inventory	15	7,801	1,942
Short-term receivables	17	98,802	65,616
Contract assets with customers	5.3	15,204	10,319
Other financial assets	14	2,018	13,435
Other assets	16.1	5,100	4,263
Cash and other monetary assets	26	74,157	83,550
Total current assets		203,082	179,125
Total assets		584,911	455,923
EQUITY AND LIABILITIES			
Equity			
Share capital	19	14,684	14,684
Share premium	19	86,448	86,448
Reserve capital resulting from the acquisition of OPE	19	22,994	22,994
Other reserve capitals	19	62,544	31,706
Own shares	19	-	-
Currency differences on translation of foreign operations		6,686	2,618
Retained earnings		38,513	23,521
Net profit for the period		30,309	14,899
Equity attributed to majority shareholders		262,178	196,870
Equity attributed to non-controlling shareholders	13	10,983	8,684
Total equity		273,161	205,554
Long-term liabilities			
Credit facilities and loans	20	109,088	80,966
Lease liabilities	18;23.8	62,413	64,031
Liabilities due to retirement benefits	22	239	530
Deferred tax provision	8	6,323	6,943
Deferred income	24.2	11,020	2,043
Total long-term liabilities		189,083	154,513
Short-term liabilities			
Trade and other liabilities	21	49,185	31,331
Contract liabilities with customers	5.3	3,351	3,621
Lease liabilities	18;23.8	24,701	23,577
Short-term loans and bank credits	20	16,763	11,225
Current tax liabilities	21	2,493	2,762
Accruals	24.1	24,054	22,485
Deferred income	24.2	2,120	855
Total short-term liabilities		122,667	95,856
Total liabilities		311,750	250,369
Total equity and liabilities		584,911	455,923

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE REPORTING PERIOD ENDED 31 DECEMBER 2022**

	Note	Share capital	Share premium	Reserve capital resulting from the acquisition of OPE	Other reserve capitals	Own shares	Currency differences on translation of foreign operations	Retained earnings/ Accumulated losses from previous years	Retained earnings	Equity attributed to majority shareholders	Equity attributed to non-controlling shareholders	Total equity
		000'PLN	000'PLN	000'PLN	000'PLN	000'PLN	000'PLN	000'PLN	000'PLN	000'PLN	000'PLN	000'PLN
Balance as at 1 January 2022		14,684	86,448	22,994	31,706	-	2,618	23,521	14,899	196,870	8,684	205,554
Net profit for the period		-	-	-	-	-	-	-	30,309	30,309	2,299	32,608
Other comprehensive income		-	-	-	-	-	4,068	-	-	4,068	-	4,068
Creation of reserve capital as part of the incentive program	28	-	-	-	30,838	-	-	-	-	30,838	-	30,838
Transfer of result from previous years		-	-	-	-	-	-	14,899	(14,899)	-	-	-
Change in interest in parent company		-	-	-	-	-	-	93	-	93	-	93
Balance as at 31 December 2022		14,684	86,448	22,994	62,544	-	6,686	38,513	30,309	262,178	10,983	273,161
Balance as at 1 January 2021		14,684	86,448	22,994	-	-	(348)	5,523	17,998	147,298	5,361	152,660
Net profit for the period		-	-	-	-	-	-	-	14,899	14,899	3,323	18,222
Other comprehensive income		-	-	-	-	-	2,966	-	-	2,966	-	2,966
Payments for the transfer of shares to employees	19	-	-	-	237	-	-	-	-	237	-	237
Creation of reserve capital as part of the incentive program	28	-	-	-	31,469	-	-	-	-	31,469	-	31,469
Transfer of result from previous years		-	-	-	-	-	-	17,998	(17,998)	-	-	-
Balance as at 31 December 2021		14,684	86,448	22,994	31,706	-	2,618	23,521	14,899	196,870	8,684	205,554

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 1 JANUARY 2022 TO 31 DECEMBER 2022

	Note	Year ended 31/12/2022	Year ended 31/12/2021
		000' PLN	000' PLN
Cash flows from operating activities			
Net profit for the period		32,608	18,222
Adjustments:			
Amortization and depreciation and impairment losses on fixed assets		36,828	27,488
Exchange gains (losses)		4,068	142
Interest and profit-sharing (dividends), net		4,192	3,787
Cost of acquiring shares		-	688
Change in receivables	31	(38,071)	(16,388)
Change in inventory	31	(5,859)	289
Change in short-term liabilities and provision excluding credits and loans	31	17,328	14,657
Change in deferred income	31	11,811	5,609
Change in provisions	31	(911)	13,028
Change in other assets	31	(8,535)	(12,281)
Valuation of the incentive program	28	30,838	31,469
Corporate income tax paid		(8,867)	(1,304)
Net cash flows from operating activities		75,430	85,406
Cash flows from investing activities			
Purchase of tangible and intangible fixed assets		(100,590)	(25,460)
Proceeds from subsidies to fixed assets		10,376	-
Return of grants to fixed assets		(996)	-
Purchase of other financial assets		11,417	(3,282)
Acquisition of shares in Selvita d.o.o. after adjustment for acquired cash	11	-	(133,535)
Interest received		4	14
Net cash flows from investing activities		(79,789)	(162,263)
Cash flows from financing activities			
Proceeds from the transfer of shares		-	237
Repayment of finance lease liabilities	18.1	(28,024)	(22,245)
Proceeds from credits and loans	31	37,844	101,801
Repayment of credits and loans		(11,296)	(9,173)
Interest paid	7	(4,196)	(3,801)
Net cash flows from financing activities		(5,672)	66,819
Net increase in cash and cash equivalents		(10,031)	(10,038)
Cash and cash equivalents at the beginning of the period		83,550	93,005
Net currency differences on cash and cash equivalents		638	583
Cash and cash equivalents at the end of the period	26	74,157	83,550

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED AS AT 31 DECEMBER 2022

1. General information

1.1. The parent company

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

In 2022, the name of the Company was not changed.

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

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

Management Board:

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

Supervisory Board:

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

As at 31 December 2022, the shareholder structure of the parent company was as follows:

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

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

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

	Registered office	Number of shares	Percentage interest in capital	Percentage share in voting rights
			As at 31 December 2021	
Paweł Przewięźlikowski Nationale -Nederlanden Open-End Pension Fund and Nationale - Nederlanden Voluntary Pension Fund	Poland	3,880,663	21.14%	32.94%
Bogusław Sieczkowski AVIVA Investors TFI	Poland	942,417	5.13%	6.66%
Tadeusz Wesołowski (with Augebit FIZ)	Poland	1,133,009	6.17%	5.06%
Other shareholders (less than 5% of votes at the GM)	Poland	1,132,713	6.17%	5.06%
		9,365,672	51.03%	41.80%
Total		18,355,474	100.00%	100.00%

1.2. The Capital Group

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

	Registered Office	% of capital held	% of voting rights
		As at 31 December 2022	
Selvita Services Spółka z ograniczoną odpowiedzialnością	Poland	100.00%	100.00%
Selvita Inc.	USA	100.00%	100.00%
Selvita Ltd.	UK	100.00%	100.00%
Ardigen S.A.	Poland	46.74%	54.03%
Selvita d.o.o. (previously Fidelta d.o.o.)	Croatia	100.00%	100.00%
Ardigen Inc. (through Ardigen S.A.)	USA	46.74%	54.03%

The duration of the Capital Group companies is not fixed. The financial statements of all controlled entities have been prepared as of 31 December 2022, using consistent accounting principles.

The calendar year is the financial year of the parent company. The consolidation of subsidiaries covers the period from 01/01/2022 to 31/12/2022, i.e. the period in which the Parent Company had control over these entities.

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

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

1.3. Functional and reporting currency

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

2. International Financial Reporting Standards

2.1. Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") approved by the European Union ("IFRS EU").

These consolidated financial statements for the period from January 1, 2022 to December 31, 2022 are condensed financial statements containing disclosures in accordance with the International Financial Reporting Standards approved by the European Union (hereinafter referred to as "IFRS").

Impact of International Financial Reporting Standards on the consolidated financial statements

2.2. Changes in the applied accounting principles

The accounting principles (policies) used to prepare these financial statements are consistent with those used in the preparation of the consolidated financial statements of the Group companies for the year ended December 31, 2021, except for the application of new or amended standards and interpretations applicable to annual periods starting from 1 January 2022 and later.

2.3. The following standards and interpretations were published by the International Accounting Standards Board, but are not applicable to these financial statements (i.e. for the financial statements for the period ended December 31, 2022)

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

a) Amendments to IAS 1 "Presentation of Financial Statements" and guidelines of the IFRS Board on disclosures about accounting policies in practice

The amendment to IAS 1 introduces the requirement to disclose significant information about the accounting principles defined in the standard. The amendment explains that information on accounting policies is material if, in the absence of such information, users of the financial statements would not be able to understand other material information included in the financial statements. In addition, the Board's guidance on applying the concept of materiality in practice has also been revised to provide guidance on how to apply the concept of materiality to accounting disclosures. The change is effective from January 1, 2023.

b) Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"

In February 2021, the Board published an amendment to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" regarding the definition of accounting estimates. The amendment to IAS 8 explains how entities should distinguish changes in accounting policies from changes in accounting estimates. The change is effective from January 1, 2023.

c) Amendments to IAS 12 "Income Taxes"

Amendments to IAS 12 clarify how to account for deferred tax on transactions such as leasing and decommissioning liabilities. Before the amendment to the standard, there were uncertainties as to whether the exemption from the recognition of deferred tax recognized for the first time applied to this type of transaction, i.e. where both deferred tax assets and liabilities are recognized. The amendments to IAS 12 clarify that the exemption does not apply and that entities are required to recognize deferred tax on such transactions. The amendments oblige companies to recognize deferred tax on transactions which, upon initial recognition, give rise to the same taxable and deductible temporary differences.

The amendment is effective for financial statements for periods beginning on or after January 1, 2023.

d) Amendment to IFRS 16 "Leases"

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

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

e) Amendments to IAS 1 "Presentation of Financial Statements"

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

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

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

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

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

Where non-monetary assets constitute a "business", the investor shows a full profit or loss on the transaction. If the assets do not meet the definition of a business, the investor recognizes a gain or loss only to the extent of the part constituting the shares of other investors. The changes were published on September 11, 2014. As at the date of preparation of these consolidated financial statements, the approval of this change is deferred by the European Union.

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

3. Summary of significant accounting policies

3.1. Going concern

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

The outbreak of the war in Ukraine did not affect the operations of the Group's companies. More information is provided in Note 32 to the consolidated financial statements.

3.2. Basis of preparation

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

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

3.3. Consolidation principles

Accompanying consolidated financial statements include the financial statements of Selvita S.A. and financial statements of the entities it controls (subsidiaries) prepared each time for the 12-month period ended December 31, 2022.

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

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

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

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

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

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

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

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

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

3.4. Business combinations

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

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

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

Goodwill is measured as the surplus of the consideration paid, the value of non-controlling interest in the acquiree and the fair value of shares in the acquiree that were held by the acquirer before over the fair value of the acquired identifiable net assets and liabilities measured as at the acquisition date.

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

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

3.5 Goodwill

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

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

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

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

3.6 Revenue recognition

3.6.1 Grants

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

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

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

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

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

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

3.6.2 Sales of goods and services

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

According to IAS 15 introduced the following unified 5-stage revenue recognition model:

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

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

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

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

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

When it is likely that the total contract costs will exceed the total contract revenue, the expected loss is recognized immediately in costs according to IAS 37.

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

3.7 Interest and dividend income

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

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

3.8 Leases

The Group as a lessee

Assets due to the right of use

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

As a standard, Group signed lease agreements for a period of 5 years. 80% of signed contracts have extension options. Group does not exercise these options. The discount rate in the range from 1.7 to 9.2% was adopted for the valuation of lease liabilities.

Right-of-use assets are depreciated as follows:

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

Lease liabilities

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

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

Interest on leasing

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

Short-term leasing and leasing of low-value assets

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

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

3.9 Foreign currencies

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

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

	As at 31/12/2022	As at 31/12/2021
EUR / PLN	4.6899	4.5994
USD / PLN	4.4018	4.0600
GBP / PLN	5.2957	5.4846
CHF / PLN	4.7679	4.4484
JPY / PLN	0.0333	0.0353
SEK / PLN	0.4213	0.4486
HRK / PLN	0.6224	0.6118

3.9.1 Functional and presentation currency

The consolidated financial statements of the Group are presented in thousand of PLN, which is also the functional currency of the parent company. The functional currency is determined for each subsidiary and the entity's assets and liabilities are measured in that functional currency.

3.9.2 Exchange differences from translation of foreign operations

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

3.10 Borrowing costs

Borrowing costs directly related to the acquisition or construction of assets that require a longer period of time to bring them to use, are included in the production costs of such assets until the assets are substantially ready for their intended use or sale.

3.11 Costs of employee benefits and contract termination

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

Group introduced an incentive program for employees in the form of the right to purchase shares at a preferential price. A detailed description of the program is provided in note 28.

3.12 Taxes

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

3.12.1 Current tax

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

3.12.2 Deferred tax

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

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

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

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

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

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

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

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

Uncertainty related to income tax recognition

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

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

3.12.3 Current and deferred tax for the period

The current and deferred tax is recognized in profit or loss, except for items recognized in other comprehensive income or directly in equity. In such a case, the current and deferred tax is also charged to other comprehensive income or equity, respectively.

3.13 Property, plant and equipment

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

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

Fixed assets under construction, except for the case when exchange differences are an adjustment to the cost of interest to be recognized in the carrying amount of a fixed asset in accordance with the accounting policy presented in note 3.10, are measured at total cost related directly to their acquisition or manufacturing, including financial expenses, less impairment losses. Fixed assets under construction include payments of patent fees related to research.

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

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

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

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

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

3.14 Intangible assets

3.14.1 Intangible assets purchased by the Group

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

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

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

3.14.2 Intangible assets developed internally – R&D cost

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

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

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

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

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

3.14.3 Derecognition of intangible assets

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

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

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

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

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

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

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

3.16 Inventories

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

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

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

3.17 Provisions

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

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

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

3.17.1 Onerous contracts

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

3.17.2 Restructuring

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

3.18 Cash and cash equivalents

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

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

3.19 Financial instruments

3.19.1 Classification and initial recognition of financial instruments

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

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

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

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

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

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

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

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

Cessation of recognition

Financial assets are excluded from the books of accounts when:

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

Valuation after initial recognition

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

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

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

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

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

Financial assets at fair value through profit or loss

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

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

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

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

As at December 31, 2022, no financial assets have been classified as measured at fair value through profit or loss.

Trade liabilities and other liabilities

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

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

As at December 31, 2022, no financial liabilities have been classified as measured at fair value through profit or loss.

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

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

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

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

Interest-bearing bank loans, loans and debt securities

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

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

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

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

3.19.2 Impairment of financial instruments

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

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

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

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

3.19.3 Hedge accounting

The Group companies do not use hedge accounting.

4. Significant accounting judgements and estimates

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

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

4.1 Professional judgment in accounting

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

Recognition of grants

The Group recognizes revenue from subsidies from the commencement of work related to a given subsidy agreement. The Management Board makes a judgment for each grant agreement whether it is reasonable assurance that the Group is able to meet all the conditions resulting from the subsidy agreement and will not be obliged to return received subsidies. Revenues from subsidies are recognized over time in the period of works related to the subsidy.

Leasing - the Group as a lessee

The Company applied the following judgments and estimates:

Lease period for contracts with extension options

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

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

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

Lease period for contracts of unlimited duration

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

Lessee's marginal interest rate

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

Exercising control over a related entity

Controlling of Ardigen S.A. was described in note 13.1. Ardigen Inc. is controlled by Ardigen S.A., which owns 100% of Ardigen Inc.

4.2 Uncertainty of estimates

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

As regards the incentive program, detailed judgments and estimates are presented in Note 28.

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

4.2.1 Provisions for bonuses

Provisions for bonuses are presented in Note 24.1. Provisions for bonuses are estimated in line with an algorithm based on a margin achieved and realized on individual projects or project groups. The Management Board estimates the value of bonuses to be paid on the basis of the results of the aforesaid calculations. The Management Board considers numerous factors, such as the current and anticipated economic and financial position of the Group. Bonuses are discretionary.

4.2.2 Useful lives of property, plant and equipment

As described in Note 3.13 and Note 3.14, the Group reviews the estimated useful lives of items of property, plant and equipment and intangible assets at the end of each annual reporting period. In the current financial year, the Management Board did not identify the necessity to reduce the value in use of any assets.

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

As described in Note 3.6, the Group determines the stage of completion of long-term contracts by comparing the project costs incurred thus far with the total estimated project costs. Due to the nature of the Group's projects and the possibility of unexpected difficulties in project completion, it may turn out that the total actual project costs differ from the estimates. A change in the estimates of the total costs of project implementation may result in the fact that the stage of completion of the project as at the balance sheet date, and thus the recognized revenue, should be set at a different value. Project costs are updated on an ongoing basis by the project manager, which reduces the risk of large deviations of actual costs from the forecast ones.

4.2.4 Deferred tax asset

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

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

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

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

4.2.5 Tax settlements

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

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

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

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

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

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

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

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

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

4.2.6 Impairment of trade receivables and contract assets

The Group uses reserve matrices to value the write-down for expected credit losses in relation to trade receivables and contract assets. In order to determine the expected loan losses, trade receivables and contract assets were grouped based on the similarity of the credit risk characteristics. The Group uses its historical data on credit losses, adjusted, where appropriate, by the impact of future information. An increase or decrease in the adjustment regarding the impact of future factors used to estimate the expected loan losses by 10% would result in an increase or decrease in impairment losses on loans by PLN 74,344 respectively (31 December 2021: PLN 38,013).

4.2.7 Revenue recognition

Judgments made by the Group that significantly affect the determination of the amount and timing of obtaining revenues from contracts with clients are presented in note 3.6.

4.2.9 Recognition of loss of control over Group entities

The Group's policy is the literal application of IFRS 5 in the recognition of the moment of recognition of Non-current Assets held for sale and discontinued operations.

In connection with the above, as at December 31, 2022, Ardigen S.A. and Ardigen Inc., constituting a separate operating segment called Bioinformatics, were not classified as assets held for sale or discontinued operations.

Detailed disclosures regarding the assets of these companies, the circumstances of the loss of control and information on their segment are presented in note 13.1, note 13.3 and note 6, respectively.

5. Sales revenue

5.1. Revenues

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

1. Agreements based on the fixed price model.

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

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

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

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

3. Sale of administrative services

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

Analysis of the Group's sales revenue for the period from 1 January 2022 to 31 December 2022:

	Year ended 31/12/2022	Year ended 31/12/2021
	000'PLN	000'PLN
Contract research - fixed priced agreements	143,421	113,944
Contract research - FTE agreements	257,998	192,716
Revenues from the sale of administrative services	6,043	4,261
Operating income (excluding grants)	407,462	310,921

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

5.2. Revenues from subsidies

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

	Year ended 31/12/2022	Year ended 31/12/2021
	000'PLN	000'PLN
Infrastructure subsidies	243	32
Grants for research	8,124	4,772
Revenues from subsidies	8,367	4,804

5.3. Contract assets and liabilities with customers

The scope of changes of contract assets with customers	As at 31/12/2022	As at 31/12/2021
	000'PLN	000'PLN
Balance at the beginning of the reporting period	10,319	2,514
Contracts acquired as part of the purchase of Selvita d.o.o.	-	2,905
Revenue accrued in proportion to the costs incurred	22,797	23,075
Invoiced revenues	(17,912)	(18,175)
Balance at the end of the reporting period	15,204	10,319

The scope of changes of contract liabilities with customers	As at 31/12/2022	As at 31/12/2021
	000'PLN	000'PLN
Balance at the beginning of the reporting period	3,621	363
Contracts acquired as part of the purchase of Selvita d.o.o.	-	435
Invoicing beyond the obligation to provide	5,315	5,256
Execution of contracts without invoicing	(5,585)	(2,433)
Balance at the end of the reporting period	3,351	3,621

5.4 Geographical information

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

Group's revenue from external customers by geographical area:

	Revenue from external customers	
	Year ended 31/12/2022	Year ended 31/12/2021
	000'PLN	000'PLN
Poland	14,640	8,818
EU members	159,184	137,722
USA	118,037	86,285
Switzerland	30,087	27,117
UK	64,897	37,943
Israel	6,725	6,904
Other countries	13,892	6,132
Total	407,462	310,921

5.5. Operating expenses

5.5.1 Amortization and impairment	Year ended 31/12/2022	Year ended 31/12/2021
	000'PLN	000'PLN
Amortization of tangible assets	11,845	8,827
Amortization of equipment usage rights	7,154	5,613
Amortization of rights to use the premises and cars	14,237	9,787
Amortization of intangible assets	719	470
Amortization of contractor base	2,873	2,791
Total amortization expense	36,828	27,488

5.5.2 Employee benefit expense	Year ended 31/12/2022	Year ended 31/12/2021
	000'PLN	000'PLN
Salaries and wages	131,799	102,601
Social security charges	19,305	13,195
Medical and other benefits	4,887	5,731
Employee benefit expense	155,991	121,527

5.5.3. Research and development costs included in the result when incurred	Year ended 31/12/2022	Year ended 31/12/2021
	000'PLN	000'PLN
Research and development costs included in the result when incurred*	7,402	6,008

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

6. Operating segments

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

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

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

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

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

6.2 Segment revenue and profit or loss

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

	Revenue		Operating profit	
	Year ended 31/12/2022	Year ended 31/12/2021	Year ended 31/12/2022	Year ended 31/12/2021
	000'PLN	000'PLN	000'PLN	000'PLN
Segment 1 - Services executed in Poland, including	220,028	157,797	13,157	(10,002)
<i>revenue from external customers (FTE)</i>	137,638	95,996		
<i>revenue from external customers (fixed price)</i>	68,307	51,976		
<i>revenues from sales of administrative services</i>	6,043	4,261		
<i>intersegment revenue</i>	4,058	3,094		
<i>grant income</i>	3,872	1,588		
<i>other operating income</i>	110	882		
Segment 2 - Services executed in Croatia, including	147,914	127,533	26,770	27,653
<i>revenue from external customers (FTE)</i>	73,032	65,903		
<i>revenue from external customers (fixed price)</i>	74,716	61,196		
<i>intersegment revenue</i>	-	-		
<i>grant income</i>	-	-		
<i>other operating income</i>	166	434		
Segment 3 - Bioinformatics, including	52,274	34,895	4,848	8,434
<i>revenue from external customers (FTE)</i>	47,328	30,816		
<i>revenues for fixed price clients</i>	398	773		
<i>intersegment revenue</i>	-	-		
<i>grant income</i>	4,495	3,216		
<i>other operating income</i>	53	90		
Elimination of intersegment revenue	4,058	3,094		
Total - continuing operations	416,158	317,131	44,775	26,085

	Expenses	
	Year ended 31/12/2022	Year ended 31/12/2021
	000'PLN	000'PLN
Segment 1 - Services executed in Poland, including	206,871	167,799
amortization and depreciation	18,259	14,649
<i>costs of central administration, Management Board</i>		
<i>remuneration and selling costs</i>	34,725	27,941
<i>intersegment expenses</i>	-	6
<i>Valuation of the incentive program</i>	30,838	31,469
Segment 2 - Services executed in Croatia, including	121,144	99,880
amortization and depreciation	14,348	8,869
<i>amortization of contractor database</i>	2,873	2,791
<i>costs of central administration, Management Board</i>		
<i>remuneration and selling costs</i>	28,974	15,627
<i>intersegment expenses</i>	3,113	2,566
Segment 3 - Bioinformatics, including	47,426	26,461
amortization and depreciation	1,348	1,179
<i>costs of central administration, Management Board</i>		
<i>remuneration and selling costs</i>	14,485	5,930
<i>intersegment expenses</i>	945	522
Elimination of intersegment expenses	4,058	3,094
Total - continuing operations	371,383	291,046

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

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

6.3 Segment assets and liabilities

Segments assets	As at 31/12/2022	As at 31/12/2021
	000'PLN	000'PLN
Segment 1		
Services executed in Poland	291,913	185,640
Segment 2		
Services executed in Croatia	258,644	245,909
Segment 3		
Bioinformatics	36,091	24,374
Total segment assets	586,648	455,923
Segment liabilities		
Segment 1		
Services executed in Poland	226,242	172,537
Segment 2		
Services executed in Croatia	73,869	71,721
Segment 3		
Bioinformatics	13,376	6,111
Total segment liabilities	313,487	250,369

For purposes of monitoring segment performance and allocating resources:

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

6.4 Other segment information

	Depreciation and amortization		Fixed assets additions	
	Year ended 31/12/2022	Year ended 31/12/2021	Year ended 31/12/2022	Year ended 31/12/2021
	000'PLN	000'PLN	000'PLN	000'PLN
Segment 1				
<i>Services executed in Poland</i>	18,259	14,649	113,771	52,672
Segment 2				
<i>Services executed in Croatia</i>	17,221	11,660	24,257	14,722
Segment 3				
<i>Bioinformatics</i>	1,348	1,179	1,361	488
Total	36,828	27,488	139,389	67,882

6.5 Major customers

	Year ended 31/12/2022	Year ended 31/12/2021
	000'PLN	000'PLN
Segment 1 - Services executed in Poland		
Customer A*	*	*
Segment 2 - Services executed in Croatia		
Customer B	34,430	34,421
Customer C	23,965	21,533
Segment 3 - Bioinformatics		
Customer D	8,947	7,016
Customer E**	4,697	3,776
Total	72,039	66,746

* The customer did not exceed 10% of the segment's sales in 2021 and 2022.

** The customer did not exceed 10% of the segment's sales in 2022.

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

7. Finance cost

	Year ended 31/12/2022	Year ended 31/12/2021
	000'PLN	000'PLN
Finance cost due to financial instruments	2,246	3,651
Interest	2,228	2,490
Losses on currency differences	18	1,161
Other finance cost	2,326	1,380
Interest on leases	1,968	1,311
Other	358	69
Total finance cost	4,572	5,031

8. Income taxes on continuing operations

8.1 Income taxes presented in the statement of comprehensive income

	Year ended 31/12/2022	Year ended 31/12/2021
	000'PLN	000'PLN
Current income tax:	6,374	5,881
<i>Current income tax charge</i>	6,374	5,881
<i>Corrections relating to previous years</i>	-	-
Deferred income tax	1,225	(3,035)
Tax charge presented in the statement of comprehensive income	7,599	2,846

8.2 The effective tax rate reconciliation is as follows:

	Year ended 31/12/2022	Year ended 31/12/2021
	000'PLN	000'PLN
Gross profit before tax	40,207	21,068
Tax at the statutory tax rate applicable in Poland, 19%	7,639	4,003
Tax relief for activities in the economic zone	(1,665)	(1,547)
The tax relief for investments in Croatia	(3,089)	(2,476)
Costs of the incentive program	5,859	5,979
Subsidies costs	1,575	918
Permanent non-taxable costs (representation costs, PFRON and other NKUP costs)	375	592
Permanent non-taxable income (subsidies)	(1,575)	(917)
R&D tax relief used in the tax year	(3,797)	(683)
Change of R&D tax relief	914	(1,218)
Change of the SEZ tax relief	820	(893)
Change of the tax relief for investments in Croatia	841	(841)
Other (including 18% taxable income)	(298)	(71)
Tax at the effective tax rate	7,599	2,846

8.3 Deferred income tax

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

	As at 31/12/2022	As at 31/12/2022	As at 31/12/2022	As at 31/12/2021
	short-term 000'PLN	long-term 000'PLN	total 000'PLN	000'PLN
Deferred tax asset *	3,909	6,185	10,094	11,776
Deferred tax liability *	205	6,118	6,323	6,943
	3,704	67	3,771	4,833

* In 2022, the Group decided to change the presentation of deferred tax in relation to previous years. In deferred tax, the presentation is net by title, taking into account individual data of companies. The change in presentation changes the balances of deferred tax assets and deferred tax liabilities presented in the consolidated statement of financial position by PLN 10,669 thousand.

Basis for temporary differences – 19% deferred tax on the difference between the tax value and carrying amount of:	DTA as at	DTA as at	Change in DTA recognized in profit and loss account for the period	Change in DTA recognized in equity
	As at 31/12/2022	As at 31/12/2021	from 01/01 to 31/12/2022	from 01/01 to 31/12/2021
- fixed assets and intangible assets (excluding leases)	-	-	-	(5)
- due to SEZ	5,829	6,649	(820)	893
- settlements on business trips	-	2	(2)	2
- the tax relief for investments in Croatia	-	841	(841)	840
- trade and other receivables and liabilities (negative FX differences)	-	212	(212)	371
- payables for future reserves	1,106	663	443	251
- retirement provision	-	101	(101)	51
- bonus provision	1,396	1,233	163	299
- unused holiday provision	1,101	627	474	58
- liability under the right of use	357	230	127	299
- R&D relief to be settled in the following years	304	1,218	(914)	114
Total	10,094	11,776	(1,682)	3,173

The SEZ relief can be accounted for through 2026.

The Group has no unrecognized deferred tax asset.

8.4 Accrued R&D relief to be settled

Year ended 31/12/2022	Relief amount	Use	Possible to use	Max period of use
Year				
2021	1,218	1,218	-	2027
2022	2,667	2,363	304	2028

8.5 Deferred tax liability

Basis for temporary differences – 19% deferred tax on the difference between the tax value and carrying amount of:	DTL	DTL	Change in DTL recognized in profit and loss account for the period	Change in DTL recognized in equity
	As at 31/12/2022	As at 31/12/2021	from 01/01 to 31/12/2022	from 01/01 to 31/12/2021
- customer contracts	205	-	205	-
- trade and other payables (exchange rate differences)	-	448	(448)	(284)
- change of company value	-	233	(233)	233
- contractor databases	6,118	6,262	(144)	(502)
Total	6,323	6,943	(620)	(553)

9. Earnings per share

	Year ended 31/12/2022	Year ended 31/12/2021
	PLN	PLN
	per share	per share
Basic earnings per share:	1.7	0.8
From continuing operations	1.7	0.8
Total basic earnings per share	1.7	0.8
Diluted earnings per share:	1.7	0.8
From continuing operations	1.7	0.8
Total diluted earnings per share	1.7	0.8

9.1 Basic earnings per share

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

	Year ended 31/12/2022	Year ended 31/12/2021
	000'PLN	000'PLN
Current year profit attributable to equity holders of the parent company	30,309	14,899
Current year profit attributable to non-controlling interest	2,299	3,323
Profit used for calculation of total basic earnings per share	32,608	18,222

	Year ended 31/12/2022	Year ended 31/12/2021
	pcs	pcs
Weighted average number of ordinary shares used for calculation of earnings per share	18,355,474	18,355,474

There were no dilutive instruments in 2022 and 2021.

9.2 Dividends paid and proposed

The Management Board of the parent company is not planning to pay dividends for period from 1 January to 31 December 2022.

10. Tangible fixed assets and right of use assets

Net carrying amount	As at 31/12/2022	As at 31/12/2021
	000'PLN	000'PLN
Land	18,744	10,000
Buildings	6,673	1,820
Machinery and equipment	6,358	1,749
Vehicles	144	145
Other tangible assets (including lab equipment)	43,579	34,553
Assets under construction	85,410	13,838
Total fixed assets	160,908	62,105
Other tangible assets usage rights (including lab equipment)	54,525	36,743
Rights to use the premises	40,734	49,652
Car usage rights	1,660	1,783
Right of use assets	96,919	88,178

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

In 2022, the amount of borrowing costs in the amount of PLN 565 thousand was included in the cost of assets, while in 2021 it was PLN 130 thousand.

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

Item	Land	Buildings	Machinery and equipment	Vehicles	Other tangible assets (including lab equipment)	Assets under construction	Other tangible assets usage rights (including lab equipment)	Rights to use the premises	Car usage rights	Total
Gross value at the beginning of the period	10,000	3,234	8,480	307	57,570	13,839	50,336	64,024	2,491	210,281
Increases in gross value:	8,744	5,366	6,865	-	18,107	125,238	25,003	4,773	424	194,521
- Purchases	8,744	-	-	-	-	125,208	-	4,531	411	138,894
- Transfer from assets under construction	-	5,366	6,780	-	16,518	-	25,003	-	-	53,667
- Modification of the lease agreement	-	-	74	-	1,376	-	-	-	-	1,450
- Exchange differences from the translation of the financial statements of foreign entities	-	-	11	-	213	30	-	242	13	510
Decreases in gross value:	-	-	317	-	3,633	53,667	1,450	-	-	59,067
- Disposals	-	-	-	-	382	-	-	-	-	382
- Other - transfer to fixed assets	-	-	-	-	-	53,667	-	-	-	53,667
- Other termination of lease contracts	-	-	-	-	-	-	1,450	-	-	1,450
- Inventory clearance	-	-	317	-	3,251	-	-	-	-	3,568
Gross value at the end of the period	18,744	8,600	15,028	307	72,044	85,410	73,889	68,797	2,915	345,735
Accumulated depreciation at the beginning of the period	-	1,414	6,731	163	23,016	-	13,593	14,373	708	59,998
Increases:	-	513	2,256	-	10,458	-	7,154	13,690	547	34,618
- Depreciation charge for the period	-	513	2,188	-	9,144	-	7,154	13,690	547	33,236
- Other - transfer to fixed assets	-	-	68	-	1,314	-	-	-	-	1,382
Decreases:	-	-	317	-	5,009	-	1,383	-	-	6,709
- Other termination of lease contracts	-	-	-	-	-	-	1,383	-	-	1,383
- inventory clearance	-	-	317	-	4,627	-	-	-	-	4,944
Accumulated depreciation at the end of the period	-	1,927	8,670	163	28,465	-	19,364	28,063	1,255	87,907
Net carrying amount at the beginning of the period	10,000	1,820	1,749	144	34,554	13,839	36,743	49,651	1,783	150,283
Net carrying amount at the end of the period	18,744	6,673	6,358	144	43,579	85,410	54,525	40,734	1,660	257,828

10.2. Changes in the value of fixed assets by type in the financial period from 1 January to 31 December 2021

Item	Land	Buildings	Machinery and equipment	Vehicles	Other tangible assets (including lab equipment)	Assets under construction	Other tangible assets usage rights (including lab equipment)	Rights to use the premises	Car usage rights	Total
Gross value at the beginning of the period	10,000	3,109	5,296	163	25,172	1,630	32,997	19,031	519	97,917
Increases in gross value:	-	125	3,833	145	33,648	46,638	17,716	44,993	1,971	149,069
- Purchases	-	-	-	-	2	43,740	-	21,901	739	66,382
- Transfer from assets under construction	-	125	2,335	145	13,339	-	17,716	-	-	33,660
- Acquisition of Selvita d.o.o.	-	-	1,067	-	20,068	2,870	-	22,868	1,220	48,093
- Other - transfer to fixed assets	-	-	376	-	-	-	-	-	-	376
- Liquidation	-	-	45	-	42	-	-	-	-	87
- Exchange differences from the translation of the financial statements of foreign entities	-	-	10	-	197	28	-	224	12	471
Decreases in gross value:	-	-	650	-	1,250	34,429	376	-	-	36,705
- Disposals	-	-	650	-	1,250	769	-	-	-	2,669
- Other - transfer to fixed assets	-	-	-	-	-	33,660	376	-	-	34,036
Gross value at the end of the period	10,000	3,234	8,480	307	57,570	13,839	50,336	64,024	2,491	210,281
Accumulated depreciation at the beginning of the period	-	1,209	4,516	152	16,176	-	8,337	5,016	278	35,684
Increases:	-	205	2,215	11	6,840	-	5,613	9,357	431	24,672
- Depreciation charge for the period	-	205	1,812	11	6,798	-	5,613	9,357	431	24,227
- Liquidation	-	-	45	-	42	-	-	-	-	87
- Other - transfer to fixed assets	-	-	357	-	-	-	-	-	-	357
Decreases:	-	-	-	-	-	-	357	-	-	357
- Other - transfer to fixed assets	-	-	-	-	-	-	357	-	-	357
Accumulated depreciation at the end of the period	-	1,414	6,731	163	23,016	-	13,593	14,373	708	59,998
Net carrying amount at the beginning of the period	10,000	1,900	780	11	8,996	1,630	24,659	14,015	241	62,233
Net carrying amount at the end of the period	10,000	1,820	1,749	145	34,553	13,839	36,743	49,652	1,783	150,283

11. Goodwill

	As at 31/12/2022	As at 31/12/2021
	000'PLN	000'PLN
At cost	78,057	76,732
Accumulated impairment	-	-
	78,057	76,732

11.1 Goodwill from consolidation of subsidiaries in the current reporting period

COMPANY	Goodwill at the beginning of the period	Increase due to acquisition of company	Change in the value due to changes in foreign exchange rates	Change in value due to revaluation of estimated goodwill	Goodwill at the end of the period	Impairment allowances
Selvita Services sp. z o.o.	281	-	-	-	281	-
Selvita d.o.o.	76,452	-	1,324	-	77,776	-
Total goodwill	76,733	-	1,324	-	78,057	-

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

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

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

Price for Shares was financed with the Issuer's own funds (30%) and based on debt financing in the form of a loan (70%), which was obtained by the Issuer (Note 20.1). In the case of the adjustment relating to Fidelta's net cash and working capital, it was fully financed from the Issuer's own funds.

The closing of the Transaction, payment of the Price for the Shares and the acquisition of shares in Fidelta by Selvita took place on the date of the Share Transfer Deed, i.e. on January 4, 2021 ("Transaction Closing").

Fidelta is a leading preclinical CRO (Contract Research Organization), providing services in the field of integrated research and development projects commissioned by biotechnology and pharmaceutical companies.

In the opinion of the Management Board, this acquisition strengthened the Group's market position among the largest European CRO companies.

The transaction ensured a significant expansion of the Group's offer and portfolio of currently provided services in the field of integrated projects in the area of drug discovery and will expand its expert knowledge in new therapeutic areas, such as infectious, fibrotic and inflammatory diseases, in line with current market trends and customer demand biotechnology industry.

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

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

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

	PLN/HRK rate	Valuation of goodwill on Selvita d.o.o.
As at 04/01/2021	0.602	75,227
As at 31/12/2021	0.6118	76,452
Change in the value due to changes in foreign exchange rates		1,225

	PLN/HRK rate	Valuation of goodwill on Selvita d.o.o.
As at 31/12/2021	0.6118	76,452
As at 31/12/2022	0.6224	77,776
Change in the value due to changes in foreign exchange rates		1,324

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

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

11.2. Goodwill - impairment test

Goodwill – estimates

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

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

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

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

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

A sensitivity analysis was performed for the impairment test prepared as at December 31, 2022, consisting in the calculation of the value in use. This analysis examined the impact of the change:

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

The aim of the sensitivity analysis was to investigate what value the selected parameters of the model would have to have in order for the estimated value in use of the cash-generating units to be equal to the carrying value of Selvita d.o.o. (called "borderline" in the table). The results of the analysis as at December 31, 2022 are presented in the table below.

	The carrying amount of the center	Discount rate		Cash flow growth rate over the residual period	
	PLN	used in the model %	borderline %	used in the model %	borderline %
Selvita d.o.o.	184,775	13.5%	20.2%	2.5%	-11.5%

As indicated in the table above, the model adopted for the analysis used a discount rate of 13.5% and the growth rate for the residual period of 2.5%.

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

Selvita d.o.o.	change in the value of the discount rate (change in percentage points)				
	-2.0%	-1.0%	0%	1.0%	2.0%
Present value FCFF (in PLN)□	386,277	346,652	314,239	287,241	264,415
Surplus / Deficiency over the book value of the center (in PLN)	201,502	161,877	129,464	102,466	79,640

Selvita d.o.o.	change in the value of the growth rate (change in percentage points)				
	-2.0%	-1.0%	0%	1.0%	2.0%
Present value FCFF (in PLN)□	280,891	296,181	314,239	335,890	362,326
Surplus / Deficiency over the book value of the center (in PLN)	96,116	111,406	129,464	151,115	177,551

12. Other intangible assets

	As at 31/12/2022	As at 31/12/2021
Carrying amount		
Software - Data Warehouse	300	342
Other intangible assets	1,310	1,481
Contractor database	33,181	35,355
	34,791	37,178

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

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

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

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

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

Item	Contractor database	Other intangible assets	Total
Gross value at the beginning of the period	-	1,087	1,087
Increases in gross value:	38,146	1,665	39,811
- Purchases	-	1,501	1,501
- Acquisition of Selvita d.o.o.	37,580	164	37,744
- Transfer from assets under construction	-	-	-
- exchange differences from the translation of the financial statements of foreign entities	566	-	566
Gross value at the end of the period	38,146	2,752	40,898
Accumulated depreciation at the beginning of the period	-	460	460
Increases:	2,791	469	3,260
- Depreciation charge for the period	2,791	469	3,260
Decreases:	-	-	-
Accumulated depreciation at the end of the period	2,791	929	3,720
Net carrying amount at the beginning of the period	-	627	627
Net carrying amount at the end of the period	35,355	1,823	37,178

13. Subsidiaries

Detailed information on subsidiaries covered by consolidation is as follows:

Name of subsidiary	Core business	Place of registration and operations	Percentage interest and share in voting rights held by the Group	Percentage interest and share in voting rights held by the Group
			As at 31/12/2022	As at 31/12/2021
Selvita Services Spółka z ograniczoną odpowiedzialnością	Research and development in other natural and technical sciences	30-348 Kraków ul. Bobrzyńskiego 14	100%	100%
Selvita Inc.	Research and development in other natural and technical sciences	Delaware, USA	100%	100%
Selvita Ltd.	Research and development in other natural and technical sciences	Cambridge, UK	100%	100%
Ardigen S.A.	Research and development in other natural and technical sciences	30-394 Kraków ul. Podole 76	46.74% / 54,03%	46.67% / 53.98%
Selvita d.o.o.	Research and development in other natural and technical sciences	HR-10000 Zagreb Prilaz baruna Filipovica 29	100.00%	100.00%
Ardigen Inc.	Research and development in other natural and technical sciences	Delaware, USA	46.74% / 54,03%	46.67% / 53.98%

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

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

Name of subsidiary	Place of registration and operations	Percentage interest and share in voting rights held by the Group	Profit (loss) allocated to non-controlling interests	Cumulative value of non-controlling interest
		As at 31/12/2022	As at 31/12/2022	As at 31/12/2022

Ardigen S.A.	30-394 Kraków ul. Podole 76	46.74% / 54.03%	2,299	10,983
--------------	--------------------------------	-----------------	-------	--------

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

Ardigen S.A.	30-394 Kraków ul. Podole 76	46.67% / 53.98%	3,323	8,684
--------------	--------------------------------	-----------------	-------	-------

(i) Selvita S.A. holds a 46.74% share in Ardigen S.A. The agreement concluded between the Group and other investors gives the Group the right to appoint and dismiss majority of members of the management board of Ardigen S.A. Decisions concerning the essential activities of this company are taken by the Management Board by a simple majority of votes. On this basis, the Management Board of the Group stated that the Group has control over Ardigen S.A., which was consolidated in these financial statements.

Summary of financial information in relation to each of the Group's subsidiaries with significant non-controlling interests. The amounts shown below constitute amounts before the elimination of transactions between entities in the Group. Financial data covers the period from January 1, 2022 to December 31, 2022 and the comparative period from January 1, 2021, to December 31, 2021.

Ardigen S.A. including Ardigen Inc.	As at 31/12/2022	As at 31/12/2021
	000'PLN	000'PLN
Current assets	33,272	21,373
Fixed assets	1,644	1,434
Short term liabilities	9,999	2,841
Long-term liabilities	107	159
Capital attributed to the Parent Company	11,900	9,492
Non-controlling interest	10,983	8,684

Ardigen S.A. including Ardigen Inc.	Year ended 31/12/2022	Year ended 31/12/2021
	000'PLN	000'PLN
Sales revenue	52,755	35,387
Costs	47,605	27,968
Gross profit for the period	5,150	7,419
Net profit for the period	4,316	6,231
Net profit attributed to the Parent Company	2,017	2,908
Net profit attributed to non-controlling shareholders	2,299	3,323
Net profit for the period	4,316	6,231
Other comprehensive income attributed to the Parent Company	-	-
Other comprehensive income attributed to non-controlling	-	-
Other comprehensive income	-	-
Total income attributed to the Parent Company	2,017	2,908
Total income attributed to non-controlling shareholders	2,299	3,323
Total income	4,316	6,231
Dividend paid to non-controlling shareholders	-	-

13.2 Changes in ownership - shares in subsidiaries

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

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

13.3 Significant limitations

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

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

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

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

In view of the above, on January 17, 2023 Selvita S.A. ceased to be the parent company of Ardigen within the meaning of Art. 4 § 1 point 4 lit. a) of the Code of Commercial Companies. Thus, the Company no longer has control over Ardigen within the meaning of Art. 5-9 of the International Financial Reporting Standard 10 - Consolidated financial statements (IFRS). As a consequence, the Parent Entity will not fully consolidate the results and other financial data of Ardigen in 2023 - Ardigen S.A. will be recognized by Selvita S.A. as an associate and consolidation will be based on the equity principle.

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

14. Other financial assets

Long term other financial assets	As at	As at
	31/12/2022	31/12/2021
	000'PLN	000'PLN
Paid deposit	594	402
Bank deposit	93	-
Loans to employees	373	427
	<u>1,060</u>	<u>829</u>

The bank deposit consists of collateral deposited at Reiffeisen Bank Austria in Croatia for the issued bank guarantee for the contract for the lease of premises in Zagreb and collateral for credit cards at the disposal of employees of Selvita d.o.o.

Short term other financial assets	As at	As at
	31/12/2022	31/12/2021
	000'PLN	000'PLN
Bank deposit A	2,018	13,236
Bank deposit B	-	199
	<u>2,018</u>	<u>13,435</u>

15. Inventories

	As at	As at
	31/12/2022	31/12/2021
	000'PLN	000'PLN
Goods	7,801	1,942
Total	<u>7,801</u>	<u>1,942</u>

The Group did not recognize any impairment losses on inventories in the period presented in the consolidated financial statements. The Group purchases only such goods and materials as may be directly needed for a specific project. Materials are used for ongoing projects, therefore there is no permanent impairment of the value of the inventory, and thus no need to create a write-down.

16. Other financial assets

The table below presents the individual classes of financial assets and liabilities broken down into levels of the fair value hierarchy as at December 31, 2022. Due to the nature of these items, fair value does not differ significantly from the carrying amount.

P1 - Quotes from active markets

P2 - Significant Observable Data

P3 - Relevant data unobservable

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

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

	31/12/2021		
	carrying amount	fair value	hierarchy level
Financial assets for which fair value is disclosed:			
Trade and other receivables	54,037	54,037	P3
Other short-term financial assets	13,435	13,435	P3
Financial liabilities for which fair value is disclosed:			
Trade payables	27,358	27,358	P3
Investment liabilities	2,066	2,066	P3
Interest-bearing loans and credits, including:	92,569	92,569	P3
<i>global credit card limit</i>	469	469	P3
Current portion of interest-bearing loans and borrowings, including:	11,225	11,225	P3
<i>credit card debt</i>	91	91	P3

16.1 Other non-financial assets

	As at 31/12/2022	As at 31/12/2021
Carrying amount:	000'PLN	000'PLN
Licenses	2,651	1,489
Insurance	460	412
Equipment qualification	823	1,410
Other	354	710
Deferred expenses	812	242
	5,100	4,263

17. Trade and other receivables

	As at 31/12/2022	As at 31/12/2021
	000'PLN	000'PLN
Trade receivables	69,409	54,571
The allowance for expected credit losses	(458)	(774)
	<u>68,951</u>	<u>53,797</u>
Tax (VAT) receivables	26,316	8,492
Other – receivables from employees, security deposits	496	241
Grants due	3,039	3,086
	<u>98,802</u>	<u>65,616</u>

17.1 Trade receivables and contract assets with customers

In regards to trade receivables and contract assets with customers, the Group estimated the expected credit loss as at 31 December 2022 on the basis of a provision matrix defined based on historical data concerning credit losses. It was recognised that receivables and contract assets with customers of particular customers are characterised by a similar level of risk, they were not divided into groups.

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

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

	Year ended		
	31/12/2022		
	Balance of unpaid receivables and contract assets as at the balance sheet date	The rate of expected credit losses (adjusted)	The amount of the allowance for expected credit losses
Overdue	71,338	0%	26
1-30 days after the deadline	8,400	0%	10
31-60 days after the deadline	2,897	1%	15
61-90 days after the deadline	554	0%	2
91-180 days after the deadline	863	4%	31
181-365 days after the deadline	200	6%	12
More than 365 days after the deadline	361	100%	361
Total	<u>84,613</u>		<u>458</u>

	Year ended 31/12/2021		
	Balance of unpaid receivables and contract assets as at the balance sheet date	The rate of expected credit losses (adjusted)	The amount of the allowance for expected credit losses
Overdue	47,108	0%	18
1-30 days after the deadline	3,863	0%	6
31-60 days after the deadline	1,480	2%	36
61-90 days after the deadline	429	74%	318
91-180 days after the deadline	156	1%	2
181-365 days after the deadline	8	6%	-
More than 365 days after the deadline	394	100%	394
Total	53,438		774

The average payment date of trade receivables from January 1, 2022 to December 31, 2022 is 46 days and from January 1, 2021 to December 31, 2021 was 39 days. A new customer's creditworthiness is analysed prior to the entry into a relevant contract. Due to its business profile, the Group cooperates with entities that are known in the industry, which also affects their creditworthiness. The payment terms are set in the offers made to contracting parties.

The allowance for expected credit losses

	Year ended 31/12/2022	Period ended 31/12/2021
	000'PLN	000'PLN
Balance at the beginning of the period	774	165
Acquisition of Selvita d.o.o.	-	492
The allowance for expected credit losses	-	520
Reversal of the allowance for expected credit losses	(316)	(403)
Balance at the end of the period	458	774

18. Leases

18.1. The Group as a lessee

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

Some leases include options to extend or terminate the lease. The Group also concludes contracts for an indefinite period. The management board makes a judgment to determine the period over which it can be assumed with reasonable certainty that such contracts will continue (see note 3.8).

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

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

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

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

Period ended 31/12/2021	Buildings and premises	Equipment	Vehicles	Total
As at 1 January 2021	14,015	24,659	241	38,915
Purchases (new lease agreements)	22,125	17,716	752	40,593
Changes in lease agreements	-	(19)	-	(19)
Increases due to the acquisition of Selvita d.o.o.	22,868	-	1,220	24,088
Depreciation	(9,357)	(5,613)	(430)	(15,400)
As at 31 December 2021	49,651	36,743	1,783	88,177

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

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

The carrying amounts of leasing liabilities and their changes during the period from 1 January 2021 to 31 December 2021:

	2021		Total
	Leases for buildings, premises and vehicles	Leasing of machinery and equipment	
As at 1 January	15,204	26,045	41,249
Increases due to the acquisition of Selvita d.o.o.	24,089	-	24,089
New leases and lease modifications	22,876	17,697	40,573
Revaluation (foreign exchange differences)	529	2,102	2,631
Interests	758	553	1,311
Payments	(10,115)	(12,130)	(22,245)
As at 31 December	53,341	34,267	87,608
Short-term	13,433	10,144	23,577
Long-term	39,908	24,123	64,031

The maturity analysis of leasing liabilities is presented in Note 23.8 Liquidity risk.

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

	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Cost of depreciation of right-of-use assets	(14,237)	(9,787)
Interest costs on lease liabilities	(1,039)	(758)
Costs of negative exchange differences due to balance sheet valuation of lease liabilities	179	(529)
The total amount recognized in the consolidated income statement / statement of comprehensive income	(15,097)	(11,074)

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

	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Depreciation of leased assets	(7,154)	(5,613)
Interest expense on lease liabilities	(929)	(553)
Costs of negative exchange differences due to balance sheet valuation of lease liabilities	(312)	(2,102)
The total amount recognized in the consolidated income statement / statement of comprehensive income	(8,395)	(8,268)

19. Share capital

	As at 31/12/2022	As at 31/12/2021
	000'PLN	000'PLN
Registered share capital	14,684	14,684
	14,684	14,684

19.1 Share capital as at the end of the reporting period

	As at 31/12/2022	As at 31/12/2021
	000'PLN	000'PLN
Number of shares	18,355,474	18,355,474
Par value per share	0.80	0.80
Share capital	14,684	14,684

Share capital structure as at 31 December 2022

Series / issue	Type of shares (ordinary / registered)	Type of preference	Number of shares	Par value of series / issue
Registered "A" shares		2 votes / 1 share	3,482,000	2,785,600
Ordinary "A" shares		none	568,000	454,400
Ordinary "B" shares		none	11,921,229	9,536,983
Ordinary "C" shares		none	2,384,245	1,907,396
Total			18,355,474	14,684,379

Share capital structure as at 31 December 2021

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

Shareholder structure

As at 31 December 2022

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

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

As at 31 December 2021

Shareholder	Number of shares	Percentage	
		interest in share capital	share of voting rights
Paweł Przewięźlikowski	3,880,663	21.14%	32.94%
Nationale Nederlanden PTE S.A.	1,901,000	10.36%	8.48%
Bogusław Sieczkowski	942,417	5.13%	6.66%
AVIVA Investors TFI	1,133,009	6.17%	5.06%
Tadeusz Wesołowski (with z Augebit FIZ)	1,132,713	6.17%	5.06%
Other shareholders (less than 5% of votes at the General Meeting)	9,365,672	51.03%	41.80%
Total	18,355,474	100.00%	100.00%

19.2. Own shares

	As at	As at	As at	As at
	31/12/2022	31/12/2022	31/12/2021	31/12/2021
	pcs	000'PLN	pcs	000'PLN
Own shares under the Incentive Program	3,381	0	1,779	0
Total	3,381	0	1,779	0

As at 31 December 2022, the Company holds own shares resulting from the implementation of the Incentive Scheme (see note 28). In the light of paragraph 33 of IAS 32, taking into account that the acquisition cost of these shares was PLN 0 (received free of charge by the Company as a gift from Mr Paweł Przewięźlikowski), their value as at each balance sheet date is PLN 0.

19.3 Reserve capitals

	As at	As at
	31/12/2022	31/12/2021
	000'PLN	000'PLN
Payments for the transfer of shares to employees	237	237
Other - incentive program 2021-2024	62,307	31,469
Total Other Reserve Capitals	62,544	31,706

In 2021, the Company started the implementation of the incentive program in place in the years 2021-2024. Detailed information is disclosed in note 28.

19.4 Reserve capital

	As at	As at
	31/12/2022	31/12/2021
	000'PLN	000'PLN
Share premium	86,448	86,448
Reserve capital created from purchase of OPE	22,994	22,994
Total Reserve Capital	109,442	109,442

Reserve capital is constituted by :

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

20. Credit facilities and loans

	As at 31/12/2022	As at 31/12/2021
	000'PLN	000'PLN
Uncollateralized:		
Used credit card limits	138	91
	138	91
Collateralized:		
Bank loans (i), including:	119,629	92,100
<i>acquisition loan</i>	81,923	92,100
<i>construction loan</i>	37,706	-
Finance lease liabilities (ii)	6,084	-
	125,713	92,100
Total:		
	125,851	92,191
Current liabilities	16,763	11,225
Non-current liabilities	109,088	80,966

20.1 Loan agreements

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

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

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

The acquisition loan is secured by:

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

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

As at December 31, 2022 and December 31, 2021, the acquisition loan was disbursed, and the construction loan was disbursed in 2022.

Pursuant to the provisions of the loan agreement regarding the above loans, the Group is required to meet the following conditions:

- net debt to EBITDA ratio (without the impact of IFRS 16) cannot be higher than 350%,
- the ratio of cash flows from operating activities to net financial costs, excluding IFRS 16 ("DSCR"), may not be lower than 140%,
- the sum of the achieved EBITDA values (without the impact of IFRS 16) of the Group companies that are guarantors is not to be lower than 75% of the total EBITDA value (without the impact of IFRS 16) of the entire Group.

In the reporting periods of 2022 and 2021, the Group met the financial conditions for debt (see Note 23.1.2 for more information).

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

21. Trade and other liabilities

	As at 31/12/2022	As at 31/12/2021
	000'PLN	000'PLN
Trade liabilities	40,108	27,905
Liabilities due to taxes, insurance (social security, personal income tax, PFRON)	10,501	5,500
Current tax liabilities	2,493	2,762
Liabilities due to salaries and wages and other liabilities to employees	1,779	1,519
Other non-financial liabilities	148	28
	55,029	37,714
<i>- short-term</i>		
Trade and other liabilities	49,185	31,331
Contract liabilities with customers	3,351	3,621
Current tax liabilities	2,493	2,762

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

22. Liabilities due to retirement benefits

Item	Provisions for retirement benefits as of 31/12/2022	Provisions for retirement benefits as of 31/12/2021
Provisions at the beginning of the period	530	260
Increase due to:	-	352
- reserves acquired as part of the acquisition of Selvita d.o.o.	-	352
- provisions recognized in profit and loss account in current period	-	-
Decrease in reserves:	291	82
- provisions reversed during the period recognised in profit or loss	291	82
Provisions at the end of the period, including:	239	530
- long-term	239	530
- short-term	-	-

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

	31 December 2022	31 December 2021
Discount rate (%)	6.85	3.64
Expected inflation rate (%)	3.50	1.50
Employee turnover rate (%)	10.20	11.00
Expected long-term wage growth rate (%)	3.50	1.50
Average remaining employment period (years)	28	28

23. Financial instruments

23.1 Capital risk management

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

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

The key items analysed by the Company are:

- cash and cash equivalents, as disclosed in Note 26
- equity, including reserve capitals and retained earnings, as disclosed in Note 19.

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

23.1.1 Net debt to equity ratio

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

	As at 31/12/2022	As at 31/12/2021
	000'PLN	000'PLN
Debt (i)	311,750	250,369
Cash and cash equivalents	74,157	83,550
Net debt	237,593	166,819
Equity (ii)	273,161	205,554
Net debt to equity	0.87	0.81

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

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

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

23.1.1 Covenants in the loan agreements

During the reporting period, the Group met the restrictive conditions in the loan agreements described in Note 20.1. As at December 31, 2022, the net debt to EBITDA ratio (without the impact of IFRS 16) was 100% (60% as at December 31, 2021), the DSCR ratio was 320% (360% as at December 31, 2021), the share of guarantors accounted for 78% of the Group's EBITDA (without the impact of IFRS 16) as at December 31, 2022 (80% as at December 31, 2021).

23.2 Categories of financial instruments

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

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

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

Each risk has been presented in the following notes.

	As at 31/12/2022	As at 31/12/2021
	000'PLN	000'PLN
Financial assets		
Financial instruments measured at amortized cost method:	149,225	154,697
Cash (Note 26)	74,157	83,550
Other long-term assets - deposits (Note 14)	1,060	829
Trade and other receivables (Note 17)	71,990	56,883
Bank deposit (Note 14)	2,018	13,236
Bank deposit (Nota 14)	-	199
Financial liabilities		
Financial instruments measured at amortized cost method:	253,073	207,704
Interest bearing credit facilities and loans (Note 20)	125,851	92,191
Finance lease liabilities (Note 17)	87,114	87,608
Trade and other liabilities (Note 21)	40,108	27,905

23.3 Financial risk management objectives

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

23.4 Market risk

The Group's activities expose it to currency risk (see Note 23.5) and interest rate risk (see Note 23.6). The Group does not use any derivative instruments for purposes of currency or interest rate risk management as natural hedges are sufficient to minimize the risk it is exposed to.

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

23.5 Foreign currency risk management

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

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

	Liabilities	Liabilities	Assets	Assets
	As at 31/12/2022	As at 31/12/2021	As at 31/12/2022	As at 31/12/2021
	000'PLN	000'PLN	000'PLN	000'PLN
EUR	175,435	178,709	65,609	89,918
USD	1,463	1,418	36,540	26,436
Other	154	335	9,976	4,865

23.5.1 Sensitivity to currency risk

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

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

		Effect of EUR		Effect of USD	
		Period ended 31/12/2022	Period ended 31/12/2021 (for 12 months)	Period ended 31/12/2022	Period ended 31/12/2021 (for 12 months)
		000'PLN	000'PLN	000'PLN	000'PLN
ASSETS					
Exchange rate increase	15%	9,841	13,488	5,481	3,965
Exchange rate increase	10%	6,561	8,992	3,654	2,644
Exchange rate increase	5%	3,280	4,496	1,827	1,322
Exchange rate decrease	-5%	(3,280)	(4,496)	(1,827)	(1,322)
Exchange rate decrease	-10%	(6,561)	(8,992)	(3,654)	(2,644)
Exchange rate decrease	-15%	(9,841)	(13,488)	(5,481)	(3,965)
LIABILITIES					
Exchange rate increase	15%	26,315	26,806	219	213
Exchange rate increase	10%	17,544	17,871	146	142
Exchange rate increase	5%	8,772	8,935	73	71
Exchange rate decrease	-5%	(8,772)	(8,935)	(73)	(71)
Exchange rate decrease	-10%	(17,544)	(17,871)	(146)	(142)
Exchange rate decrease	-15%	(26,315)	(26,806)	(219)	(213)
EFFECT ON PROFIT					
Exchange rate increase	15%	(16,474)	(13,319)	5,262	3,753
Exchange rate increase	10%	(10,983)	(8,879)	3,508	2,502
Exchange rate increase	5%	(5,491)	(4,439)	1,754	1,251
Exchange rate decrease	-5%	5,491	4,439	(1,754)	(1,251)
Exchange rate decrease	-10%	10,983	8,879	(3,508)	(2,502)
Exchange rate decrease	-15%	16,474	13,319	(5,262)	(3,753)

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

23.6 Interest rate risk management

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

23.6.1 Sensitivity to changes in interest rates

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

In the current and previous financial period, the vast majority of lease contracts were signed in EUR. In the analysis of the hypothetical impact of changes in interest rates on the balance of liabilities as at the balance sheet date, a fluctuation of 50 basis points was assumed, without taking into account the impact of restrictive clauses on negative interest rates.

In the case of an acquisition bank loan whose currency is EUR, the Group estimated the impact of a possible change in the interest rate also by 50 basis points. As in the case of leasing agreements, the analysis of the hypothetical impact of changes in interest rates on the bank loan was assumed to fluctuate at the level of 50 basis points, without taking into account the impact of restrictive clauses on negative interest rates.

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

	Increase/ decrease by percentage points	Impact on gross profit or loss (for 12 months)
Period ended 31/12/2022		
PLN		
Bank loan (EUR)		
Change in the interest rate	+0,5%	(410)
Change in the interest rate	-0,5%	410
Bank loan (PLN)		
Change in the interest rate	+0,5%	(189)
Change in the interest rate	-0,5%	189
Leasing (EUR)		
Change in the interest rate	+0,5%	(421)
Change in the interest rate	-0,5%	421
Leasing (other currencies)		
Change in the interest rate	+0,5%	(15)
Change in the interest rate	-0,5%	15
Leaseback liability (EUR)		
Change in the interest rate	+0,5%	(29)
Change in the interest rate	-0,5%	29
Leaseback liability (other currencies)		
Change in the interest rate	+0,5%	(1)
Change in the interest rate	-0,5%	1
Total impact		
Change in the interest rate	+0,5%	(1,065)
Change in the interest rate	-0,5%	1,065

23.7 Credit risk management

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

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

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

Credit risk related to liquid assets is limited as the Group's contracting parties are banks with a high credit rating assigned by international rating agencies. Data on receivables as at the balance sheet date can be found in Note 17 and data on the contract assets are provided in Note 5.3.

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

Bank name	As at 31/12/2022	As at 31/12/2021	Rating	Perpective
	000'PLN	000'PLN		
Bank A	529	1,834	BBB ip	stable
Bank B	10,559	7,054	BBB+	stable
Bank C	5,670	7,050	A- ip.	stable
Bank D	5,000	5,000	BBB ip.	stable
Bank E	80	346	BBB ip.	stable
Bank F	10,726	6,385	B	stable
Bank G	18,245	37,774	A- ip.	stable
Bank H	1,484	4,181	A- ip.	stable
Bank I	21,726	13,835	A2	stable
	74,019	83,459		

23.8 Liquidity risk management

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

	As at 31/12/2022	As at 31/12/2021
Financial assets (+)	148,165	153,868
Receivables (including trade receivables of disposal groups)	71,990	56,883
Cash	74,157	83,550
Other financial assets	2,018	13,435
Financial liabilities (-)	253,073	207,704
Interest bearing credit facilities and loans	125,851	92,191
Finance lease liabilities	87,114	87,608
Trade liabilities	40,108	27,905
Exposure to liquidity risk	(104,908)	(53,836)

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

Type of liability	Current:				Non-current:			Liabilities - carrying amount
	Not due as at 31/12/2022	Within 3 months	3-12 months	Total current liabilities	1-5 years	Over 5 years	Total non-current liabilities	
Interest bearing credit facilities and loans	-	4,191	12,572	16,763	77,043	32,045	109,088	125,851
Finance lease liabilities	-	6,089	18,612	24,701	46,716	15,697	62,413	87,114
Trade liabilities	35,633	4,128	347	40,108	-	-	-	40,108
Total	35,633	14,408	31,531	81,572	123,759	47,742	171,500	253,073

0

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

Type of liability	Current:				Non-current:			Liabilities - carrying amount
	Not due as at 31/12/2021	Within 3 months	3-12 months	Total current liabilities	1-5 years	Over 5 years	Total non-current liabilities	
Interest bearing credit facilities and loans	-	2,875	8,350	11,225	44,536	36,431	80,967	92,192
Finance lease liabilities	-	5,894	17,683	23,577	38,413	25,618	64,031	87,608
Trade liabilities	25,509	1,948	448	27,905	-	-	-	27,905
Total	25,509	10,717	26,481	62,707	82,949	62,049	144,998	207,705

23.8.1 Available external sources of funding

	As at 31/12/2022	As at 31/12/2021
	000'PLN	000'PLN
Collateralized overdraft facilities:		
Amount utilized	138	91
Amount available	331	378
	469	469
Collateralized investment facilities		
Amount utilized	125,713	92,100
Amount available	27,294	65,000
	153,007	157,100

24. Accrued costs and deferred income

24.1 Accrued costs

	As at 31/12/2022	As at 31/12/2021
	000'PLN	000'PLN
Accrual for holidays	5,796	4,589
Accrual for bonuses	12,435	12,171
Accrued rebates for clients	5,823	5,725
	24,054	22,485
Short-term	24,054	22,485
Long-term	-	-

24.2 Deferred income

	As at 31/12/2022	As at 31/12/2021
	000'PLN	000'PLN
Grants (i) revenue recognition according to IAS 20	11,845	2,650
Advances on services	1,295	247
	13,140	2,897
Short-term	2,120	855
Long-term	11,020	2,043
	13,140	2,898

(i) Grants include payments received resulting from subsidy contracts signed. The expected period of settlement of the funds in the subsidy in the Group's revenues is approximately 10 years.

25. Related party transactions

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

25.1 Commercial transactions

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

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

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

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

Binding type:

POA - personal relationship through shares held by the Shareholder

PORN - personal connection by a Member of the Supervisory Board

POZ - personal connection through a Member of the Management Board

	The type of association	Sales of goods and services	Sales of goods and services	Purchases of goods and services	Purchases of goods and services
		Year ended 31/12/2022	Year ended 31/12/2021	Year ended 31/12/2022	Year ended 31/12/2021
		000'PLN	000'PLN	000'PLN	000'PLN
Ryvu Therapeutics S.A.	POA	8,465	6,280	3,687	2,092
H&H Investment Sp. z o.o.	POZ	3	2	827	634
MAMIKOM Łukasz Nowak	POZ	8	7	912	654
Dawid Radziszewski	POZ	5	4	297	190
VIRTUS Bogusław Sieczkowski	POZ	-	-	-	181
Michał Warchoł	POZ	2	1	49	265
ALTIUM Piotr Romanowski	PORN	-	-	92	8
Chabasiewicz, Kowalska i Partnerzy Radcowie Prawni	PORN	-	-	83	-
		8,483	6,294	5,947	4,024

Balances at the end of the reporting period:

	The type of association	Amounts due from related parties	Amounts due from related parties	Amounts due to related parties	Amounts due to related parties
		As at 31/12/2022	As at 31/12/2021	As at 31/12/2022	As at 31/12/2021
		000'PLN	000'PLN	000'PLN	000'PLN
Ryvu Therapeutics S.A.	POA	4,632	1,812	323	816
H&H Investment Sp. z o.o.	POZ	-	-	39	121
MAMIKOM Łukasz Nowak	POZ	-	-	-	31
VIRTUS Bogusław Sieczkowski	POZ	-	-	-	21
Dawid Radziszewski	POZ	2	1	31	18
Michał Warchoł	POZ	-	-	-	25
ALTIUM Piotr Romanowski	PORN	-	-	-	7
Chabasiewicz, Kowalska i Partnerzy Radcowie Prawni	PORN	-	2	22	-
		4,634	1,815	415	1,039

25.2 Executive compensation

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

	Year ended 31/12/2022			Year ended
	Share-based payment	Salary	Total	31/12/2021
	000'PLN	000'PLN	000'PLN	000'PLN
Management Board	1,913	8,136	10,050	7,353
Bogusław Sieczkowski	639	1,373	2,012	1,142
Miłosz Gruca	488	1,278	1,766	1,197
Mirosława Zydrón	458	808	1,266	1,003
Edyta Jaworska	0	22	22	945
Dariusz Kurdas	152	683	835	689
Dawid Radziszewski	177	543	720	701
Janusz Homa	0	24	24	24
Kaja Milanowska-Zabel	0	391	391	292
Nowak Łukasz	0	24	24	24
Michał Warchoń	0	24	24	94
Agnieszka Blum	0	136	136	0
Adrijana Vinter	0	2,151	2,151	840
Marija Gradečak Galović	0	678	678	402
Supervisory Board	0	454	454	289
Piotr Romanowski	0	71	71	46
Tadeusz Wesołowski	0	62	62	41
Paweł Przewięźlikowski	0	84	84	53
Rafał Chwast	0	55	55	38
Wojciech Chabasiewicz	0	55	55	38
Jacek Osowski	0	54	54	37
Krzysztof Brzózka	0	24	24	12
Bogusław Sieczkowski	0	24	24	12
Tomasz Piętka	0	24	24	12
	1,913	8,590	10,504	7,642

26. Cash and cash equivalents

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

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

	As at 31/12/2022	As at 31/12/2021
	000'PLN	000'PLN
Cash in hand and at bank	74,157	83,550
Credit card limit usage	(138)	(91)
	74,019	83,459

As at 31/12/2022, the restricted cash amounted to 000'PLN 2,100 (31.12.2021: 000'PLN 2,810).

27. Average headcount in the Group

	Year ended 31/12/2022	Period ended 31/12/2021
White collar employees	889	752
Blue collar employees	-	-
Total headcount	889	752

28. Share-based payments

28.1 Employee incentive program

28.1.1 Detailed description of the incentive program based on subscription warrants

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

Purpose of the Program

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

- i) ensuring optimal conditions for the long-term increase in the value of the Company by creating a general employee shareholding structure;
- ii) creating an incentive that will motivate employees to act even more actively in the interest of the Company and its shareholders, and encourage them to stay in a long-term relationship with the Company;
- iii) building a modern organization in which the increase in the value of the Company will translate directly into the increase in the wealth of the employees and associates of the Company.

Recognition of the 'donation' transaction from the Shareholder - founder of the Program.

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

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

The fair value of the options granted is determined as at the grant date and recognized over the vesting period in remuneration costs in correspondence with the increase in equity at the time of vesting by employees during the program period.

Summary of data about the program:

Date of granting the program ("grant date") Phase I of the program (90% of the pot)	17/05/2021
Date of granting the program ("grant date") Phase II of the program (5% of the pot)	29/03/2022
The maturity date of the program	28/03/2025
Number of shares in the program	1,247,720
Expected number of shares after taking into account employee turnover ratio and available data as at December 31, 2022:	1,031,095

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

In case of I Phase of program:

• option exercise date:

09.07.2021 for 650 shares;

09.07.2022 for 481.091 shares;

09.07.2023 for 482.303 shares;

09.07.2024 for 11.328 shares.

• option exercise price: PLN 0.19;

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

• continuous dividend rate: 0%

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

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

In case of II Phase of program:

• option exercise date:

28.03.2023 for 18.574 shares;

28.03.2024 for 18.574 shares;

28.03.2025 for 18.574 shares;

• option exercise price: PLN 0.19;

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

• continuous dividend rate: 0%

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

• coefficient of variation: 45% - obtained as a standard deviation from a sample of logarithmic changes in historical prices of shares listed on the WSE in the period from October 16, 2019 to the valuation date.

As at 31 December 2022 the weighted average period remaining until the end of the contractual duration is 6 months.

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

Tranche number	Number of shares	Date of purchase of the shares	2021	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2022	2023	2024	2025	Total impact
Tranche no 1	650	09/07/2021	46	-	-	-	-	-	-	-	-	46
Tranche no 2	481,091	09/07/2022	20,153	7,035	7,113	703	(937)	13,914	-	-	-	34,067
Tranche no 3	482,303	09/07/2023	11,039	3,853	3,896	3,939	3,387	15,075	8,042	-	-	34,156
Tranche no 4	11,328	09/07/2024	230	76	77	78	(39)	192	250	131	-	803
Tranche no 5	18,574	28/03/2023	-	7	297	300	300	904	287	-	-	1,191
Tranche no 6	18,574	28/03/2024	-	3	149	150	150	452	596	144	-	1,192
Tranche no 7	18,574	28/03/2025	-	2	99	100	100	301	397	398	95	1,191
Total	1,031,095		31,469	10,976	11,631	5,270	2,961	30,838	9,572	673	95	72,647

The valuation of the program, in terms of shares currently issued to employees as at December 31, 2022, showed its total estimated cost at PLN 72,647 thousand, which is recognized in the Group's costs from the second quarter of 2021 until the first quarter of 2025. Impact of the program on the result of the reporting period is PLN 30,838 thousand and this amount reduces the gross result, net result and operating profit in 2022. The estimated impact for the following years is as follows:

- 2023: PLN 9,572 thousand,
- 2024: PLN 673 thousand,
- 2025: PLN 95 thousand.

28.1.4 The recognized costs of the incentive program:

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

	Year ended 31/12/2022	Year ended 31/12/2021
Program costs recognized at fair value	30,838	31,469
	30,838	31,469

29. Capital commitments

	As at 31/12/2022	As at 31/12/2021
	000'PLN	000'PLN
Commitments to purchase property, plant and equipment	9,687	3,407

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

30. Contingent liabilities and assets

30.1 Contingent liabilities

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

They comprise:

- bills of exchange liabilities - covering the amount of co-financing granted with interest in the amount specified as for tax arrears calculated from the date of transfer of funds to the account until the date of return. In the period covered by the report, the amount of PLN 17,375 thousand was credited to the bank accounts for co-financing. As at the balance sheet date, December 31, 2022, the total sum of funds received from the subsidy amounts to PLN 37,573 thousand.

As a result of obtaining a permit to conduct business activity in the special economic zone, Krakowski Park Technologiczny Selvita Services Sp. z o.o. is obliged to incur capital expenditure in the amount of at least PLN 7,320 thousand and to create 150 new jobs by December 2023. By December 31, 2022, PLN 10,547 thousand of the income tax relief was used for operations in the Special Economic Zone.

Selvita d.o.o. granted bank guarantees for the total value of PLN 6,224 thousand. The guarantees concern newly rented laboratory space in Zagreb.

31. Notes on the consolidated statement of cash flow

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

Items	Year ended 31/12/2022	Year ended 31/12/2021
	000'PLN	000'PLN
The change in trade receivables and other receivables results from the following items:	(38,071)	(16,388)
- change in receivables resulting from the purchase of Selvita d.o.o.	-	23,035
- change in receivables resulting from the balance sheet	(38,071)	(39,423)
The change in inventory results from the following items:	(5,859)	289
- change in inventory resulting from the purchase of Selvita d.o.o.	-	-
- change in inventory resulting from the balance sheet	(5,859)	289
The change in liabilities, except for loans and borrowings, results from the following items:	17,328	14,657
- change in liabilities resulting from the purchase of Selvita d.o.o.	-	(11,087)
- change in investment liabilities	(8,854)	(2,066)
- change in liabilities due to payments for corporate taxes	8,867	1,304
- change in liabilities resulting from the balance sheet	17,315	26,506
Change in deferred income results from the following items:	11,811	5,609
- change in deferred income resulting from the purchase of Selvita d.o.o.	-	(10,829)
- change in deferred income resulting from the balance sheet	11,811	16,438
The change in provisions results from the following items:	(911)	13,028
- change in provisions resulting from the purchase of Selvita d.o.o.	-	(384)
- change in provisions resulting from the balance sheet	(911)	13,412
The change in other assets results from the following items:	(8,535)	(12,282)
- change in other assets resulting from the purchase of Selvita d.o.o.	-	1,018
- change in other assets resulting from the balance sheet	845	(13,300)
- proceeds from subsidies to fixed asset	(10,376)	-
- return of subsidy to fixed assets	996	-
Change in credits and loans:	(11,296)	(9,173)
- change in credits and loans resulting from the balance sheet	33,660	92,187
- exchange differences arising from the valuation of credits and loans	(7,112)	441
- proceeds from credits and loans	(37,844)	(101,801)

32. Significant events of the reporting period

War in Ukraine

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

33. Approval of the financial statements

The consolidated financial statements were approved by the management board of the parent company on 28 March, 2023.

Prepared by: Elżbieta Kokoć

Signatures of Members of the Management Board:

Bogusław Sieczkowski - President of the Board

Miłosz Gruca - Vice-President of the Board

Mirosława Zydroń - Member of the Board

Dariusz Kurdas - Member of the Board

Dawid Radziszewski - Member of the Board

Adrijana Vinter - Member of the Board

Cracow, 28 March 2023

CONTACT



INVESTOR RELATIONSHIP

ir@selvita.com



MEDIA

media@selvita.com

